



Press release
For immediate release

SACCOs have the potential to play a bigger role for Kenya's remittance inflows, but regulatory and operational challenges stand in the way, the study finds

Nairobi, Kenya – Thursday 17th October, 2024 – A new report reveals the untapped potential of SACCOs in enhancing financial inclusion and economic growth through international remittances, particularly in rural and underserved areas.

The study, titled ***The role of SACCOs as international remittance providers in Kenya***, was conducted to uncover the challenges and opportunities within the SACCO remittances landscape, particularly in rural communities, and to highlight the potential for SACCOs to enhance inclusive finance. It reveals that while remittances to Kenya reached USD 4.19 billion in 2023, SACCOs direct participation is limited due to regulatory and operational challenges.

Conducted by Financial Sector Deepening Kenya (FSD Kenya) and the Sacco Societies Regulatory Authority (SASRA), sponsored by the International Fund for Agricultural Development (IFAD), the study analyses the demand, supply, and regulatory landscape of remittances in Kenya, focusing on the current and potential role of SACCOs.

Methodology

The study covered an analysis of demand side, supply side, and regulatory diagnostics. A total of 110 respondents from Kenyans in the diaspora and households remittance receivers were interviewed for the demand-side. On the supply side and regulatory diagnostics, 140 regulated SACCOs participated in an online survey, with 36 engaging in follow-up interviews. The research also involved 21 Financial Service Providers (FSPs), 3 regulatory bodies, and 5 government agencies.

Summary of findings

1. **Untapped potential:** Although many Kenyans abroad are SACCO members, they often rely on other channels for sending remittances due to limitations in SACCOs' service offerings and a lack of awareness about their potential role.
2. **Regulatory barriers:** Current regulations, particularly regarding foreign exchange and non-participation in the national payment system, pose significant challenges for SACCOs to directly handle international remittances.
3. **Operational gaps:** Some SACCOs lack the technological infrastructure and specialised expertise required to effectively facilitate international remittance flows.
4. **Demand for expanded services:** There is demand among both diaspora senders and domestic recipients for SACCOs to offer more direct and diverse remittance-linked products and services.

To address these challenges, the report proposes two strategic pathways for integrating SACCOs into Kenya's remittance market:

Strategy 1 focuses on enhancing existing partnerships between SACCOs and established Remittance Service Providers (Banks, MFIs, Money Transfer Organisations). This approach would enable SACCOs to expand their remittance services within the current regulatory framework.

Strategy 2 calls for the deeper regulatory reforms among which the establishment of a SACCO shared services platform, such as the planned SACCO Central. This centralised platform would provide the necessary infrastructure and regulatory framework for SACCOs to collectively participate in the remittance market, enabling greater efficiency and reach.

Summary of recommendations

The report underscores the need for collaborative action among SACCOs, policymakers, regulators, and development partners to overcome the identified challenges. Key recommendations include:

1. **Regulatory reforms:** Policymakers and regulators should review and revise existing regulations to facilitate SACCOs' direct participation in the remittance market.
2. **Capacity building:** SACCOs require assistance in creating essential strategies, implementing payment technologies, developing financial literacy programs, and recruiting specialised personnel to efficiently manage international remittances.
3. **Product innovation:** SACCOs have the opportunity to prioritise development of innovative and tailored remittance-linked products and services, such as diaspora savings accounts and remittance-backed loans, to cater to the evolving needs of senders and recipients.
4. **Awareness creation:** Targeted awareness campaigns would be crucial in educating both senders and recipients about the benefits and opportunities of using SACCOs for remittance services.

Peter Njuguna, EBS, Chief Executive Officer, SASRA

"Thanks to IFAD and FSD Kenya in supporting this study which provides a documented justification for SACCOs to play in this space of international remittances. SACCOs already serve a large portion of the unbanked population, positioning them in ensuring that remittances reach individuals who might otherwise lack access to formal banking systems. This promotes financial inclusion and allow more Kenyans to benefit from diaspora remittances for education, healthcare, and business development."

Ms. Mariatu Kamara, IFAD Representative and Country Director, Kenya

"Thanks to IFAD's PRIME Africa support, FSD Kenya and SASRA carried out this critical study on the role of SACCOs in the Kenyan international remittance market. As the initial evidence showcases, there is a demand to enhance access and use of remittances in rural areas through partnerships, innovation, and policy engagement. Such an effort will help rural households' resilience and livelihood."

Tamara Cook, Chief executive officer, FSD Kenya

"Insights from the study show the role that SACCOs can play in enhancing access to, and the usefulness of financial services by extending remittance services to underserved areas, particularly in rural Kenya. SACCOs have long been trusted institutions within their communities, offering tailored financial products. Now, as potential facilitators of remittances, they can help channel vital funds from Kenyans in the diaspora directly to their family and friends at home. By working with other stakeholders in addressing key regulatory and operational challenges, and building on their strong community presence, SACCOs can make remittance flows more accessible, affordable, and impactful for millions of Kenyans."

Notes to editors:

About FSD Kenya

Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy while improving financial health and capability for women and micro and small enterprises (MSEs). We work closely with the public sector, the financial services industry, and other partners to develop financial solutions that better address the real-world challenges that low-income households, micro and small enterprises, and underserved groups such as women and youth face. [More details about FSD Kenya.](#)

About Savings and Credit Cooperative Societies Regulatory Authority (SASRA)

The Sacco Societies Regulatory Authority (SASRA) is a government agency established under the Sacco Societies Act of 2008 to regulate and supervise deposit-taking Saccos in Kenya. SASRA's mandate is to ensure that Saccos operate within the law and provide a safe, sound, and stable financial system that benefits Sacco members and the broader economy.

International Fund for Agricultural Development (IFAD)

[The International Fund for Agricultural Development \(IFAD\)](#) is a specialised agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries. IFAD has extensive experience in promoting climate adaptation and resilience for smallholders, green financing in agriculture and rural youth employment.

The IFAD's US\$70 million multi-donor [Financing Facility for Remittances \(FFR\)](#) aims to maximize the impact of remittances on development and promote diaspora engagement in migrants' countries of origin.

The study was conducted by FSD Kenya under the PRIME Africa programme, funded by the European Commission (EC) and with the contributions of Sida, Spain and Luxembourg. The study aims to evaluate how Savings and Credit Cooperative Organizations (SACCOs) can facilitate remittances, particularly to rural populations.

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