



**CAK DECISION ON THE PROPOSED ACQUISITION OF 51.00% OF ALL ISSUED
ORDINARY SHARES OF SMEP MICROFINANCE BANK PUBLIC LIMITED BY
HOPE ADVANCEMENT INC.**

1. The Competition Authority of Kenya has approved the acquisition of 51% of all issued ordinary shares of SMEP Microfinance Bank Public Limited by Hope Advancement Inc. unconditionally.
2. The approval has been granted based on the finding that the transaction is unlikely to negatively impact competition concerns nor elicit negative public interest concerns, the two key considerations during merger analysis.
3. Hope Advancement Inc., the acquirer, is a wholly-owned subsidiary of Hope International, a charitable entity registered in the United States of America. Hope Advancement is involved in various activities include holding, developing & managing investments in micro-enterprise development organizations.
4. The target entity, SMEP Microfinance Bank Public Limited, is a public company incorporated in Kenya. SMEP offers financial services with a focus on group, SME & church banking.
5. The proposed transaction, involves the acquisition of 51% of all issued ordinary shares of SMEP Microfinance Bank Public Limited by Hope Advancement Inc. The transaction, therefore, qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010. The Act stipulates that a merger, or takeover, may



occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares, vertical integration.

6. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the transaction. The transaction met this threshold for mandatory notification and full analysis as provided in the [Competition \(General\) Rules, 2019](#).
7. In order to assess the impact a transaction will have on competition in a specific market, the Authority determines the relevant product market and the relevant geographic market as part of the merger analysis process.
8. The **relevant product market comprises products/services that are interchangeable or substitutable by the consumer** due to characteristics, prices and/or intended use. Based on this criteria, and the fact that the transacting parties activities do not overlap, the relevant product market for the proposed transaction was determined as the **market for provision of microfinance banking (MFB) services**.
9. Determination of the relevant geographic market involves interrogating the marketplace within which the parties to a merger transaction are involved in supplying their goods or services and in which the competition conditions are similar. With regard to this transaction, SMEP offer its services across the country and, therefore, **the relevant geographic market was determined as national**.

10. Subsequently, the Authority reviews the undertakings' (pre- and post-merger) business performance within the relevant product and geographic market in order to understand their current competitiveness as well as any positive or negative outcomes **(structure or concentration of the market)** that may result from the transaction.
11. The market shares of microfinance institutions is based on a weighted composite index that considers the entity's assets, deposits, capital, number of active deposit accounts, and active loan accounts. The resultant classification places these banks into three peer groups; large (5% and above), medium (between 1% and 5%), and small (less than 1%).
12. SMEP is classified as a MFB (4.9% market share). The top players in the sector are Faulu MFB (40.2%), Kenya Women MFB (33.5%), and Rafiki MFB (7.2%). The three institutions control a total of 80.2% market share. In the medium category, SMEP peers are Maisha MFB, Caritas MFB, Sumac MFB, and U&I MFB which collectively control a market share of 18.9%. Lastly, the small category consists of Key MFB, Uwezo MFB, Muungano MFB, Century MFB, Daraja MFB, and Choice MFB which in total control 0.9% of the market.
13. Post-merger, there will be no change in the market structure and concentration since the parties' activities do not overlap. **Therefore, the transaction is unlikely to lead to a substantial lessening of competition in the relevant market or raise competition concerns.** Additionally, the merged entity will continue to face competition from the other microfinance institutions controlling over 95% of the market.



14. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically-inclined concepts that, when considered, protect the welfare of the Public. Per the Competition Act, some of the public interest considerations are;

- a) extent to which a proposed merger would impact employment opportunities;
- b) impact on competitiveness of SMEs;
- c) impact on particular industries/sectors; and
- d) impact on the ability of national industries to compete in international markets

15. As per the parties' submissions, the Authority is of the view that this **proposed transaction is unlikely to lead to negative public interest concerns**. Specifically, the proposed transaction is not envisaged to result in any employee redundancies.

16. Premised on the foregoing, the Competition Authority of Kenya approved the proposed acquisition of 51% of all issued ordinary shares of SMEP Microfinance Bank Public Limited by Hope Advancement Inc. unconditionally.