CAK DECISION ON THE PROPOSED ACQUISITION OF 100% SHARES IN KOPO KOPO INC. BY MONIEPOINT INC.

1. The Competition Authority of Kenya has approved the proposed acquisition of 100% shares in Kopo Kopo Inc. by Moniepoint Inc. unconditionally.

2. This approval has been granted based on the two key considerations during the merger analysis that; first, the transaction is unlikely to negatively impact competition in the market for digital credit; and second, the transaction will not elicit negative public interest concerns.

3. **Moniepoint Inc.,** is a company incorporated in United States of America. It does not control any undertaking in Kenya but has subsidiaries in Nigeria (Teamapt Limited and Moniepoint Microfinance Bank) and the United Kingdom. Given that Moniepoint does not have current operations in Kenya, the firm had no turnover or assets in the preceding year to lodging the merger application (2022)**.**

4. **Kopo Kopo Inc.,** is a company incorporated in United States of America. It has operations in Kenya under the brand Kopo Kopo Inc. (Kenya Branch). The firm provides digital financial services including unsecured short-term loan facilities to small and medium-sized enterprises in Kenya.

5. The proposed transaction involves the acquisition of 100% shares in Kopo Kopo Inc. by Moniepoint Inc. The transaction, therefore, qualified as a merger pursuant to sections 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 before implementing the proposed transaction. The transaction between Kopo Kopo Inc. and Moniepoint Inc met this threshold for mandatory notification to the Authority and full analysis as provided in the Competition (General) Rules, 2019.

7. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market.**

8. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criteria, the relevant product market for the proposed transaction is the **market for digital credit.**

9. Determination of the **relevant geographic market** involves interrogating the markets where the merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, the target offers its services through online platforms that are accessible across Kenya. Therefore, the **geographical market is National.**

10. In Kenya, the proliferation of mobile-based banking and lending platforms has provided unbanked populations with access to financial services and increased financial inclusion by over 50%; according to a study by Geopoll. Digital lending has provided Kenyans with easier access to loans of various amounts. Access and usage of digital credit have grown tremendously over the years owing to the widespread uptake of digital financial services, including mobile phone financial services. The CBK has licensed 32 Digital Credit Providers (DCPs) to operate in Kenya since 2021.

11. According to the Digital Financial Services Association of Kenya, a member organization incorporated in 2019 bringing together the leading digital-first loan providers and associated stakeholders, digital credit services have improved access to loans and helped bridge the gap between Kenyans who have formal bank accounts and those without or whose incomes are not stable enough to borrow from formal financial institutions.

12. The Authority's Digital Credit Market Inquiry conducted in 2021 revealed that the market is diverse in terms of number of providers, but most consumers primarily use one of the three M-PESA affiliated loan products: M-Shwari, KCB-MPESA and Fuliza. The market shares based on individual use per provider are shown in **Table 1 below.**

Table 1: Market shares of Digital Credit Providers, Kenya

No.	Name	Market share (%)
1.	M-Shwari	34
2.	Fuliza	25
3.	KCB-MPESA	15
4.	Tala	13
5.	Branch	9
6.	Others	4

Source: The Competition Authority of Kenya Digital Credit Market Inquiry Report, 2021

13. As noted above, there are 32 licensed DCPs in Kenya. The target entity is ranked among 'others' with a combine market share of 4%. Based on the foregoing, the market structure will not change post-merger, since the acquirer is not involved in the same business activity as the target in Kenya. In addition, the merged entity will increase competition in the market for digital credit that is dominated by a few player**s**.

14. One criterion for assessing impact of a merger transaction on competition is the post-merger market share of the undertakings, the merged entity. With regard to the proposed merger, the target entity is ranked among firms with a combined market share of 4%. The market structure therefore, will not change post-merger since the acquirer is not involved in the same business activity in Kenya, as the target. In addition, the merged entity will increase competition in the market for digital credit which is dominated by a few players. Premised on this, **the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for the provision of digital credit.**

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

   a) the 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.

16. As per the parties' submissions, this transaction will not elicit negative public interest concerns, specifically regarding employment. The target's ninety-eight (98) employees will retain their employment under the same terms. The acquirer intends to create a network of distribution associates who will be responsible for customer acquisition and relationship management which will more likely lead to the creation of new jobs.

17. Premised on the above, the Authority approved the proposed acquisition of 100% shares in Kopo Kopo Inc. by Moniepoint Inc. unconditionally.