



## CAK DECISION ON THE PROPOSED ACQUISITION OF 55.8% SHAREHOLDING IN MAISHA MICROFINANCE BANK KENYA LIMITED BY CACTUS CANTINA INVESTMENTS LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of 55.8% shareholding in Maisha Microfinance Bank Kenya Limited by Cactus Cantina Investments Limited unconditionally.
2. Cactus Cantina Investment Limited, the acquiring undertaking, is incorporated in Kenya. It is an investment company that has interest in the finance sector.
3. Maisha Microfinance Bank Limited, the target undertaking, is a deposit-taking microfinance bank licensed by the Central Bank of Kenya. Maisha is controlled by Kamu Limited.
4. The proposed transaction, involves the acquisition of 55.8% shareholding in Maisha by Cactus. The transaction therefore, qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
5. The parties' combined and relevant assets for the preceding year was over **Ksh. 1 billion**. **The transaction, therefore, met the threshold for mandatory notification and full merger analysis as provided for in the Competition (General) Rules, 2019.**
6. During analysis of the proposed transaction, it was noted that there are no overlaps in the parties' activities. Therefore, for purposes of analyzing the transaction, the **relevant product market** was determined as the market for provision of microfinance banking services. The parties offer their services across the country and, therefore, the **relevant geographic market** was determined as national.
7. The market share of microfinance banks is determined through a weighted composite index comprising assets, deposits, capital, number of active deposit accounts and active loan accounts.



8. Microfinance banks are classified into three categories namely large, medium and small. A bank is categorized as large if its market share is 5% and above while a medium-ranked bank has a market share of 1-5%. Small bank control less than 1% of the market.
9. As at 31<sup>st</sup> December, 2021 there were three (3) large microfinance banks with an aggregate market share of 80.2%, six (6) medium microfinance banks with a combined market share of 18.9% and five (5) small microfinance banks with an combined market share of 0.9%.
10. The large category players in this market are Faulu MFB, Kenya Women MFB and Rafiki MFB holding a total of 80.2% market share. The medium category consists of SMEP MFB, Maisha MFB, Caritas MFB, Sumac MFB and U& I MFB with a market share of 18.9%. The small category consists of Key MFB, Uwezo MFB, Muungano MFB, Century MFB, Daraja MFB, and Choice MFB controlling 0.9% market share.
11. During merger analysis, the Authority considers the impact that the proposed transaction will have on competition in the specific market/sector and whether it raises any public interest concerns. **Thereafter, the Authority may approve the transaction with conditions, approve without conditions, or reject it.**
12. Post-merger, there will be no change in the market structure and concentration since the parties' commercial activities do not overlap. Therefore, the transaction is unlikely to lead to a substantial lessening of competition in the relevant market or raise any competition concerns. Additionally, the merged entity will continue to face competition from the other microfinance institutions in the market with over 90% market share.
13. The public interest concerns considerations during merger analysis include;
  - i. extent to which a proposed merger would impact employment opportunities;
  - ii. impact on competitiveness of small and medium enterprises (SMEs);
  - iii. impact on particular industries/sectors; and
  - iv. impact on the ability of national industries to compete in international markets.
14. As per the parties' submissions, this transaction will not negatively affect employment. It is envisaged that the merger will result in a net gain on employment. Therefore, if approved, this transaction will not occasion negative public interest concerns.



15. Premised on the above, the Competition Authority of Kenya has approved the proposed acquisition of 55.8% shareholding in Maisha Microfinance Bank Kenya Limited by Cactus Cantina Investments Limited unconditionally.