



The role of SACCOs as international remittance providers in Kenya



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September 2024

About 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.

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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.

This 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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List of acronyms

AML/CFT/CPF	Anti Money Laundering and Counter Financing of Terrorism and Proliferation of Weapons of Mass Destruction
API	Application Protocol Interface
BOSA	Back Office Service Activities
CAK	Competition Authority of Kenya
CBK	Central Bank of Kenya
CFT	Combating the Financing of Terrorism
CMA	Capital Markets Authority
CSD	Central Securities Depository
DGF	Deposit Guarantee Fund
DT	Deposit Taking
ESAAMLG	Eastern and Southern Anti Money Laundering Group
FATF	Financial Action Task Force
FGDs	Focus Group Discussions
FOSA	Front Office Service Activities
FRC	Financial Reporting Center
FSD	Financial Sector Deepening
FSP	Financial Service Provider
FX	Foreign Exchange
GDP	Gross Domestic Product
IDs	In-depth Interviews
IFAD	International Fund for Agricultural Development
IMTOs	International Money Transfer Operator
IRA	Insurance Regulatory Authority
KII	Key Informant Interviews
KNBS	Kenya National Bureau of Statistics
KYC	Know Your Customer
MFIs	Micro Finance Institutions
MMPs	Mobile Money Providers
MNOs	Mobile Network Operators
MRP	Money Remittance Provider
MTOs	Money Transfer Operators
NPS	National Payment System
NWDT	Non-Withdrawal Deposit Taking
POCAMLA	Proceeds of Crime and Anti-Money Laundering Act
PSPs	Payment Service Providers
RBA	Retirement Benefits Authority

RSPs	Remittance Service Providers
SACCO	Savings and Credit Cooperatives
SASRA	Sacco Societies Regulatory Authority
SDDA	State Department for Diaspora Affairs
SDIP	State Department for Investments Promotion
SDGs	Sustainable Development Goals
USD	United states Dollar
USSD	Unstructured Supplementary Service Data

Executive summary

Remittances are a crucial part of Kenya's economy, surpassing traditional foreign exchange sources like tourism and agricultural exports. In 2023, inward remittances to Kenya amounted to USD 4.19 billion, highlighting the growing significance of this financial flow in maintaining the country's economic stability and fostering growth.

Globally, and particularly in east Africa, SACCOs (Savings and Credit Cooperative Organisations) play a vital role in providing financial services. SACCOs benefit from deep community connections, extensive rural networks, and a strong commitment to member welfare. They offer flexible savings and loan options, allowing members to access financial services tailored to their needs and capacity.

In 2023, Kenya had 357 regulated SACCOs serving 6.8 million members out of an adult population of 34.5 million. The 174 deposit-taking SACCOs (DT SACCOs) reach 6.3 million members, while 183 non-deposit-taking SACCOs (NW-DT SACCOs) have over 500,000 members. These institutions are instrumental in promoting financial inclusion, especially for underserved populations who are often excluded from formal financial services.

Currently, SACCOs in Kenya are not licensed to offer remittance services. Considering the significance of remittances to the Kenyan economy and the increasing inflows and outflows, this research explores the demand, supply, and regulatory landscape to determine whether SACCOs are interested in providing remittance services directly, whether the current framework is adequate, and what regulatory obstacles and potential solutions exist.

This report presents findings from interviews with SACCOs and their members and interaction with regulators and remittance service providers. The insights and recommendations are intended to guide Kenyan regulatory authorities, including the Central Bank of Kenya and SACCO Societies Regulatory Authority (SASRA), on whether to integrate SACCOs into the country's remittance market, while identifying the best strategies for doing so. Additionally, the report highlights opportunities for partnerships for Kenya's SACCOs and other private sector actors. Given the global role of SACCOs in providing financial services to underserved communities, this report may also prove valuable to regulators in other countries considering the inclusion of SACCOs in the

remittance space. The primary audience includes the donor community, relevant stakeholders, and local practitioners from both the public and private sectors involved in remittances, diaspora investment, and regulatory authorities.

The research surveyed 140 SACCOs in Kenya, revealing that nearly a quarter currently offer remittance services, and of these, one-third are developing products tailored for the diaspora. SACCOs extend remittance services indirectly through partnerships with licensed commercial banks (about 70% of the total) or as sub-agents to licensed international money transfer operators. Whilst these models work operationally, the SACCOs reported that the arrangements lack revenue-generating terms and, in some cases, the SACCOs incur losses in offering these services.

Two-thirds of non-participating SACCOs have expressed interest in offering remittance services, presenting a key opportunity to provide regulatory, strategic, and operational support for broader reach and more favourable business models. However, these SACCOs face several challenges, including the lack of compelling business cases, limited knowledge of the remittance market, regulatory hurdles, perceived risks, and the absence of suitable technology partners.

Diaspora SACCO members actively send remittances home for various purposes, such as family support, investments for themselves and their families, and payments for utilities like school fees. However, most of these members do not use SACCOs to remit funds. While SACCOs have a presence in this space, remittance flows between senders and SACCOs are largely facilitated by other financial service providers (FSPs), primarily banks, money transfer operators, and mobile money services. This represents a missed opportunity for SACCOs to serve their own members more directly, as they are not widely recognised as remittance providers. Furthermore, SACCO accounts are often perceived as long-term savings vehicles rather than current accounts suited for frequent cash-in, cash-out transactions.

Respondents' expressed optimism that SACCOs could play a more direct role in the remittance value chain, particularly in facilitating diaspora investments in real estate in Kenya. Offering direct remittance services through SACCOs would provide greater convenience for senders and recipients who are SACCO members and could be commercially beneficial for SACCOs,

even if it does not significantly reduce costs for senders. To seize this opportunity, respondents emphasised the need for SACCOs to:

- 1) Prioritise the development of strong digital platforms
- 2) Form strategic partnerships
- 3) Rebuild trust, and
- 4) Enhance operational efficiency to better serve and engage their diaspora members.

Government and regulatory entities acknowledged the potential for SACCOs to play a more significant role in the remittance ecosystem. These include, beyond remittance services, other services addressing recipients needs such as: remittance-linked savings, credit and insurance products but also diaspora investment needs - including the acceptance of diaspora principals and premiums paid through foreign currencies, and county-based special economic zones for diaspora investors. SACCOs can leverage these opportunities and partner with these government entities to be at the forefront of sustainable remittances.

The current regulatory framework presents the most significant barrier for SACCOS to directly offer

remittance services. Key regulations such as handling forex, requirement to be a limited company, lack of direct participation in the national payment system and deposit-taking restrictions for money remittance providers, among others, restrict SACCOs in their current form.

In response to this, the authors present two potential pathways for integrating SACCOs into Kenya's remittance value chain and a series of recommendations:

- 1. Maintain the current regulatory framework:** SACCOs would focus on improving strategic and operational processes, renegotiating better terms with their partners. This would help them reduce risks and regulatory burdens without requiring significant investments.
- 2. Leverage the SACCO Shared Services Platform:** This proposed platform would allow SACCOs to participate in remittances through a collective commercial model, requiring regulatory changes. It would provide a more structured approach for SACCOs to gradually increase revenues and address current challenges.

Introduction

Remittances have emerged as a critical component of Kenya’s economy, surpassing traditional foreign exchange earners such as tourism and agricultural exports. In 2023, inward remittances to Kenya reached USD 4.19 billion, underscoring the growing importance of this financial flow to the country’s economic stability and growth. These remittances not only provide essential support to many Kenyan families but also contribute significantly to the nation’s GDP, foreign exchange reserves, and overall economic development.

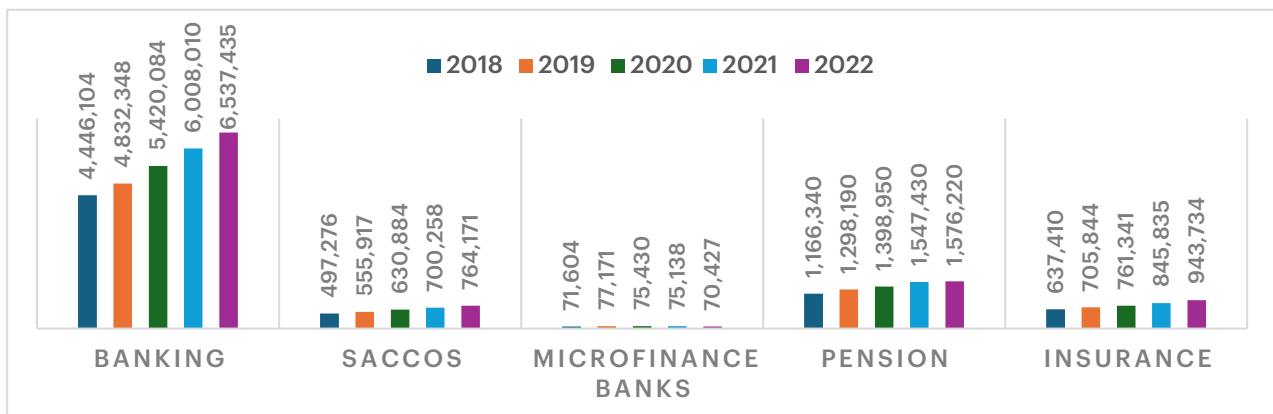
As the remittance landscape evolves, driven by technological advancements and changing consumer preferences, there is a pressing need to examine the role that various financial institutions can play in enhancing the efficiency, accessibility, and impact of these vital financial flows. Among these institutions, Savings and Credit Cooperative Societies (SACCOs) stand out as potentially transformative players in the remittance ecosystem.

Savings and Credit Societies (SACCOs)

SACCOs have made significant contributions to Kenya’s financial sector, leveraging their strong connections to local communities, extensive networks that reach rural areas, and steadfast commitment to member welfare. The cooperative movement has been active in Kenya since 1908, but financial cooperatives were first registered in the early 1970s.¹

The Kenya Financial Sector Stability report highlights these contributions and indicates that an expanding asset base and stable funding, backed by rising core capital and liquidity ratios, enhance SACCOs’ capacity to manage existing and emerging risks while continuing to provide loans to their members.²

Figure 1: Financial sector participants in Kenya (2022) by total assets (Kshs million)



Source: Kenya Financial Sector Stability Report 2023

1 Kenya | Coops4dev.coop. (n.d.). ICA. <https://coops4dev.coop/en/4devafrica/kenya#:~:text=History,toppercent20marketpercent20theirpercent20dairypercent20products>.

2 CBK (2022). Kenya Financial Sector Stability Report. https://www.centralbank.go.ke/uploads/financial_sector_stability/138465995_Kenyapercent20Financialpercent20Sectorpercent20Stabilitypercent20Reportpercent202022.pdf

SACCOs regulated by SASRA are classified into two categories: Deposit Taking (DT) SACCOs, which operate 619 branches with Front Office Services

Activities (FOSAs) and a membership of 6.31 million, and Non-Withdrawal Deposit Taking (NW-DT) SACCOs with 7 branches and 524,776 members.³

Figure 2: SASRA regulated SACCOs outlook



Source: SASRA Annual Report 2023

The regulatory framework for SACCOs is managed by two government agencies: SASRA and the Ministry of Cooperatives and Micro, Small and Medium Enterprises Development. SASRA oversees SACCOs with share deposits of at least KShs 100 million (approximately USD 777,000), while the Ministry of Cooperatives regulates non-deposit-taking SACCOs with savings below this threshold.

SACCOs play a key role in promoting financial inclusion and serving the underserved segments of the population, particularly those traditionally excluded from formal financial services, such as Mama Mbogas (vegetable vendors), Boda Boda riders, small-scale farmers, and jua kali (informal sector) workers. sacco distribution networks are concentrated in rural and underserved areas.

“Ours is a community-based Sacco [...], we have the advantage of being inclusive especially to small businesses [...], we are able to impress them because they are our main customers.”
 Female respondent, women’s SACCO.

In response to financial service gaps, SACCOs provide flexible savings options and loan terms, enabling members to save and borrow small amounts. Some SACCOs offer group loans or guarantees for those without collateral. Many have shifted from closed, employment-based memberships to open common bonds to reach individuals in the informal sector.

SACCOs offer Back Office Savings Accounts (BOSAs) and Front Office Savings Accounts (FOSAs), with the latter providing more extensive services. Their products include savings, loans, investments, insurance, and mobile banking, tailored to meet diverse member needs, with annual dividends paid to all members based on the SACCO’s financial performance. Remittances are offered on a small scale through limited commercial models, mainly in partnership with banks, mobile money providers, and as agents for International Money Transfer Operators (IMTOs).

Despite their potential, SACCOs encounter challenges such as technological advancements, governance issues, financial constraints, regulatory and compliance burdens. To overcome these obstacles, they are adopting technology, improving governance, restructuring loans, and diversifying their business offerings.

3 SACCO Supervision Annual Report, 2023 – SACCO SOCIETIES REGULATORY AUTHORITY (SASRA). (n.d.). <https://www.sasra.go.ke/download/sacco-supervision-annual-report-2023/>

In this context, The International Fund for Agricultural Development (IFAD)-the Platform for Remittances, Investments, and Migrants' Entrepreneurship programme PRIME Africa-Financial Sector Deepening Kenya (FSD Kenya) and Savings and Credit Cooperative Societies Regulatory Authority (SASRA) conducted a comprehensive situational market study.

The aim of this study is to map the extent of current SACCOs' involvement in international remittances and outline regulatory and market gaps that constrain wider participation of SACCOs in the international remittance value chain.

Overall objective

The overall objective was to assess current and potential opportunities for SACCOs to expand their role in delivering inclusive remittance solutions especially in the rural areas.

Specific objectives

- i. Situational analysis: A demand and supply side analysis to understand the current position, underlying dynamics, opportunities, market gaps and prospective constraints to current and future participation of SACCOs as remittance providers. This analysis will outline the role played by SACCOs outlining the business models that have facilitated the current state of remittances.
- ii. Regulatory diagnostic: A detailed and comprehensive policy, legal and regulatory review of the remittances landscape in Kenya to determine SACCOs current position in line with these regulations.
- iii. Knowledge management: Dissemination of research findings to relevant stakeholders to inform market, commercial and policy

decisions, including for the design and implementation of the proposed SACCO shared platform.

Methodology

The study covered an analysis of demand side, supply side, and regulatory diagnostics. A total of 110 respondents from nine diaspora inbound corridors and receivers from seven counties in Kenya were interviewed for the demand-side assessment. 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), three regulatory bodies, and five government agencies. The detailed methodology can be found in Annex 1.

Report structure

This report is structured into four chapters as follows:

- Introduction
- Chapter 1: Demand side findings
- Chapter 2: Supply side findings
- Chapter 3: Regulatory diagnostic
- Chapter 4: Quantifying the SACCO international remittance opportunity
- Chapter 5: Conclusions and recommendations
- Annexes
 - Annex 1: Methodology and study limitations
 - Annex 2: Consulted stakeholders
 - Annex 3: Comparisons between demand side respondents
 - Annex 4: SACCO case studies- Stima SACCO, Thamani and Tower SACCOs

Chapter 1: Demand side findings

1.1 Remittance patterns

Remittances were primarily sent for purposes of family support, including consumption, school fees, and healthcare. In addition to supporting their families, senders used remittances for personal or family investments such as land purchases, construction of residential and commercial properties, farming, and small businesses.

“ I think my first reason is family support. Family is the number one.”
Male SACCO Respondent-Australia

SACCO senders did not primarily use SACCOs for sending or receiving funds, describing such services as “very rare.” SACCOs were not typically recognised as providers of remittance services. However, there was interest in these services for convenience and emergency transfers. As demonstrated below, SACCO diaspora senders mostly remitted regular contributions, loan repayments, and investments via SACCOs. Those who used alternative methods mainly sent for family support (as family members were unlikely to be in the same SACCO), personal and family investments, utility payments, and school fees. As a result, the majority of receivers did not receive remittances via SACCOs.

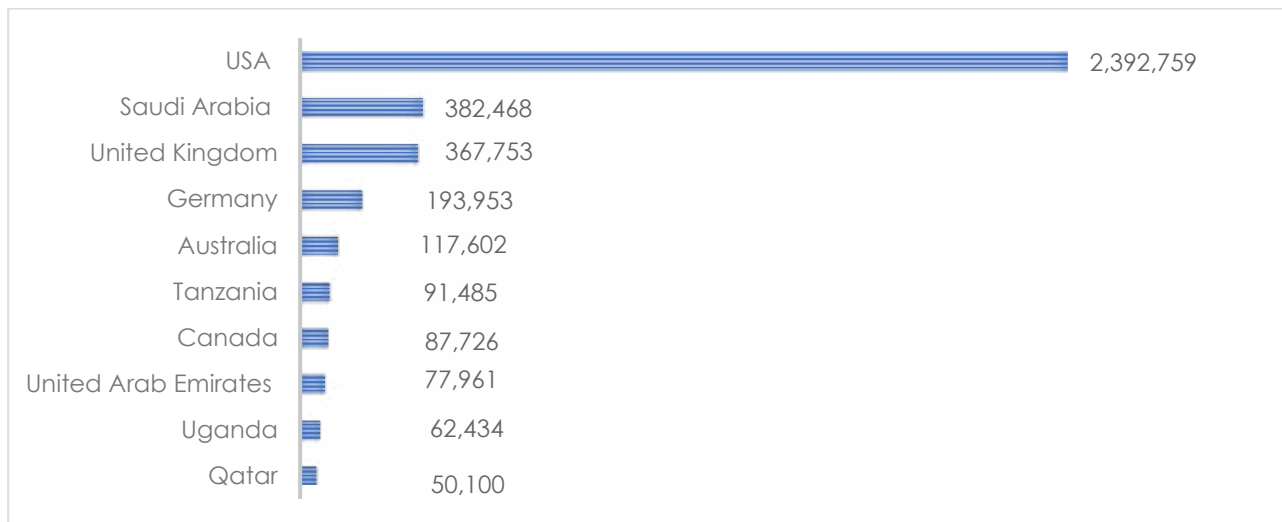
Figure 3: Sender and receiver patterns.

Sender/receiver	Category	Purpose
Diaspora sender	SACCO member sending via SACCO	SACCO regular personal contributions, personal and family SACCO investment, utility payments.
	SACCO member not sending via SACCO	Family support, personal and family investments, personal and family utility payments
	Non-SACCO member	
Receiver in Kenya	Receiver via SACCO	Sender for self, limited for family support
	Receiver non-SACCO	Family support, personal and family investments, personal and family utility payments

Gulf countries are steadily emerging as key recipient corridors: According to recent Central Bank of Kenya’s (CBK) remittance inflows data, the Gulf countries- Saudi Arabia, United Arab Emirates and Qatar are emerging as top send countries. This

is in addition to the USA, United Kingdom, Germany, Australia, and neighbouring Tanzania and Uganda, which have often featured as top sending corridors.

Figure 4: Remittance inflow values April 2023-May 2024 (USD '000')



Source: CBK 2024

The study findings reflect a similar pattern, with recipients receiving remittances mainly from Qatar, the USA, Germany, Saudi Arabia, China, Uganda, Tanzania, Australia, Lebanon, South Africa, and Canada. The increase in remittances from Gulf countries is attributed to increasing migration to these countries, mostly by low-skilled labourers, in part due to bilateral labour agreements the Government of Kenya (GoK) has with these countries.⁴

Banks, mobile money, and money transfer operators were the most prevalent methods of sending funds, although these varied according to the source country. **Mobile money was the preferred receiving channel** due to the convenience and speed of transfer. Despite higher costs and slower speeds, banks were preferred when transfer values exceeded mobile money transaction and daily limits of KShs 250,000 (USD 2,000) and KShs 500,000 (USD 4,000) respectively, as required by CBK.⁵

Some senders expressed willingness to consider direct remittance services from SACCOs, provided there were incentives, trust-building measures, and tailored offerings for the diaspora.

“Of course. Because right now for me to deposit money in my SACCO, I always have to send my sister money and then she does it through M-Pesa.”

Male respondent-Australia

“So far, the way I know when sending money to my (SACCO) account is the money transfer way. (Using established remittance service providers)... it almost feels that there is no other option.”

Female respondent-Australia

Remittances were found to have a specific duration and purpose, and often came to a halt when the intended sending purposes were met. Respondents mentioned increased family responsibilities, job loss, or relocation to countries with weaker exchange rates as some reasons for ceasing to send remittances.

4 Government of Kenya. (2023). [Report on Labor Migrations. Kenya study visit to the Middle East and Policy Implications.](#)

5 Central Bank of Kenya. Press Release (2023). (https://www.centralbank.go.ke/uploads/press_releases/823121420_Presspercent20Releasepercent20Increasepercent20inpercent20Mobilepercent20Moneypercent20Transactionpercent20andpercent20Wallet-percent20Limits.pdf)

Exchange rate fluctuations and inflation were cited to have significantly impacted the volume, value and frequency of remittances sent. Kenya's national currency has been under pressure since 2022, depreciating over time against major international and regional currencies into 2023.⁶

Respondents' purposes for joining SACCOs were mainly due to favourable loan interest rates and opportunities to save, earn interest, and dividends. Favourable lending terms and conditions emerged as key drivers for senders joining and staying in SACCOs. Other benefits included consistent savings and facilitating investments, particularly in real estate.

"The loan is three times what my savings are. That would be a booster for whatever I would want to do. The interest rates in a SACCO are not as high as the ones in a bank."

Male respondent-Finland

Trust emerged as a critical component in the flow of personal remittances, especially where receivers were managing senders' investment projects such as real estate, agriculture, or providing guardianship for their school-going children. Senders cited challenges with trusting recipients as well as difficulties in monitoring projects from the diaspora. Some preferred to conduct due diligence and monitor investments individually when they visited the country, as opposed to entrusting others to manage such investments. Some recipients admitted to diverting funds for personal expenses or financial emergencies, while some senders acknowledged being victims of the same.

"The budget kept shifting throughout the course of the project... I used to feel cheated by somebody you have to trust who is now betraying you... but the good thing is that the project will always be done at the end of the day. That is the only comforting thing."

Female respondent-Austria

Unfavourable perceptions of SACCOs persist due to incidences of fraud, mismanagement, and loss of funds. SACCO non-members expressed fear, lack of trust, and concerns about the safety of their money, lengthy processes, and inconvenience when it comes to SACCOs handling remittances. They shared negative experiences, such as difficulty in withdrawing money, high deductions, and fraudulent practices.

SACCO members pointed to challenges like high share capital requirements, difficulty in selling shares, low dividends, and unfriendly loan repayment processes. Senders on the other hand expressed concerns about the stability, trustworthiness, and efficiency of SACCOs, particularly regarding recent financial scandals and the need for improved policies and management.

The unfavourable perceptions directly impacted respondents' views on SACCOs' suitability to provide remittance services. Respondents outlined various challenges and limitations of SACCOs, such as being outside the regulatory ambit of CBK, limited international presence, and lengthy processes that would constrain remittance flows.

A significant knowledge gap exists in distinguishing licensed SACCOs from unauthorised and fraudulent services. There was a clear knowledge gap on how to identify regulated SACCOs. Unauthorised providers branded themselves as SACCOs to defraud customers; examples were identified in Kisii and Eldoret. SASRA issued a notice to address this issue.

6 Central Bank of Kenya (2023). Kenya Financial Sector Stability Report. https://www.centralbank.go.ke/uploads/financial_sector_stability/138465995_Kenyapercent20Financialpercent20Sectorpercent20Stabilitypercent20Reportpercent202022.pdf

Box 1: SASRA notice for fraudulent financial providers posing as SACCOs.

“The Authority also notes with concern a continuing trend by members of the public undertaking regulated SACCO business with entities fraudulently styling themselves as SACCOs, while they are neither licensed and/or authorised to undertake the regulated SACCO business. Many Kenyans have ended up losing their hard-earned savings to such fraudsters, and consequently the Authority calls upon members of the public, including private and public enterprises to cease and desist from undertaking any regulated SACCO business with any entity unless such entity is either licensed or authorised by the Authority.....and will publish in the Kenya Gazette and national newspapers the list of licensed and authorized SACCOs in the month of January of every year, and at the same time maintains such a list on its website www.sasra.go.ke throughout the year for ease of reference by the public”.

(SASRA 2022)

Respondents acknowledged that SACCOs have the potential to play a crucial role in enabling diaspora investments, particularly in real estate and land acquisition. They recognised the benefits of SACCO membership, such as access to loans, savings opportunities, and the potential for investments. While SACCOs currently do not facilitate direct remittances for most respondents, there is clear interest in such a service citing convenience as a major advantage.

Partnerships across key remittance stakeholders were viewed as a way to expand SACCOs’ reach in remittances. Diaspora respondents proposed partnerships between their SACCOs and local banks, diaspora entities, insurance companies, real estate agents, or other SACCOs to facilitate remittances and offer additional benefits. Recipients suggested partnerships with financial providers, diaspora organisations, remittance service providers, and the government to create awareness and facilitate solutions like utility payment, investment products, and education.

“*SACCOs should have a way of notifying us on transactions taking place in our accounts. The same way if you have a bank account and money enters your account you will be able to be notified directly through your phone.*”

Demand Side Respondent, Eldoret

Investment advice was sought from personal networks, with limited knowledge of existing investment bodies. Investment advice on topics

of interest -- including where to invest and in what projects -- was mainly sourced from family, friends, and peers who had successfully implemented similar projects, as well as older community members. Senders cited various challenges including mistrust and a lack of reliable information.

Senders generally lacked knowledge, trust or experience with governmental organisations such as Kenya Investment Authority and the State Department of Diaspora Affairs under the Ministry of Foreign Affairs, based on past experiences or general impressions of inefficiency. Most were unaware of the existence of dedicated diaspora desks or support services. A few who had initiated contact with the government termed the processes as inefficient, time-consuming, and often unsatisfactory.

This skepticism was extended to the government’s involvement in the remittance value chain due to the possibility of increased taxation. Despite the lack of proactive outreach, they were open to the idea of engaging with the government if it would incentivise diaspora investments, provide valuable information, and support their investment goals.

Others highlighted the need for clearer policies and more streamlined processes to facilitate diaspora engagement in the Kenyan economy. Further, they expressed a desire for the government to implement policies that support and protect diaspora investments.

1.2 Gender insights on SACCO members and remittances

As part of its inclusivity objective and in view of previous findings regarding the gendered difference in remittance approaches⁷, the study included an FGD for women entrepreneurs in a SACCO. The findings are outlined below:

Covid-19 pandemic prompted many women to start or pivot their businesses as a means of financial survival. Several participants mentioned that they were forced to explore entrepreneurship when they lost their jobs or faced reduced income during the pandemic.

Financing for these small businesses often came from a combination of personal savings, family support, and informal financial groups. Many participants mentioned receiving initial capital from family members, particularly those in the diaspora. Some women used savings from their previous employment or funds from informal savings groups (Chamas) to start their businesses. A few mentioned taking loans from SACCOs.

Cross-border remittances played a significant role in supporting these women's businesses, but the reliability and nature of this support varied. Several participants mentioned receiving financial support from relatives or friends in the diaspora. However, the frequency and amount of these remittances was not always consistent. Fluctuating exchange rates often lowered the value of remittances.

The female entrepreneur respondents faced numerous challenges, including fluctuating demand, unpredictable customer flow, and rising costs of goods and services. Rising supply and overhead costs, customers' reduced purchasing power, and external factors such as floods or fires made it difficult for many to maintain profitable businesses.

Awareness levels of products and services offered by SACCOs were low, especially among non-members. SACCO members highlighted benefits such as access to loans, dividends on savings, and occasional support like school supplies for children. However, several participants were not members of any SACCO and were unaware of the potential benefits.

There is a strong desire for more practical, on-the-ground support and information from financial institutions and government agencies. Participants expressed frustration with the lack of accessible, relevant information about business opportunities and financial management. They suggested that SACCOs and other organisations could provide more targeted workshops, seminars, and one-on-one support to help them improve their businesses. There was also a call for more flexible loan terms and repayment schedules to accommodate the volatile nature of small businesses.

Women's remittance behaviours often differ from those of men; however, many financial products are designed as gender-neutral and do not account for these differences.

1.3 Comparisons across various respondent categories

Respondents across various categories, such as SACCO members and non-members, women and men, rural and urban receivers, differed in their remittance approaches. Findings were in line with those of a previous study that found women sent low-value more frequent remittances often for their children compared to men.

These comparisons are detailed in Annex 3 in addition to diaspora sending country patterns and remitting periods.

7 World Bank Group. (2021). Women and Remittances: Three takeaways from Project Greenback in the Western Balkans. In World Bank. <https://www.worldbank.org/en/region/eca/brief/women-and-remittances-three-takeaways-from-project-greenback-in-the-western-balkans>

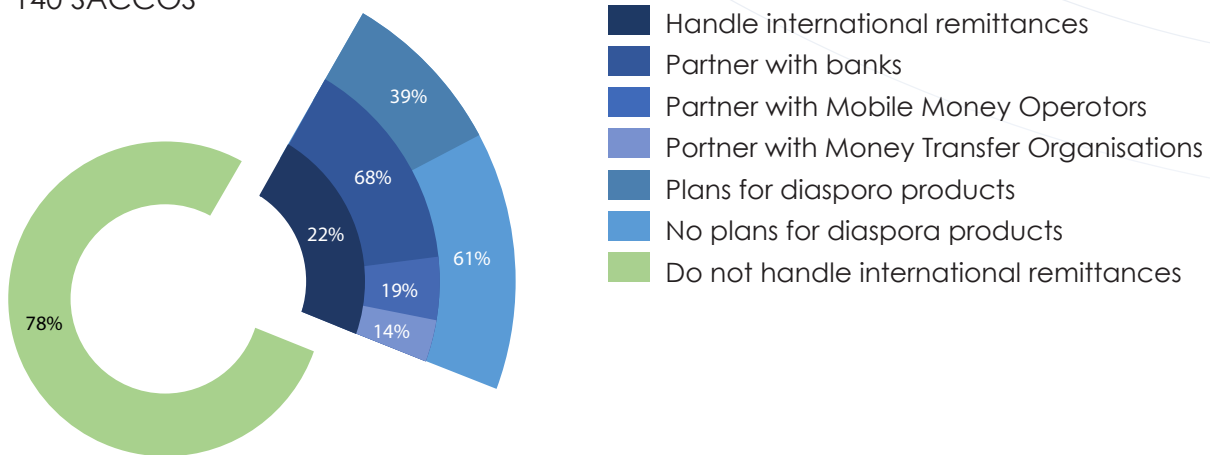
Chapter 2: Supply side findings

2.1 SACCOs and remittances

The survey administered to SASRA-regulated SACCOs found that 30 out of 140 SACCOs sampled (22 percent) offered remittance solutions, while the remaining 78 percent did not. This is outlined below:

Figure 5: SACCOs offering remittances n=140

140 SACCOs



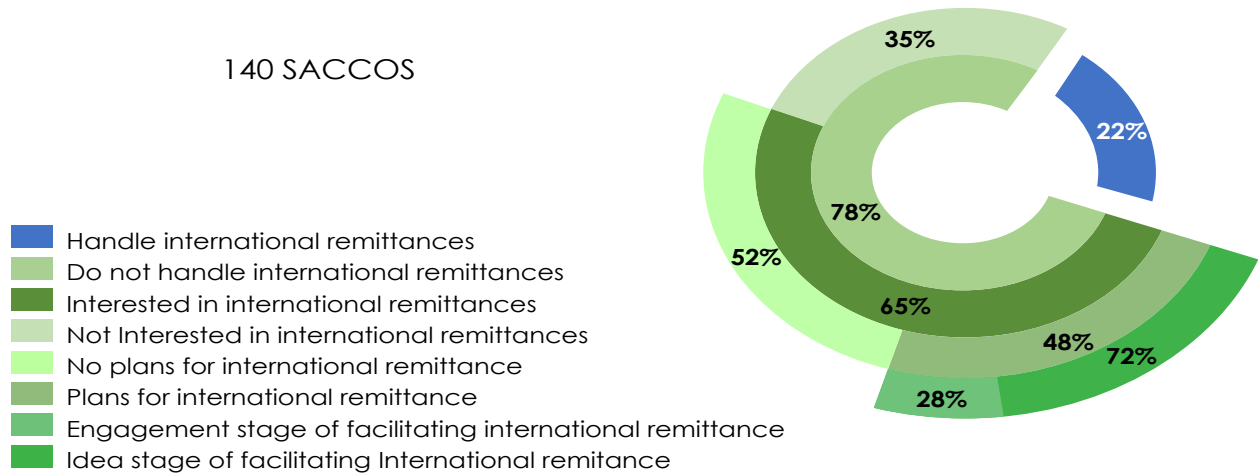
Twenty-two (22 percent) of SACCOs handle international remittances. Of these:

- **68 percent partner with banks**
- **19 percent partner with Mobile Money Operators**
- **14 percent partner with Money Transfer Organisations**
- **39 percent have plans for diaspora products**
- **61 percent have no plans for diaspora products**

Of the 22 percent who offered remittances, majority (over 70 percent) had done so for between 3-5 years.

This suggests that while a minority of SACCOs are involved in international remittances, those offering remittances mostly partner with banks. About a third are developing various products for diaspora customers.

Figure 6: SACCOs interest and progress in offering remittances.



This chart provides a more detailed breakdown of 140 SACCOs' involvement and interest in international remittances. Of the 78 percent who currently do not offer international remittances:

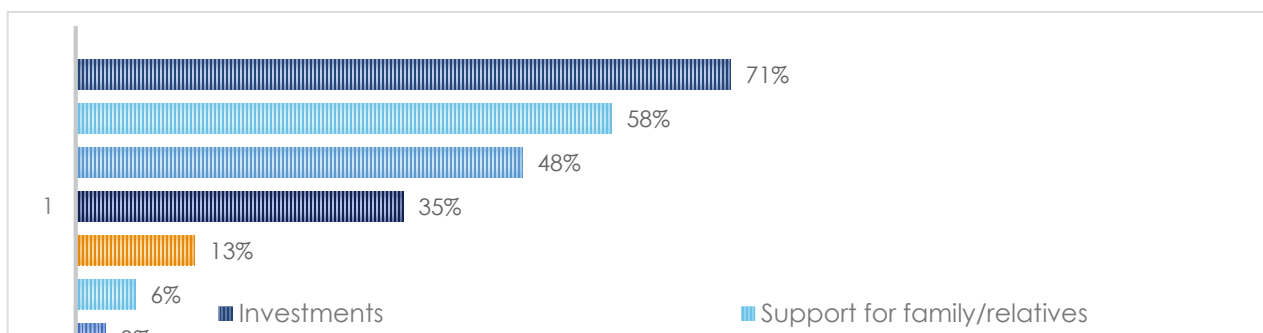
- 65 percent are interested in international remittances
- 35 percent are not interested
- 52 percent have no plans for international remittance

• **48 percent have plans to do so, of these:**

- 72 percent are at the idea stage
- 28 percent are at the engagement stage

Reasons for not offering international remittances include lack of compelling value propositions, limited understanding of the remittance business, regulatory limitations, perceived risk, and lack of suitable technology partners.

Figure 7: Members' purpose for remitting from SACCOs perspective.

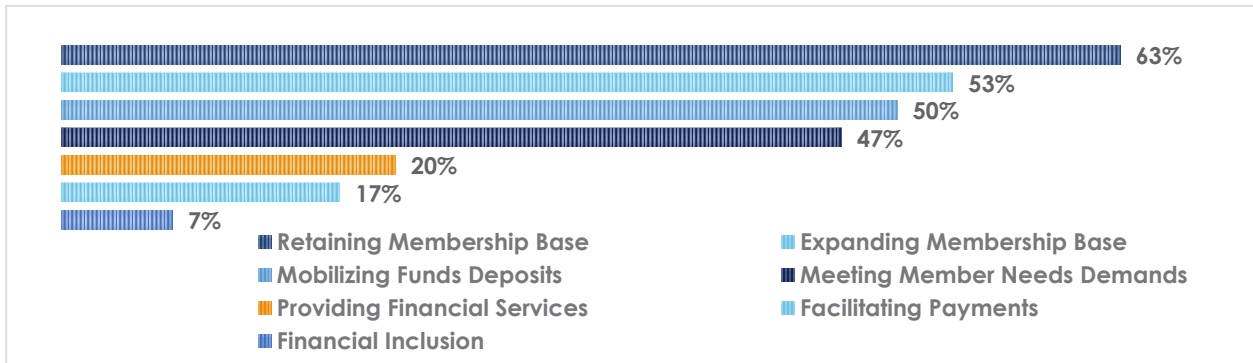


*Investments include personal and family.

SACCOs were motivated by the demands of their members in the diaspora to offer remittances but the decision was not backed up by strategy or commercial analysis. And while they saw opportunities to expand their membership base, mobilise

funds and deposits, meet member needs and demands, provide financial services, facilitate payments, and promote financial inclusion, revenue considerations were not included.

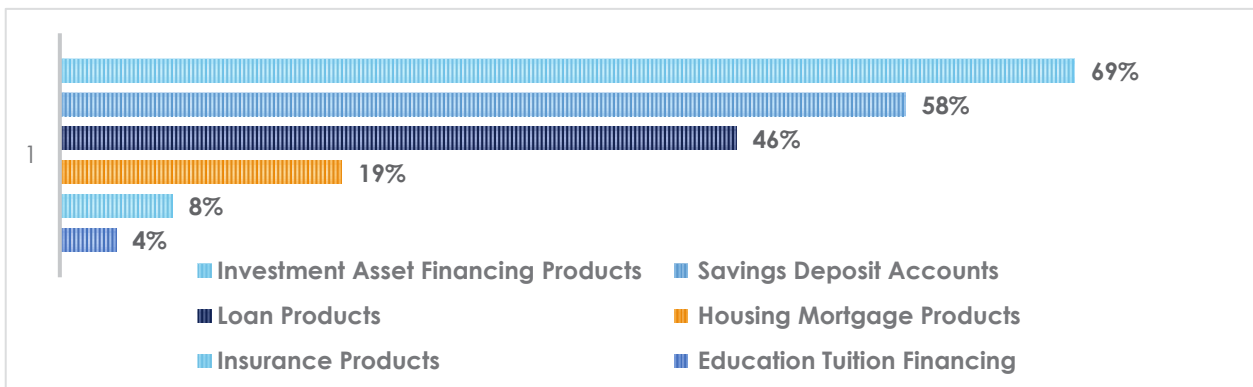
Figure 8: SACCOs motivation for remittances



Some SACCOs are developing remittance-based products tailored to the needs of their diaspora members, such as investment and asset financing products, savings and deposit accounts, loan products, housing and mortgage products and

insurance products. They are also conducting market research, exploring partnerships with banks and other financial institutions, seeking external expertise, and investing in technology to enhance their remittance services.

Figure 9: Remittance based SACCO products



Technology plays a significant role in SACCOs' remittance services, with some SACCOs partnering with external service providers for mobile banking solutions, offering mobile apps and USSD services, charging fees for mobile transactions, and having plans for future mobile banking enhancements. SACCOs also widely partner with banks for ATM services and issue ATM cards to their members.

the diaspora, they operate in the same way except in their membership composition. Diaspora SACCOs have between 80-90 percent of their members residing in the diaspora. The remaining 10-20 percent of members are based in Kenya. For example, Kenya USA Diaspora SACCO has members across the globe, with over 80 percent from the US and the rest from countries like Canada, UK, Australia, and some African nations. Stoke SACCO draws 90 percent of their members from different diaspora countries and 10 percent from Kenya.

2.2 Experiences and perspectives of diaspora-based SACCOs with regards to remittances

The three SASRA-licensed Non-Withdrawal Deposit Taking diaspora SACCOs are based in Kenya but primarily target membership from Kenyans living abroad. There is no legal or statutory difference between a SACCO based in Kenya and in

Diaspora SACCOs facilitate investments and provide financial services to Kenyans living abroad. These SACCOs offer tailored products and services that cater to the unique needs of diaspora members, including savings accounts, loans, and investment opportunities.

“The founders thought of investing back home but could not find a suitable SACCO.”
Diaspora SACCO respondent

Facilitating investments, especially in real estate, is one of the main services offered by diaspora SACCOs to their members. These SACCOs often partner with real estate companies and other investment entities. They conduct due diligence on properties, negotiate on behalf of members, and sometimes create separate investment arms to handle these activities. For example, Grand Granite SACCO has an investment arm called Grand Branch Investments, through which they facilitate real estate and other investment opportunities for their members in Kenya. The Kenya USA Diaspora SACCO and Stoke SACCO have also formed partnerships with investment companies.

Notably funds for such investments are remitted from the diaspora via banks to the SACCOs bank account in Kenya.

“We have strategic partners whom we engage and negotiate with. We act as a bridge between that party and the members.”
Diaspora SACCO- USA

Diaspora SACCOs receive remittances in the form of member contributions. By virtue of being registered as Non-Withdrawal Deposit Taking SACCOs, they do not have Front Office Services Activities (FOSA). These SACCOs are also exploring ways to reduce remittance costs for their members and are considering expanding their services, such as offering dollar-denominated products or transitioning to fully-fledged deposit-taking status.

Education and member engagement are crucial aspects of diaspora SACCO operations. These SACCOs place a strong emphasis on educating their members about financial management, investment opportunities, and the effective use of remittances. They often organize regular seminars, training sessions, and member education programmes. For example, Stoke SACCO holds member education sessions every two months, covering various topics related

to financial management and investment. These education efforts are seen as essential for helping members maximise the value of their remittances and make informed investment decisions.

“We have sessions where we bring in people, specialists in various fields to come in and train our members. So, we try to help them get maximum value from their remittances.”
Diaspora SACCO - USA

2.3 SACCO remittance models

Two key SACCO remittance models were identified during the study:

- i) Indirect termination of remittances via banks
- ii) Sub agents of International Money Transfer Operator agents, who can be banks or Money Transfer Operators

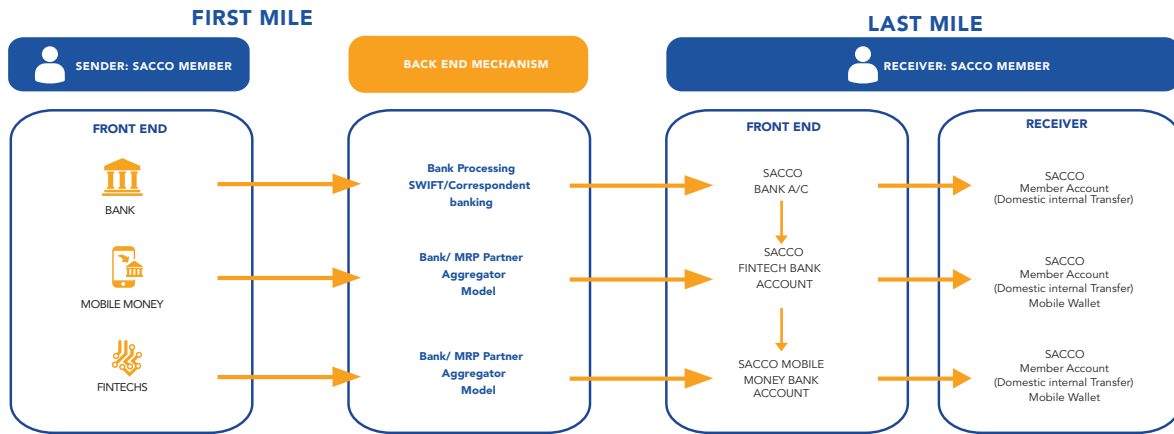
2.3.1 Indirect termination of remittances via banks

The premise of this model is that SACCO members send funds directly to the SACCOs' bank. They can use any channels that terminate the funds to the SACCOs' bank, such as other banks, online providers, or Money Transfer Operators with cash to account options. Once received at the SACCOs' bank, funds are transferred via APIs or reconciliation and settlement to the SACCOs' account with the same bank. The SACCO completes the domestic part of the transaction by crediting the receiver SACCO member's account, which, in some cases, is also the sender. These credits can be further terminated into the individual SACCO member's mobile wallet through partnerships with Mobile Money Providers. SACCOs are the last mile termination chain of these remittance transactions.

This model was used by several SACCOs, in most cases on a non-revenue earning basis pegged on benefits such as member retention and expanding product choice.

Most SACCOs were unable to accurately track these inflows as remittances because the reconciliation is combined with other domestic transactions.

Figure 10: SACCO indirect remittance via bank partnership model



An example of Stima SACCO is outlined below:

Box 2: Stima SACCO case study

Stima Sacco is a member-owned organisation, and membership is available to all resident and non-resident Kenyans worldwide. Members are drawn from various sectors including individuals in employment, business groups, and corporations. The SACCO has branches both in rural and urban areas complemented by Mlangoni Agents, the SACCOs agency banking network which has 54 agents countrywide with particularly strong coverage in rural areas. Diaspora services offer members various options to remit funds to Kenya:

Partnership with bank for international remittance- This is a swift transfer to Bank X where Stima SACCO has a remittance account, funds are then transferred to Stima SACCOs bank account.

Details required include Account name: Stima Sacco Society → Account number → Bank → Branch → Swift Code → Branch Code.

Once funds are received, Stima SACCO can transfer to a member’s mobile wallet.

Partnership with fintech for international remittance - Poa Pay’s ‘Pesa Direct’ is an app-based service that facilitates remittances. Diaspora senders belonging to SACCOs partnering with Poa Pay can onboard for the services then transfer funds through the steps outlined below:

- Sign up as a new user
- Select Receive Method as **“bank or SACCO deposit”**. Click “Add new Bank or Sacco”
- Select **Stima Sacco** from the list
- Enter your Stima Sacco account number and click “add bank or SACCO”
- Add your method of payment (Debit card preferred)
- Review order information, and if OK, click “confirm”

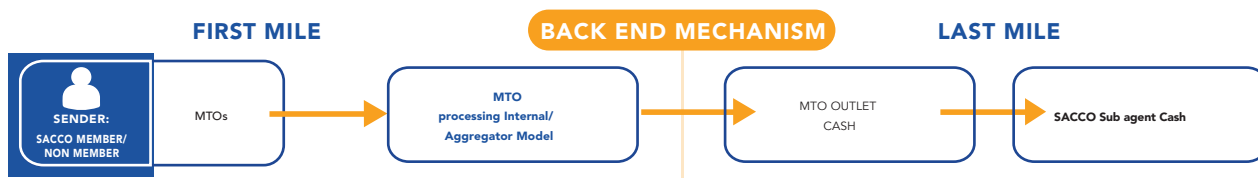
Stima SACCO also partners with online Money Transfer Operators including World Remit, Wave, Swift, Wise, Remitly to remit funds that mostly terminate via the members Mobile wallet through subsequent bank and Mobile Money partnerships.

The study established that some financial service providers had set overdrafts as the main method of replenishing SACCO prefunded⁸ accounts, even where SACCOs had funds in their accounts with the same banks or had lower non risky thresholds. The result was an increased and avoidable cost of offering remittances for such SACCOs.

2.3.2 SACCOs as sub agents of banks and Money Transfer Operators who are primary (direct) International Money Transfer Operator agents

In view of the NPS Act 39 (2014) permitting the use of 3rd party agents and sub agents subject to approval of such contracts by CBK, some SACCOs offered mostly inbound remittances through sub agent agreements with banks and MTOs.

Figure 11: SACCO as sub agent of International Money Transfer Operator



This model has the advantage of low entry requirements for SACCOs in terms of infrastructure and regulations. The model offers commissions which were found to be a split of about 60-40 percent or 70-30 percent sharing of fees and FX between the primary agent, who is mostly a bank, and the sub agent (SACCO) respectively. Sub agents are not limited to SACCOs; they can also be other lower tier banks or Forex Bureaus.

The downside is that SACCO efforts are often not adequately compensated in such commission-sharing ratios and their ability to introduce new products or scale is often limited.

Thamani SACCO is an example of a sub agent of a local Kenyan bank. The bank is a Western Union

primary agent. Receivers both SACCO and non-SACCO members can cash out their remittances at any Thamani SACCO branch upon presenting the Money Transfer Control Number (MTCN) and will receive funds in Kenya Shillings.

Receive money via Western Union

- Recipient presents their National ID and tracking number (MTCN) at a Thamani SACCO branch.
- The recipient completes a remittance form.
- Once verified, the recipient will receive the money in Kenya shillings.

More details of Thamani SACCO illustrating this model are outlined in Annex 4.

⁸ Prefunding is a commonly applied principal in both domestic and international payments where FSP partners are required to set aside funds in advance or immediately for all transactions to be processed. Value thresholds are agreed upon depending on average net settlement values, if funds go below these thresholds, the FSP is required to replenish their 'prefunding account'. This eliminates liquidity management issues and settlement risk and ensures a smooth flow of transactions among others.

Figure 12: Summary of SACCO remittance models

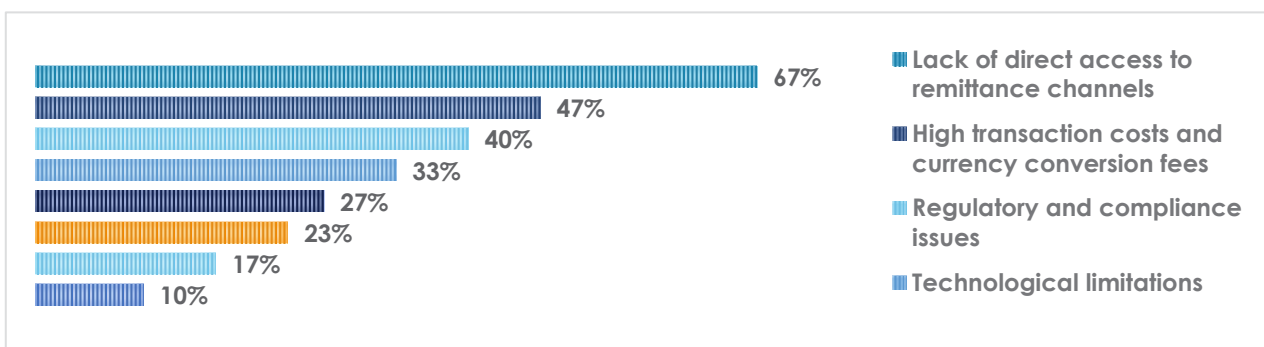
	Bank/Mobile Money Providers Partnerships	Sub agents of banks and Money Transfer Operators who are direct International Money Transfer Operator agents
Regulatory	No regulatory requirements as remittances are sent to the licensed bank in Kenya. Mostly governed by an MOU between the two parties.	IMTOs such as Western Union, World Remit, Money Gram, RIA, etc. permit their primary agents (mostly banks and MTOS) to recruit sub agents, e.g. SACCOs and Forex Bureaus. The agreement between the agent and subagent must be approved by the CBK: the IMTO is enjoined and executes it. The primary agent remains responsible for the subagent.
Operational/Funds Flow	Funds flow as they would if sent via SWIFT and can be further terminated in a mobile wallet.	Funds are cashed out at an I/MTO sub agent, in this case a SACCO FOSA. A few IMTOs have activated account termination, but this may not be available to participating SACCOs yet. *
Strategic	These vary depending on the partners. Most are not revenue earning for SACCOs.	The agreement stipulates a commission-sharing ratio, often 30-70 or 60-40 percent. The IMTO oversees and effects net settlement both for primary and sub agent.
Participants	Bank (SACCO's banker), SACCO and MMP. May have other PSPs such as Aggregators.	IMTO, Primary Agent and SACCO. May have MMPs for termination to Mobile Wallet.

* Funds sent to an MTO unless directly terminated into an account can be cashed out at any MTO agent or sub agent in the receive country.

2.4 Anticipated supply side challenges and opportunities arising from SACCOs expanded provision of international remittances

Respondents anticipated various challenges if SACCOs offered remittances directly. These include current indirect provision of remittances by SACCOs having to partner with payment service providers or build technology, high transaction costs and currency conversion fees, regulatory and compliance issues, technological limitations, trust and security concerns, fluctuating exchange rates, communication and accessibility barriers, and political and economic instability.

Figure 13: Challenges SACCOs face with remittances.



Financial cost of funds and the pressure to meet member expectations. Respondents added that SACCOs would need to carefully manage their financial resources to ensure they can provide competitive annual dividends to their members while maintaining sufficient liquidity.

Technological limitations. Respondents indicated concerns that most SACCOs lacked the necessary systems and infrastructure to seamlessly integrate with remittance partners and process international remittances efficiently, arguing that the “SACCOs were not there yet”, and would need hand holding and advice. Additionally, there were concerns regarding SACCOs’ preparedness to avert incidences of cyberattacks.

Regulatory compliance. SACCOs would need to navigate a complex web of regulations and guidelines set by various authorities, such as CBK and SASRA. There’s need for engagement to provide SACCOs with information on requirements for remittances, such as licenses, structure, approvals, capitalisation, evolving risks, and consumer protection to enable more SACCOs to launch and scale remittance services.

Other issues include limited awareness and understanding of remittances among SACCO staff and members as well as governance issues and staff capacity also emerged as potential barriers to SACCOs’ effective participation in the remittance market. Some SACCOs were cautious of serving migrants after facing unfortunate incidents where their members relocated to the diaspora with unpaid loans and avenues for recourse were unavailable. One SACCO with a high number of its professionals currently migrating particularly highlighted this as a persistent high risk.

Similarly, there was consensus that SACCOs possess unique strengths and advantages that position them well to tap into the growing demand for remittance services, particularly in underserved areas.

Key opportunities highlighted were SACCOs’ extensive branch networks and proximity to underserved populations. SACCOs have a strong presence in rural and remote areas, which can enable them to reach a wider customer base and facilitate last-mile remittances.



“There is a huge, huge opportunity. If these remittances, if we have integrated with the SACCOs or the SACCO integration receiving is seamless, there definitely will be growth of deposits. And you look at the amount of remittances that are coming through in this country. So the SACCO will be taking part of that big share.”

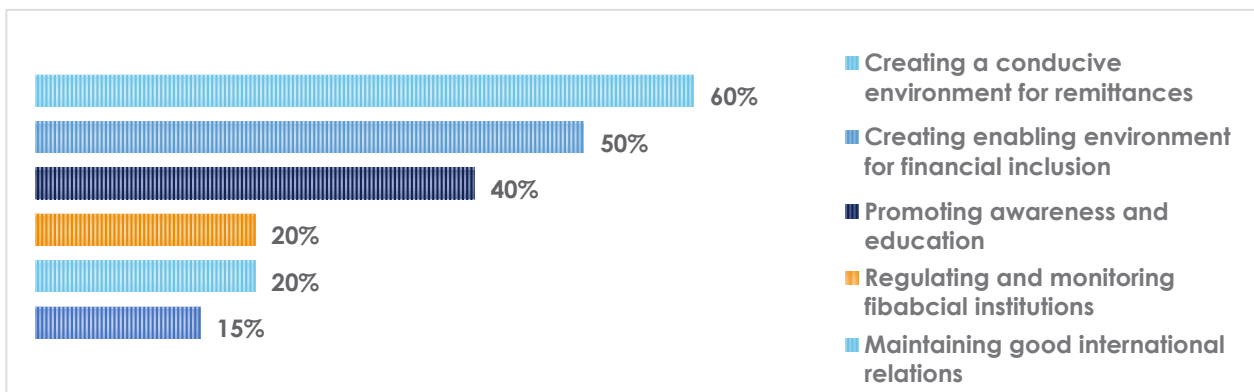
“Supply side respondent”

SACCOs also have the potential to create remittance-linked savings and loan products tailored to the needs of their members, especially those in the diaspora. By leveraging their understanding of their members’ financial needs and aspirations, SACCOs can develop innovative products that encourage savings, investment, and productive use of remittances.

The growing diaspora market presents another significant opportunity for SACCOs. As more Kenyans seek employment and business opportunities abroad, the demand for reliable and affordable remittance services continues to rise. SACCOs can tap into this market by building trust and confidence among diaspora members and offering competitive products and services.

The government plays a crucial role in supporting SACCOs in the remittance value chain. SACCOs expect the government to create a conducive environment for remittances by implementing supportive policies, reducing taxes and levies, enabling direct remittance channels, providing liquidity support, promoting awareness and education, building trust, improving governance and professionalism, enhancing technology and platforms, and providing capacity building for smaller SACCOs.

Figure 14: SACCOs expectations of government support.



Government entities and regulators recognise the potential of SACCOs to play a larger role in the remittance value chain and have proposed various initiatives to increase remittances and diaspora investment at a national level.

SASRA advocates for SACCOs to be integrated into the National Payments System, enabling more active participation in remittance transactions. While this can be achieved through multiple strategic options, the planned SACCO Shared Services initiative provides a feasible option given that it is already in motion and has planned for such value propositions. This aligns with SASRA's vision to enhance the contribution of SACCOs to the local economy and according to SASRA's 2018-2022 strategic plan, create an enabling environment for SACCOs to thrive and contribute more significantly to Kenya's financial sector.

The Retirement Benefits Authority (RBA) sees an opportunity to leverage SACCOs in their latest strategy focused on the informal sector. They have licensed diaspora-focused retirement schemes and are encouraging SACCOs to partner with these schemes to provide solutions to their retired members. This initiative could potentially create a new avenue for remittances by channelling them into long-term savings and investments. The RBA's efforts align with the broader government goal of increasing pension coverage in Kenya, which stood at only 20 percent as of 2021.

The Capital Markets Authority (CMA) is advocating for increased SACCO investments in capital markets. This could provide a pathway for remittances to be channelled into productive investments, potentially boosting economic growth. The CMA has been working on initiatives to increase

retail investor participation in the capital markets, and SACCOs could play a crucial role in this effort.

The Insurance Regulatory Authority (IRA) is exploring the establishment of "SACCO Assurance," which could create new insurance products tailored for SACCO members. They are also open to considering regulatory changes to allow insurance products that accept premium payments in foreign currency and accommodate diaspora-based principals. This could open new opportunities for remittance-linked insurance products, potentially increasing the value proposition of remittances through SACCOs.

The Ministry of Investments, Trade & Industry, through its State Department for Investments Promotion (SDIP), is championing Special Economic Zones in the counties, with a focus on attracting diaspora investors. This initiative could create synergies with SACCO-based remittance services, potentially increasing investment flows from the diaspora.

The Ministry of Foreign and Diaspora Affairs, through its State Department for Diaspora Affairs (SDDA), believes that SACCOs can be more effective in structurally approaching the utilisation of remittances due to their close connection with local communities. This perspective aligns with the growing recognition of the role of remittances in development, as highlighted by the World Bank, which notes that remittances can contribute to poverty reduction and increased household investments in health and education.

2.5 SACCO Shared Services platform - SACCO Central

The SACCO Central shared services platform has been designed to strengthen SACCOs position by delivering innovative and inclusive domestic and cross border financial services. It is currently in the design phase and is expected to launch in the next 2-3 years.

Box 3: SACCO Shared Services - SACCO Central

SACCO Shared Services- SACCO Central

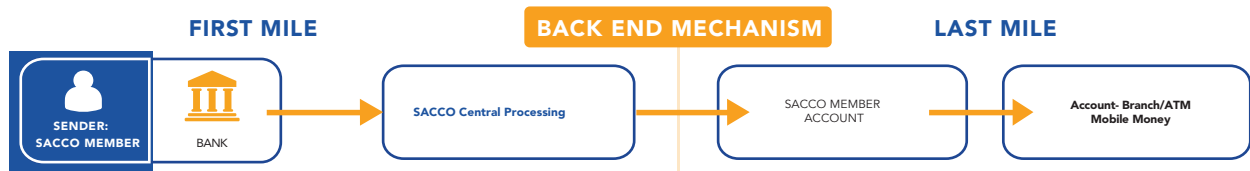
Sacco Central aims to enhance financial stability, inclusion, and competitiveness among member SACCOs by providing shared core banking services, a central liquidity facility, a shared digital services platform, and access to the National Payments System.

It is established as an independent corporate entity operating under the SACCO legal framework with functions including hosting a shared digital services platform to offer competitive digital solutions for SACCOs and their members; providing a Central Liquidity Facility (CLF) for liquidity pooling and inter-SACCO lending; facilitating access to new funding sources from government, development partners, capital markets, and wholesale lenders; and supporting the sourcing of SACCO support services such as call centers, auditing, and marketing.

Its comparative advantages include being member-owned and operated, a commitment to non-competition with member SACCOs, and adherence to high governance standards.

The funds flow will be as follows:

Figure 15: SACCO shared services remittance funds flow



A similar initiative solely dedicated to international remittances was launched in Mexico in 2024 by Interledger and the People's Clearing House as outlined in Annex 4.

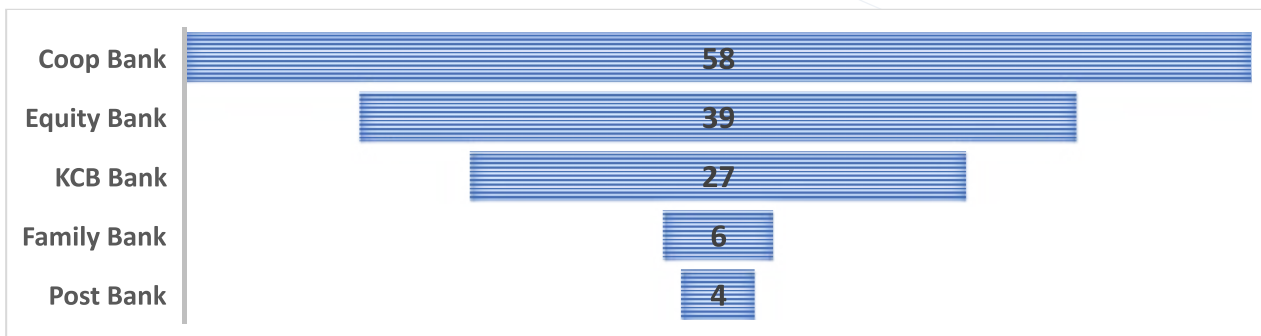
Chapter 3: The regulatory landscape

3.1 Overview

SACCOs in Kenya cannot be directly authorised as payment service providers under the current authorisation criteria in the National Payments System (NPS) regulations. Money Transfer Operators (MTOs) and Mobile Money Providers are examples of non-bank entities that are licensed as Money Remittance Providers (MRPs).

To extend the geographic reach across the country, some SACCOs partner with commercial banks to provide agency banking as subagents upon approval from SASRA. The banks that have the most agency banking partnerships with SACCOs are: Cooperative Bank of Kenya Limited (45.9 percent); Equity Bank (28 percent); KCB; Family Bank; Postbank and ABC Bank respectively. By December 2022, 39.20 percent of all DT-SACCOs were undertaking agency banking, in partnership with banks as outlined below.

Figure 16: SACCOs partnering with banks for agency banking



Source: SASRA Annual Report 2022

Regarding the importance of accessing the domestic payment system on the financial inclusion agenda, the Committee on Payments and Market Infrastructures of the Bank for International Settlements in its Stage

Two Report to the G20 in 2020 stated:



“There are clear advantages to promoting direct access to the national payment infrastructures by non-bank Remittance Service Providers (RSPs) as this reduces the costs for remittances transfers and time it takes to settle these transactions.

Lowering barriers to access improves the possibility for Payment Service Providers (PSPs) and payment infrastructures to become direct members of multiple payment systems across different jurisdictions.

Similar access requirements in different payment systems can encourage PSPs to become global payment players, serving many jurisdictions.

The targeted outcome would be lower cost and higher speed in cross-border payments with lower credit and liquidity risks.”

(CPMI, 2020)

This section presents the findings of the assessment of the current laws, regulations, guidelines, and other regulatory instruments that apply to remittances and an analysis of the current framework that enables SACCOs to offer remittance services through agency relationships with banks and MTOs. It further identifies gaps in the legal and regulatory framework and outlines regulatory amendments that would be required to facilitate the direct participation of SACCOs as remittance providers. It concludes with an overview of the capacity of the conceptual SACCO Shared Services initiative to address some of the gaps identified. SACCO Shared Services details will be outlined further in the document.

3.2 Regulatory diagnostic findings

The current legal and regulatory framework for provision of remittances in its current form has gaps that impede direct provision of remittances by SACCOs.

Central Bank Act

This statute provides for establishment of the Central Bank of Kenya, its operation and functions, establishes the currency of Kenya, and has oversight for regulating the payment, clearing, and settlement system, including setting policy, licensing and supervision. Key provisions are highlighted below:

Figure 17: Central Bank Act, Kenya key provisions.

Central Bank Act		
Section 4A (1)d:	Section 4A (1)	Section 33A and 33A (3)
The Central Bank shall formulate and implement such policies as best to promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems	CBK is also charged with: formulating and implementing foreign exchange policy; holding and managing its foreign exchange reserves; and licensing and supervising authorised dealers.	Prohibits and makes it a criminal offence to carry out a foreign exchange business unless such person is an authorised dealer. However, CBK may permit such person or class of persons to transact foreign exchange business without a license, subject to such conditions as it may impose.

Licensing of authorised dealers to deal in foreign exchange business is provided for under section 33B of the Central Bank Act. The relevant statutory provision requires intended dealers to apply for a license from CBK, which considers the financial condition and history of the applicant, its management, capital adequacy and structure, the market need, and the public interest to be served by granting the license.

The Act further requires payments between residents and non-residents (payments made in Kenya to a person outside Kenya; payments made outside Kenya to a person in Kenya, and payments made in Kenya, other than payment for a current transaction, between a resident and a non-resident) to be conducted through an authorised bank or an authorised micro-finance bank, unless otherwise permitted by CBK.

This can be interpreted as an exclusion of SACCOs from remittance provision, unless leave is granted by CBK.

Guidelines on foreign exchange 2002

Authorised forex dealers are required to abide by the [Guidelines on Foreign Exchange 2002](#), developed by the Central Bank of Kenya.

In Section 2 of the Act, an authorised dealer is defined as “an authorised bank, authorised bureau, authorised mortgaged finance company, an authorised money remittance provider or an authorised microfinance bank licensed by the Bank under section 33B”.

Under this statutory definition, authorised commercial banks, foreign exchange bureaus (forex bureaus), mortgage finance companies, microfinance banks and money remittance providers (MRPs) can lawfully deal with foreign exchange business without the need for additional licensing.

Notably, SACCOs are not included under authorised dealers, which means that they cannot deal in foreign exchange business under the current regulatory regime, unless given permission from the CBK.

Dealing in foreign exchange business is critical to serving as an international remittance service provider, given that cross-border remittances are usually denominated in foreign currency. To navigate this legal constraint, any foreign currency would first have

to be converted to local currency by a licensed entity before it can lawfully be sent or received through a SACCO.

Conversion of foreign currency to local currency before remittance is not prohibited and is in fact

envisaged/contemplated under Regulation 22(4) of Money Remittance Regulations 2013 which provides that: "(a) a payment transaction shall be executed in the currency agreed between the parties."

National Payment System Act no. 39 of 2011

Figure 18: NPS Act no 39 of 2011

National Payment System Act, No. 39 of 2011	
Section 10	Section 11
A person shall not clear payment instructions unless such person is a Central Bank settlement system participant or a bank, institution or a branch of a foreign institution allowed to clear in terms of the Act.	A person may only accept money or payment instructions from another person for purposes of making payment on their behalf to a third party only if such person is the Central Bank, a bank, an institution or a branch of a foreign institution, a payment service provider or a designated payment system operator, Postal Corporation of Kenya ..the Kenya Post Office Savings Bank.. a building society ..

SACCOs are not listed in this statutory provision, meaning they are presently not envisaged as parties.

However, it can be included as an institution and therefore permitted to clear payments and serve as part of the National Payment System under the current regulatory arrangement and framework, if the Minister (read, Cabinet Secretary for Treasury) were to declare SACCO as an institution for the purposes of the Act through publication in the Kenya Gazette.

Clearing and settlement are at the core of remittance provision, as they enable the transfer of funds from a remittance sender to receiver. A Central Bank settlement system participant is defined under Section 2 of the Act as a participant in a designated payment system or a designated payment system operator; SACCOs are not direct participants in either.

A lack of direct access to the National Payment System and the payment clearing house on the part of SACCOs restricts them from offering financial products and services such as foreign currency trading, Real Time Gross Settlement (RTGS) and Electronic Funds Transfers (EFTs) that would enable direct international remittance transfers. Consequently, SACCOs have partnered with commercial banks to provide some of these products and services. This is also because SACCOs are not regulated by the Central Bank of Kenya (CBK), which supervises actors.

In addition, an 'institution' is defined under Section 2 of the Act to mean "a bank, mortgage finance company or a financial institution as defined in the Banking Act (Cap. 488) or a microfinance bank business as defined in the Microfinance Act, 2006 (No. 19 of 2006) or any other body which the Minister may, in consultation with the Central Bank, declare, by notice in the Gazette, to be an institution for the purposes of this Act."

Accordingly, within the strict meaning of the definition of a Central Bank settlement system participant, a SACCO is not part of 'institution' envisaged under the Act to serve as a payment and settlement participant.

SACCO Central outlined in Box 3 above with plans to function as a 'wholesale bank' regulated by the CBK and collectively owned by the participating SACCOs, would address these gaps.

Given that the CBK is the agency mandated with licensing, regulating, and supervising the National Payment and Settlement System, including all actors/ participants, and determining appropriate prudential

standards because of potential risks, collaboration/ cooperation, and coordination of the CBK and the SACCO sector regulator (SASRA) is imperative. Such collaboration and coordination would be an ideal regulatory approach, especially if a functional regulatory approach, which typically focuses more on products and services, is adopted rather than an institutional regulatory approach, which focuses more on rules and laws that pertain to financial institutions.

The National Payment System Act 2014

This regulation seeks to provide for implementation of the National Payment System Act 2011 and to provide authorisation and oversight of payment service providers, designation of payment systems, designation of payment instruments, and Anti-Money Laundering measures.

Figure 19: National Payment System Act 39 of 2014

National Payment System Act, No. 39 of 2014		
Regulation 14	Regulation 17	Regulation 17 (2)
<p>Payment service providers can appoint (3rd party) agents to undertake certain services on its behalf including: sending, receiving, storing, or processing payments ..through any electronic system; and providing cash services, among other services. Liabilities from such agency agreements or arrangement are upon the payment service provider.</p>	<p>Requirements for 3rd party agents: the agent or person appointed as an agent must: possess such registration, business license, or permit as may be required for the performance of its commercial activities; can lawfully provide the proposed services; and holds a payment account with a bank, financial institution or payment service provider.</p>	<p>If a proposed agent or cash merchant is not an institution, that agent or merchant must: be financially sound and has provided the payment service provider with adequate documents; and have provided evidence to the payment service provider indicating that its management has the necessary experience and competence to perform the agency or cash services.</p>

As outlined in Regulation 17(2) above, it is possible that an agent is not an institution as defined in the Act (as a bank or mortgage financial institution). Many agents have been licensed and operate as cash out agents under this regulatory provision, as do SACCOS.

There are no indications in the law that point to such arrangements being prohibited, as SACCOs (FOSAs), which provide front-office services including cashing out deposits, qualify for this regulatory provision.

Money Remittance Regulations 2013

These Regulations were developed by the CBK pursuant to Section 57 of the CBK Act to provide for the licensing, operation, and regulation of money remittance operators. Money remittance business, under the regulations, has been defined as “a service for the transmission of money or any representation

of monetary value without any payment accounts being created in the name of the payer or the payee, where - (a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another payment service operator acting on behalf of the payee; or (b) funds are received on behalf of, and made available to the payee.”.

Under Regulation 3, it is provided that the Regulations do not apply to: authorized banks; authorized mortgage finance companies; Kenya Post Office Savings Bank; Postal Corporation of Kenya; deposit-taking microfinance institutions; and any other entity approved by the Central Bank. Regulation 3(2) further provides that ‘where the Kenya Post Office Savings Bank or Postal Corporation of Kenya intend to transact foreign exchange business, they shall be required to seek permission from the Bank under section 33A (3) of the Central Bank of Kenya Act.’

Figure 20: Money Remittance Regulations (2013)

Money Remittance Regulations 2013		
Regulation 4	Regulation 23	Regulation 22 (3)
A person shall not provide money remittance services unless such person: is incorporated as a limited liability company under the Companies Act; has obtained the approval of Bank for the proposed business name before incorporation and has the words "money remittance" or "money transfer" as a brand name; and is licensed to provide money remittance services under these regulations.	Prohibits money remittance operators from engaging in various activities including: as authorized dealers in gold; lending money, taking of deposits, maintaining current accounts on behalf of customers, establishing letters of credit, and acting as custodian of funds on behalf of customers.	Authorizes money remittance operators to deal in inbound and outbound international money transfer transactions including: foreign exchange transfers..and spot foreign currency transactions involving cash and other instruments approved by the Bank. Regulation 22(3) prohibits money remittance operators from engaging in any other business, apart from the authorized activities, except as otherwise authorized by CBK.

For SACCOs to be considered for licensing as money remittance operators, this regulatory provision would either require amendment or SACCOs would need to be declared exempt from application of the Money Remittance Regulations 2013, as are banks, mortgage finance companies, deposit-taking microfinance institutions, Postal Corporation of Kenya, Kenya Post Office Savings Bank under Regulation 3(1). Indeed, there is potentially space for this exemption for SACCOs, since Regulation 3(1) f provides that the Regulations shall not apply to "any other entity approved by the Bank".

SACCOs cannot therefore be licensed as money remittance operators since they are not incorporated as limited liability companies but are instead registered as cooperatives under the Cooperatives Act 1997.

Additionally, SACCO names are ordinarily not approved by the CBK (as they fall outside the regulatory ambit of CBK) and do not bear the words 'money remittance' or 'money transfer' as a brand name, partly because money remittance is not part of SACCOs' core business.

Licensed money remittance operators must maintain a minimum core capital of at least Kshs 20 million

(USD 155,000) under Regulation 10. Further, under Regulation 15, the CBK must vet and approve the shareholders of money remittance operators. Regulation 20 further prohibits a person from being a shareholder or officer in more than one money remittance operator.

SACCOs do not meet these provisions since there are individuals who are shareholders in more than one SACCO, and it would be laborious for CBK to vet and approve every SACCO member or customer who is a shareholder since SACCOs are member-owned organisations.

Notably, Money Transfer Operators and Mobile Money Providers are licensed as money remittance providers through subsidiaries under these regulations despite not being 'institutions' under the Banking Act, and this is a potential route for SACCOs to follow through the SACCO Central or other forms.

Money remittance operators are permitted to act through their duly authorised agents under Regulation 25 so long as a copy of the agency agreement/contract is submitted to and approved by CBK.⁹

Regulation 30 requires all money remittance operators to have a "customer account" at a licensed commercial bank or microfinance bank where customer funds are

⁹ The agency contract must contain attachment of liability, risk mitigation, specific services to be rendered by agent, rights and responsibilities of parties, policies and procedures of detecting money laundering, business hours of agent, remuneration of agent, among other provisions.

to be kept. This is important since money remittance operators are not permitted to maintain customer current accounts.

On the other hand, Regulation 32(2) requires all foreign exchange inflows and outflows of money remittance operators be received through commercial banks and documented and advised to the CBK in the prescribed format. By virtue of this provision, commercial banks receive and maintain foreign exchange that is being remitted either into Kenya or outside Kenya, SACCOs do not have this mandate that is a prerequisite for handling remittances.

To date, there are 24 money remittance providers licensed in Kenya by the CBK under the regulations.¹⁰ Usually, International Money Transfer Operators (IMTOs) do not require licensing by CBK; instead, they operate through agency relationships with commercial banks and licensed money remittance operators.

Various businesses, mainly forex bureaus, also apply to be sub-agents of banks to enable international transfers to their customers through the IMTOs (KCB Bank, n.d.). Even in such instances of sub-agency arrangements, the CBK approves partnership contracts.

Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA)

Section 21 of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA) establishes the Financial Reporting Centre (FRC), which is the institution charged with assisting in the identification of proceeds of crime and combating of money laundering, terrorism financing, and proliferation financing. Under Section 36A, the FRC is designated as the supervisor of all reporting institutions for the purposes of implementing the Act.

The reporting institutions that are required to register with the FRC (under section 47 of the Act) and report any suspicious financial dealings to the FRC include financial institutions such as commercial banks, mortgage financial institutions, microfinance institutions, foreign exchange bureaus, and money remittance service providers, as well as designated non-financial business professions such as accountants, estate agents, motor vehicle dealers, dealers in precious metals and stones, custodians, fund managers, and legal professionals.

The list of potential reporting institutions is not closed in the law but is left open to the FRC to assess and expand the list, so long as it is convinced that a particular institution or profession presents money laundering and terrorism financing risks.

In line with this position, the FRC issued a directive (Circular No. 3 of 2023) on 5th September 2023, requiring SACCOs regulated by SASRA to register with the FRC by 2nd October 2023. Failure to register with the FRC when required is a punishable offence under Section 47A (5) of the Act.

Under the POCAMLA and related Regulations, the mandatory KYC requirements required of an individual are a birth certificate, passport, national identity card, or driver's license. Other additional due diligence measures for verifying customer's identity include the address of current residence verified by a referee or utility bill, verified employment and/or source(s) of income, and where applicable, written confirmation from customer's prior bank attesting to customer's identity and history of account relationship (known as a bank referee).

Accordingly, it is important that the risk-based approach to regulation with respect to AML/CFT regulation be adopted, especially with the potential inclusion of SACCOs in the remittances space, in which the extent of regulation is proportional to the risks posed, and no more.

This is especially the case given the grey listing of Kenya by the Financial Action Taskforce (FATF) on February 23, 2024, for lacking a strategy in prosecution of money laundering offences evidenced by the absence of successful investigation and prosecution of such offences, among other reasons.

Following the mutual evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the FATF noted that while supervisory activities take place for banks and microfinance banks, supervision of other financial institutions (presumably including SACCOs) is not carried out on a risk-sensitive basis with inspections on these sectors conducted rather infrequently and focusing on basic controls as opposed to the soundness of these AML/CFT programmes.¹¹

¹⁰ Licensed Money Remittance Providers. (2024). Central Bank of Kenya. Retrieved August 19, 2024, from <https://www.centralbank.go.ke/wp-content/uploads/2024/08/Directory-of-Licensed-Money-Remittance-Providers-August-2024.pdf>.

¹¹ Jurisdictions under Increased Monitoring - June 2024. (n.d.). <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2024.html>

SACCO Societies Act 2008

SACCOs are first registered as cooperatives (mutual organisations) under the Cooperatives Societies Act 1997.

Figure 21: SACCO Societies Act 2008

SACCO Societies Act 2008	
Section 23 (1)	Sections 55, 58 and 59
Provides inter alia that no person shall carry out deposit-taking SACCO business within the meaning of the Act, unless such person is a SACCO registered under the Co-operative Societies Act and holds a valid license issued under the Act.	Establishes the Deposit Guarantee Fund (DGF) which provides protection to members’ deposits up to a maximum of KShs 100, 000. SACCOs must contribute such amounts as the Board of Trustees of the Fund.

The fact that SACCOs are mutual organisations (owned by its members through shareholding) explains the prohibition of SACCOs from dealing or transacting business with non-SACCO members under the [Cooperative Societies Act 1997](#) and the [Sacco Societies Act 2008](#).

These legal prohibitions effectively limit persons who are not SACCO members from either sending or receiving remittances through SACCOs, with the exception of IMTO/MTO transactions that can be cashed out for non-SACCO members.

Once registered as a cooperative, a prospective SACCO must then apply for a license to undertake deposit-taking business under Section 24 of the Act and Part II of the [SACCO Societies \(Deposit Taking Business\) Regulations, 2010](#). Such licenses are renewed annually. As of 2023, SASRA had licensed 174 Deposit Taking (DT) SACCOs to deposit-taking SACCO business.¹²

DT SACCOs can be used in sending and receiving remittances, since they are legally authorised to take deposits and allow withdrawals, just like commercial banks. This may be contrasted with Non-Withdrawable Deposit Taking (NWD) SACCOs that take deposits,

therefore can receive remittances but do not allow for withdrawals unless a customer is terminating their relationship with the SACCO.

Three (3) NWD diaspora SACCOs -- Kenya USA Diaspora Regulated NWD SACCO Society Ltd, Grand Granite Regulated NWD-SACCO Society Ltd, and Stoke UK Diaspora Regulated NWD SACCO, all domiciled in Kenya -- received authorisation to mobilise membership and subscription to share capital from persons who are ordinarily resident outside the country.¹³

In terms of governance of SACCO societies and to ensure their financial stability and ability to meet their financial obligations, Section 29 and 30 of the Act require SACCOs to maintain prescribed minimum capital requirements and minimum liquidity requirements, respectively. These requirements would be especially important, and potentially need to be enhanced, if SACCOs are to participate in the national payment, clearing, and settlement system and deal as direct remittance providers. Such an enhancement would obviate any settlement risks that would otherwise arise.

The Deposit Guarantee Fund (DGF) outlined in Sections 55,58 and 59 of these regulations is yet to be operationalised. There are, however, plans to have the DGF actualised in practice.

12 The SACCO Societies (Deposit Taking Business) Regulations, 2010 – SACCO SOCIETIES REGULATORY AUTHORITY (SASRA). (n.d.). <https://www.sasra.go.ke/download/sacco-society-regulations/>

13 SACCO Supervision Annual Report, 2023 – SACCO SOCIETIES REGULATORY AUTHORITY (SASRA). (n.d.). <https://www.sasra.go.ke/download/sacco-supervision-annual-report-2023/>

Chapter 4: Quantifying the SACCO international remittance opportunity

4.1 Overview

SACCOs currently offer remittances through partnerships with other licensed providers mainly banks, FinTech, I/MTOs and Mobile Money Providers. These are mostly non-revenue earning partnerships apart from I/MTO sub agency which has minimal commission sharing with the primary I/MTO agent.

Under these models, SACCOs are limited in the development of innovative products targeting the diaspora and when they do, returns are less attractive.

The strategies are:

Strategy 1	Strategy 2
SACCO indirect participation in remittances through partnerships with FSPs remains 'as is' from a regulatory and infrastructure perspective but with strategic and process improvements.	SACCO Shared Services entity as the shared services model vehicle onboards SACCOs on a voluntary participation commercial model.

Numerous remittance pathways exist; however, the proposed strategies focus on the most feasible ones for SACCOs to increase capacity in customer engagement, expand reach, and create sustainable remittance flows.

4.2 SACCOs remittance addressable market

To determine the addressable market, we compile total inward remittances by source for the top 10 corridors to Kenya: the U.S.A., Canada, United Kingdom, Germany, Saudi Arabia, Qatar, the United Arab Emirates, Tanzania, Uganda, and Australia as outlined

Based on findings from the supply-side, demand-side, and regulatory reviews, this section presents two proposed strategies for enhancing the participation of SACCOs in Kenya's remittance landscape. The opportunities are further presented through financial modelling to assess the potential revenue and sustainability of SACCOs' improved remittance provision.

below. The [CBK provides monthly disaggregated inflow data by source](#), and records are available from February 2019 to July 2024.

Focusing on the top 10 corridors, rather than all inbound corridors, allows SACCOs to adopt a phased approach—initially concentrating on high-transaction corridors during the first 3-5 years before expanding to others. Alternatively, SACCOs may choose to become corridor specialists, targeting select corridors with significant diaspora member presence.

Figure 22: Determining the addressable remittance market.

Year	Total transactions top 10 corridors IB USD '000'(A)	Annual growth	Annual growth rate % Top 10 IB (B)	Annual growth rate All IB corridors %	Average value per transaction (USD) (C)	Transaction volume in '000' (D)
2019	1,856,170				500	3,712
2020	2,455,365	599,194	32%	11%	500	4,911
2021	3,250,329	794,964	32%	20%	500	6,501
2022	3,516,806	266,478	8%	8%	500	7,034
2023	3,659,012	142,206	4%	4%	500	7,318
2024	2,404,290					

*2024 values were available up to July and therefore prorated against growth.

- As illustrated above, remittance volumes and values saw substantial growth in 2020 and 2021 following the Covid-19 pandemic. This trend stabilized in 2022 and 2023, to single-digit growth rates. (B)
- The [CBK diaspora survey \(2021\)](#) determined that the average single transaction value was USD 500 (C). This figure is held constant to factor in evidence from the study that remittance values for family upkeep mainly remained constant, while those for investments and school fees increased or decreased depending on FX rates. To determine **annual transaction volume (D)**, the annual total remittance value (A) is divided by average remittance value per transaction (USD 500) (C).
- To determine the percentage of remittances that are exclusively terminated to SACCOs from banks where they are initially received, an estimate of 9.5 percent is used (rounded off to 10 percent) (E). This is derived from FINACCESS 2021 determination of SACCO market share in Kenya's financial services sector. This figure was not validated by banks due to their data privacy policies. This points to the need for SACCOs to maintain remittance data suitable for decision making.
- [Remitscope¹⁴](#) an open-source remittance portal launched by IFAD, provides indicative fees and forex charges for bank and nonbank remittance providers. The average cost of sending remittances to Kenya is USD 8.9 with a breakdown of USD 4.8 (F) for fees and USD 4.1 FX (X). This will be split between the sending and

receiving providers as revenue on a basis of 50-50 percent (H). The assumption is the sending and receiving agents will cover any other costs on their front and back end for example aggregators from this amount.

Gross revenues for the current scenario (Remittance provider revenue), Proposal 1 and Proposal 2

As outlined in Section 2.2.3, the online survey of regulated SACCOs found that 2 remittance models were mostly used by SACCOs to facilitate remittances. These were the Indirect sending through banks and sub agent partnerships with I/MTO agents. **The latter model generates marginal shared revenues between the SACCOs and IMTO/MTO primary agent and is therefore not included in this analysis.**

Figure 24 below demonstrates the inbound gross revenues generated by all remittance providers in Kenya and subsequently SACCOs 'opportunity cost' when not earning revenues from remittances.

Additionally, the model presents gross revenue projections for the two proposed strategies for SACCOs increased/direct participation in Kenya's remittance value chain.

14 Africa - Remitscope. (n.d.). Remitscope. <https://remitscope.org/africa/>

Figure 23: Costs and revenue projections

Description	Non-Recurring fees (USD)	Recurring fees (USD)	Scope
AML, KYC and Fraud costs (J)		\$0.25	per transaction
Pricing:			
Fee (F)		\$4.80	charge per transaction
FX Margin (X)		\$4.1	charge per transaction
Commission share- send & receive agent (V)		50%	per transaction

To determine the partners share, the fraud, AML and KYC costs are deducted. The fee and FX revenue is equally split between the sending and receiving agent.

Figure 24: Gross earnings and revenue share (USD)

Year	Total transactions top 10 IB '000'(A)	Average value per transaction (C)	Transaction volume in '000' (D)	SACCO 10% Share	Gross fee margins (F)	Gross FX margins (X)	Revenue share Fees	Revenue share FX
2023	3,659,012	500	7318	731,800	351,260	300,040	175,630	150,020
2024	3,878,553	500	7757	775,700	372,340	318,040	186,170	159,020
2025	4,111,266	500	8223	822,300	394,700	337,140	197,350	168,570
2026	4,357,942	500	8716	871,600	418,370	357,360	209,180	178,680
2027	4,619,419	500	9239	923,900	443,470	378,800	221,740	189,400

Figure 25: Income before axes (USD)

Year	Total income fee +FX revenue share	Total costs fraud, AML & KYC (J)	Net income before taxes
2023	325,650	18,300	307,350
2024	504,210	19,390	325,800
2025	534,490	20,560	345,360
2026	387,865	21,790	366,070
2027	411,135	23,100	388,040

In the current landscape, financial service providers (FSPs), may generate revenues that are not shared with SACCOs, although diaspora senders are primarily SACCO members. Additionally, SACCOs face operational challenges, including lack of data-driven decision-making regarding remittances and limited product development.

4.3 Strategy 1: SACCO indirect participation in remittances with revised commercial and operational terms

Figure 26: Summary of projections- current model and strategy options USD

Year	Current Model- No Revenue Share btw FSP & SACCO	Strategy 1: As is with renegotiation (5%)	Strategy 1: As is with renegotiation (25%)	Strategy 2- Shared Services (S)
2023	307,350	15,368	76,838	NIL
2024	325,800	16,290	81,450	NIL
2025	345,360	17,268	86,340	NIL
2026	366,070	18,304	91,518	360,070
2027	388,040	19,402	97,010	381,480

Strategy 1 advocates for the continuation of the existing partnership model between banks and MMP from both regulatory and infrastructure perspectives. Under this strategy, SACCOs would renegotiate revenue margins of 5-25 percent with financial service providers (FSPs), while also implementing strategic and process improvements. These improvements aim to address the gaps experienced by diaspora senders, expand service reach—particularly to rural areas—and enhance the earnings of the SACCOs and include.¹⁵

- Outlining remittances as strategic use case contributing to not only the growth of member numbers as has been the case, but a revenue earner with reasonable financial returns. This includes setting key performance indicators against existing SACCO products and services.
- Continuous product development of remittance linked products and services to suit diaspora SACCO member needs. These include diaspora savings accounts, foreign denominated products among others previously outlined.
- Pursue digital channels that deliver convenience, safety, speed and where applicable, cost savings to enhance the diaspora customers overall customer experience.
- Review back office operational processes to eliminate friction and create a seamless sequence with financial providers. This involves mapping and costing all international remittance payment flows of payment, data generated on predetermined time intervals and proper record keeping of remittance flow volume, value, costs and seasonality.

- Invest in skill building for international remittance expertise within the SACCO.
- Initiate and ramp up customer engagement initiatives with Diaspora SACCO members and beyond. This requires investing in diaspora customer outreach to drive SACCO member remittance flows and investments via the SACCOs especially for SACCO members currently not using SACCOs.

There are variations to this strategy, including partnerships between SACCOs and payment service providers (PSPs) like Poa Pay’s Pesa Direct, which offer technology and aggregation for remittances. Some SACCOs are already utilizing such models.

The remittance process flow remains unchanged as depicted in Figure 10, following the bank partnership model.

This strategy minimises potential risk exposure related to handling foreign exchange and reduces compliance and regulatory requirements. Additionally, it incurs no significant extra capital expenditure (CAPEX) or operational expenditure (OPEX) related to infrastructure, compliance, or liquidity management. It allows for easier entry and is suitable for SACCOs planning to offer international remittances, as they can begin sooner and potentially negotiate more favourable commercial and operational terms than their predecessors.

15 The MTO sub agent model is not included as it already earns the SACCO Revenue through the 40-60 or 30-70 percent profit sharing with MTO agents.

Figure 27: Strategy 1: Renegotiation of remittance revenues with financial service providers (USD)

Year	2023	2024	2025	2026	2027
Transaction Value	3,659,012	3,878,553	4,082,487	4,357,942	4,619,419
FSP Net profit from SACCO Remittances	307,350	325,800	345,360	366,070	388,040
Revenue Strategy 1 Best case 25%	15,368	16,290	17,268	18,304	19,302
Revenue Strategy 1 Worst case 5%	76,838	81,450	86,340	91,518	97,010

4.4 Strategy 2: SACCOs Shared Services Platform.

This strategy presents an approach for SACCOs to offer remittances through a SACCO Shared Services platform, such as the planned SACCO Central platform. Under this scenario, remittances sent through banks, MMP, and, in the future, with IMTOs will be routed through the SACCOs Shared Services Platform and terminated into SACCO accounts via Application Protocol Interfaces (APIs).

SACCO Central's proposition for remittances includes:

- Through a shared technology platform, it will be able to facilitate receipt of inward remittances from diaspora senders to Kenya and directly into SACCO domiciled accounts.
- Application of uniform pricing to all member SACCOs by virtue of using centralized technology providers including MRPs, payment acquirers, and aggregators. SACCOs can then vary prices to members for services offered. **Subscription-based pricing is one of several models under consideration and is used in the revenue modeling below. Actual figures are subject to change.**
- As the umbrella body for participating SACCOs, it will act on behalf of SACCOs to meet requirements related to capital and/or specific governance requirements for a participating institution that cannot be achieved under the co-operative form of legal entity in order to comply with regulatory requirements.
- Access to the NPS includes interoperability with other domestic payment providers such as Pesalink and Mobile Network Operators.

Key factors to consider

- The platform is in the design phase which may face some risks and challenges during set up. Additionally, there may be changes along the way that impact the current plan of how payments and specifically international remittances will be offered.
- SACCO central will be a 'software as a service' (SaaS) hence revenues will be derived from SACCOs paying annual subscription fees for services offered. The amounts are revenues for SACCO central and a cost for SACCOs.
- SACCO Central projects revenue net earnings begin after Year 3, due to investments in technology and infrastructure. However, this does not impact participating SACCOs, as they will pay subscription fees as reflected in their revenue projections from the start and earn revenue.
- For SACCOs, revenue for shared platforms comes from fees and FX charged per transaction sent by a SACCO member. SACCOs will need to drive higher volumes and values in order to achieve performance goals.
- Participation in the SACCO Central Shared Services is optional, and although there could be other variations of entities that represent SACCOs in similar ways, these are not covered because they are comparatively less feasible with lower competitive advantages.

Revenue projection for SACCO shared services:

Figure 28: Strategy 2 SACCO shared services platform revenue projections USD.

Revenue	2026	2027
Remittance Revenue	366,070	388,040
Costs		
Subscription	6,000	6,560
Operating Profit	360,070	381,480

Both strategies are well-suited for SACCOs aiming to begin offering international remittances. However, Strategy 1 is particularly ideal for SACCOs that wish to implement remittance services sooner. Strategy 2 is more promising in regard to SACCOs

directly handling remittances and expanding reach particularly to rural areas.

The two proposed strategies have advantages and disadvantages as outlined below:

Figure 29: Comparison of the two proposed approaches.

	Proposal 1- SACCO partnership with financial service providers	Proposal 2- SACCO Shared Services
Regulatory	No regulatory amendments required	Major to moderate regulatory amendments are necessary for SACCOs to comply with the new requirements. Shared services can serve as a vehicle to address these amendments, although the process will take time.
Financial	Moderate to low financial implications for FSPs with SACCO renegotiation of commercial terms of between 5-25 percent.	The proposed subscription-based pricing model for SACCO Shared Services has high financial implications, with a focus on affordability.
Technology & infrastructure	Limited implications for technology and infrastructure as systems are owned by FSPs.	Substantial technology and infrastructure requirements for backend and last-mile transaction processing, including core banking systems, APIs, and other components.
Operational	Funds flow remain the same.	Funds will be allocated to the shared services platform rather than to third-party providers. SACCO Central may establish partnerships with payment service providers (PSPs), but the management of these partnerships will not fall on the SACCOs.
Strategic	Limited room for strategic innovation and improvements	SACCO Shared services can champion inclusive product development and forge partnerships to expand the range of remittance services offered by SACCOs.
	Can be launched anytime	Will launch in 2-3 years

4.5 SACCO Remittance use cases

SACCOs increased participation in remittances will require deployment of new products and services to serve the diverse needs of the diaspora senders and receivers. Examples are outlined below:

4.5.1 Remittance-based credit and GIZ WIDU Africa case study

Access to credit remains a key barrier to economic development and innovative methods have emerged to leverage steady diaspora flows from the global north to the global South. Remittance-based credit enables senders and recipients of remittances to convert small monthly transfers to a larger business

investment by using the track record of remittance sending/reception as collateral (together with a loan guarantee) for a loan or a grant. Once the business is profitable, the loan is repaid through the remittances if they continue or through profits from the business. In some cases, the funds are provided as a grant to expand a business.

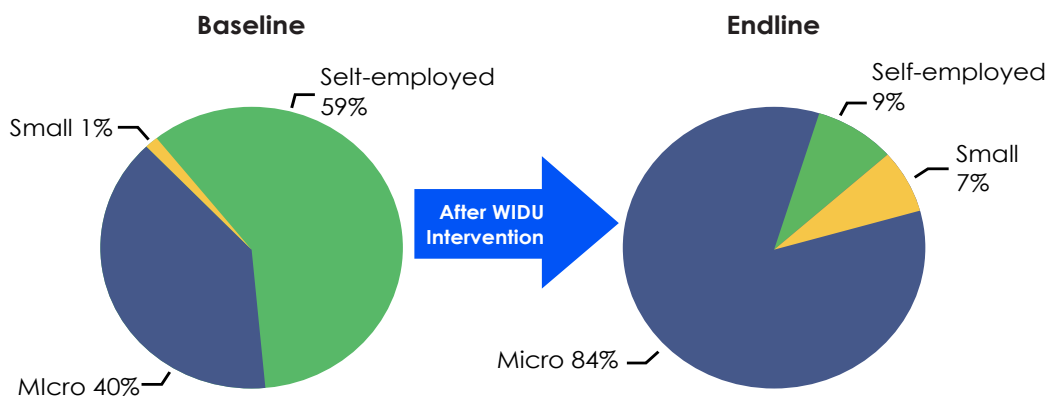
WIDU is a collaborative initiative between GIZ and various African diaspora communities in Europe aimed at channelling remittances from the African diaspora into micro and small businesses of their relatives and friends in six participating African countries, including Cameroon, Ethiopia, Ghana, Togo, and Tunisia. The Kenyan diaspora in Germany transferred USD 194 million back home in 2023, the 4th highest

inbound corridor. Only a small portion of such funds are invested in businesses, highlighting untapped potential for involving the diaspora in entrepreneurial funding through capital and knowledge transfer.

The programme uses a combined grant and coaching approach, encouraging diaspora senders in Europe to invite friends and family in their home countries to participate. Together, the diaspora donor and the entrepreneur can develop their project on the platform, making equal private investments in the process.

The results demonstrate significant impact. Since launch, the programme has matched diaspora funds amounting to USD 1.3 million for entrepreneurial start-up funds and an upgrade of self employed, small and micro entrepreneurs as demonstrated below.¹⁶

Figure 30: WIDU Baseline and Endline 2021-2024



4.5.2 Topping-up remittances to encourage productive use

Findings indicating patterns of remittance decline and stoppage among some recipients—whether due to the sender’s diminishing ability or the receiver’s improved circumstances—highlight the need for discussions around developing more sustainable use cases. Several organizations offer small business loans to individuals from communities that traditionally use remittances as startup capital. Recipients can then apply for additional funding to either start or expand a small business.

A variation of the WIDU model, the Danish Refugee Council, operates on a tri-party agreement involving the recipient, who contributes 10 percent of the investment; the remittance sender, who covers 40 percent; and the organization, which provides the remaining 50 percent. This model also includes training and coaching for the entrepreneur.

SACCOs in partnership with development agencies can explore such options for redirecting remittances to complement various traditional loan products for investments and entrepreneurship.

¹⁶ WIDU. (n.d.). WIDU. <https://widu.africa/>

Chapter 5: Conclusions and action areas

5.1 Conclusions

5.1.1 Demand Side

The findings from both the demand and supply sides indicate that SACCO members in the diaspora are actively sending remittances home for various purposes, including for family support, investments for senders and their families, and payment of utilities such as school fees. However, most members do not use SACCOs to remit funds back home. Although SACCOs have been active in this area, the flow of funds between senders and SACCOs primarily occurs through other financial service providers (FSPs), mainly banks, rather than directly through SACCOs. SACCOs are not recognised as remittance providers, which is a missed opportunity to directly serve their own customers. Additionally, SACCO accounts tend to be viewed as long-term savings accounts rather than current accounts for regular cash in-cash out transactions.

Respondents' express optimism that SACCOs could play a more direct role in the remittance value chain, particularly in facilitating diaspora investments in real estate in Kenya. Direct remittance through SACCOs would be more convenient for senders and commercially advantageous for SACCOs, even if it does not significantly reduce costs for senders.

Gendered differences towards remittances emerged in areas such as the purpose of joining the SACCO, investment priorities, remittance purpose, value and frequency, financial decision making, risk appetite and social expectations. These are detailed in Annex 3. This points to a need for gender differentiated product development approaches.

To capitalise on the opportunity for direct remittances, respondents emphasized the need for SACCOs to prioritize the development of robust digital platforms, establish strategic partnerships, regain trust, and improve efficiency to effectively serve and engage their diaspora members.

5.1.2 Supply Side

All stakeholders interviewed—including senders and receivers, SACCOs, financial service providers (FSPs), regulators, relevant state entities, and think tanks—concur on the potential for SACCOs to offer remittance services directly and to expand product offerings for diaspora senders and receivers.

SACCOs have not fully leveraged the opportunity to facilitate remittance inflows, with 22 percent offering remittance services through partnerships with banks, MMPs and MTOs. A smaller percentage have included remittances in their product pipelines, and some are in the process of developing remittance linked products which are mostly in the early development stages. There is interest amongst two-thirds of non-participating SACCOs to offer remittances, presenting an opportunity to provide regulatory, strategic and other support for extended reach and more favourable commercial models.

SACCOs increased participation in the remittance value chain is contingent upon addressing several key barriers: regulatory and compliance, technology and infrastructure limitations, siloed remittance linked product development, trust and security concerns, customer education, and SACCO staff technical capacity.

Government and regulatory entities with plans to advance remittances and diaspora investments acknowledged the potential for SACCOs to play a more significant role in the remittance ecosystem. These include investments in the capital markets, remittance-linked micro and insurance products, acceptance of diaspora principals and premiums paid through foreign currencies, county-based special economic zones for diaspora investors, and increased remittance and investments flows. SACCOs can leverage these opportunities and partner with these government entities to be at the forefront of sustainable remittances.

5.1.3 Regulatory landscape

The current regulatory framework presents the most significant barrier for SACCOs expanded remittance service provision. Key regulations such as handling forex, requirement to be a limited company, non-participation in the NPS and deposit taking restrictions for MRPs among others restrict SACCOs in their current form.

Proposed approaches include regulatory reforms and SACCO participation through the Shared Services initiative. Mitigations are further outlined below:

Figure 31: Regulatory constraints and mitigations

Legal constraints for DT SASRA regulated SACCOs	Severity	SACCO Shared Services mitigation	Other mitigations/recommendations
Prohibition against dealing in forex	High	Apply for license to operate foreign currency accounts on behalf of the member SACCOs.	Revise the law to allow SACCOs to deal in forex
Legal requirement to be a company limited by shares to be licensed as a money remittance operator and named as such.	High	SACCO Central incorporates a special purpose vehicle to undertake payments related business activities.	Exempt SACCOs from application of this provision in the regulations since SACCOs are registered as cooperative societies and not as limited companies
Prohibition against money remittance operators engaging in deposit taking, maintenance of current accounts and lending	High	Apply for license in partnership with MRP/PSPs	Exempt SACCOs from application of this provision since these activities are core to the business of SACCOs
Law requiring approval to undertake cross-border payments from the Central Bank if an institution is neither a bank nor a microfinance bank.	Moderate	SACCO Central as the licensed entity to be granted this permission.	Revise the law to recognise SACCOs to prevent the need for SACCOs having to seek approval from CBK to undertake cross-border payments
The law does not provide for inter-SACCO lending and emergency liquidity facilities for SACCOs; the Deposit Guarantee Fund has not been operationalised.	Moderate	The SACCOs Shared Services Platform can mitigate this liquidity gap by providing short-term borrowing for settlement purposes; pooled Central liquidity where SACCOs can borrow long term and facilitate inter-SACCO lending.	Amend the SACCO Societies Act 2008 and set up the infrastructure lending to provide for inter-SACCO lending akin to inter-bank lending. Operationalise the Deposit Guarantee Fund for SACCOs to inspire confidence among depositors/customers on the stability of SACCOs. Consider providing for an emergency liquidity facility domiciled at SASRA or allow SACCOs to access the facility at CBK

Legal constraints for DT SASRA regulated SACCOs	Severity	SACCO Shared Services mitigation	Other mitigations/recommendations
Exclusion from being participant in the national payment and settlement system, which complicates making of settlements and forces SACCOs into partnerships with other players (incumbents) such as banks with the associated costs.	Moderate	SACCO Shared Services, such as the SACCO Central Platform, can provide a platform (technological and enabling access to lender of last resort facilities) thereby significantly mitigating the payment and settlement risks	Consider establishing a SACCO centralized mechanism such as SACCO Central to serve as a bridge between CBK and SACCOs. Revise the law to permit SACCOs to be participants in the national payment & settlement system.
Diaspora SACCOs are NWDT and would not directly benefit from expanded remittance capability, despite serving high numbers of diaspora customers	High	None	Support for diaspora SACCOs to offer remittance linked solutions not requiring FOSA

5.1.4 Quantifying the SACCO international remittance opportunity

Remittances are on the rise, with the top 10 corridors experiencing a steady growth rate of 19 percent, other channels show an 11percent growth. This offers SACCOs the opportunity to adopt a phased approach or specialize in corridors based on their members’ locations.

Strategy 1: SACCO participation in remittances continues unchanged from a regulatory and infrastructure standpoint, with focus on strategic and process improvements. Additionally, this strategy reduces risk exposure associated with foreign exchange, lowers compliance and regulatory burdens, and does not necessitate high capital or operational expenditures (CAPEX and OPEX). It is particularly advantageous for SACCOs entering the international remittance market as it allows for the negotiation of more favourable commercial and operational terms compared to earlier participants.

With an estimated 10 percent market share in remittances, Strategy 1 could potentially generate significant estimated revenues for participating SACCOS with minimal regulatory and infrastructure changes. However, this strategy limits SACCOs’ roles in directly receiving remittances and restricts their capacity for product expansion.

Strategy 2: The SACCO Shared Services entity is designed to serve as the vehicle for onboarding SACCOs through a voluntary participation commercial model. This approach is expected to yield greater benefits for participating SACCOs.

Implementing this strategy will require significant regulatory amendments, or, if SACCOs are joining via a shared services model, this will be the vehicle through which they participate. Nonetheless, this model shows great promise for overcoming major regulatory, technological, process, and strategic challenges related to process and technology among others, while also enabling a gradual increase in revenues once launched and adoption levels grow.

Figure 32: Comparison of the two proposed strategies.

	Proposal 1- SACCO partnership with financial service providers	Proposal 2- Shared Services
Regulatory	No regulatory amendments required	Major to moderate regulatory amendments are necessary for SACCOs to comply with the new requirements. Shared services can serve as a vehicle to address these amendments, although the process will take time.
Financial	Moderate to low financial implications for FSPs with SACCO renegotiation of commercial terms of between 5-25 percent.	The proposed subscription-based pricing model for SACCO Shared Services has high financial implications, with a focus on affordability.
Technology & infrastructure	Limited implications for technology and infrastructure as systems are owned by FSPs.	Substantial technology and infrastructure requirements for backend and last-mile transaction processing, including core banking systems, APIs, and other components.
Operational	Funds flow remain the same.	Funds will be allocated to the shared services platform rather than to third-party providers. SACCO Central may establish partnerships with payment service providers (PSPs), but the management of these partnerships will not fall on the SACCOs.
Strategic	Limited room for strategic innovation and improvements.	SACCO Shared services can champion inclusive product development and forge partnerships to expand the range of remittance services offered by SACCOs.

5.2 Proposed key action areas

Given these opportunities, there are key action areas for SACCOs to expand their participation in international remittances especially to rural areas as follows:

Figure 33: Summary of proposed action areas.

Category	Key action areas	Proposed action timeline	Lead
Enhancing customer engagement	Learning-Develop and implement a financial literacy program through SACCO direct engagement with its members and peer learning mechanisms through which more remittance related learning can take place. Example of Thamani SACCO in Annex 4	Short term for SACCOs offering remittances	SACCOs SACCO, SASRA, Development partner
	Product Improvements- digitalization of remittance and non-remittance SACCO transactions for an improved customer experience.	Medium term	
	Address trust and transparency concerns, on the safety and security of funds, and perceptions of inefficiency and lengthy processes. Applicable to remittance and non-remittance processes	Ongoing	SACCOs KUSCO SASRA
	Improve customer support structures.	Medium term	

Category	Key action areas	Proposed action timeline	Lead
	<p>Develop a program to support diaspora members desiring sustainable remittances and diaspora investments.</p> <p>Set up Remittance/Diaspora Investments to fund micro to small business.</p>	<p>Medium term</p> <p>Long term</p>	<p>SACCOs, Diaspora Associations, SASRA</p> <p>State Department for Diaspora Affairs</p>
Organisational capacity development	<p>Formation of a SACCO remittance technical working group to champion expanded participation of willing SACCOs in international remittance.</p> <p>Data advocacy and collection to fill in gaps</p>	Short-medium term	SASRA, FSD Kenya, IFAD
	<p>Technical support- SACCO remittance strategy covering:</p> <ul style="list-style-type: none"> • Products and Services <p>Data management including gender disaggregated data, in depth analysis of granular data on current and planned remittance provision for more accurate projections</p> <ul style="list-style-type: none"> • Go to market plan. • Individualised (at SACCO level) financial modeling plan • Technical support for SACCOs- remittance market entry/re-entry for existing providers: • Feasibility study for participation in the planned SACCO Shared Platform. • Pilot concept and implementation <p>Strategy 1 Implementation</p> <p>Strategy 2 Implementation</p>	Short term	SASRA, FSD Kenya, other development partner(s)
	<p>Technical support for SACCOs interested in remittance market entry/re-entry for existing providers:</p> <p>Pilot concept and implementation</p> <ul style="list-style-type: none"> • Strategy 1 Implementation • Strategy 2 Implementation 	<p>Short term</p> <p>Short term</p> <p>Long term</p> <p>Medium term</p>	<p>SACCOs,</p> <p>SACCO shared services, SASRA, IFAD, FSD Kenya</p>

Category	Key action areas	Proposed action timeline	Lead
	<ul style="list-style-type: none"> -Knowledge Management: Consolidation of SACCO remittance knowledge management content and dissemination via channels that reach SACCOs. -Development of a SACCO remittance stakeholder toolkit designed for SACCOs with remittance provision in their pipeline. This can be an extension of the IFAD Remittance Innovation toolkit. - Increase participation of SACCOs offering Remittances in knowledge management. Example Leverage on NRSN to reach rural SACCO to disseminate findings to all SASRA Regulated SACCOs. 	<ul style="list-style-type: none"> Short term Medium term Short term 	SASRA, FSD Kenya, IFAD
Policy and Advocacy	<ul style="list-style-type: none"> -Regulatory stakeholder engagement – CBK and SASRA and SACCOs Shared Services Platform Secretariat develop a roadmap for regulatory reforms impacting SACCOs’ participation in remittances. -Development of a policy paper to consolidate regulatory study findings for stakeholders. -Regulatory sandbox set up for SACCO shared services to closely monitor the impact of regulations. 	<ul style="list-style-type: none"> Medium to Long Term Short term Long term 	CBK, SASRA, FSD Kenya, other development partner(s)
Further Action Areas	Comprehensive risk assessment related to SACCOs providing remittance services through existing and proposed models.	Medium term	SASRA, FSD Kenya, other development partner(s)

Duration:

Short term- 3-6 Months

Medium term- 6-12 months

Long term- More than 12 months

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Annexes

Annex 1: Methodology and study limitations

Annex 2: Consulted stakeholders

Annex 3: Comparisons between demand side respondents SACCO members vs. non-members.

Annex 4: SACCO case studies

Annex 1: Methodology and study limitations

The scope was focused on SASRA regulated primary cooperatives¹⁷ classified as financial cooperatives registered with the mandate for financial intermediation including deposit collection on members behalf. Non-Financial SACCO's, such as transport SACCOs, were outside the scope of this study, while non- regulated SACCO's were minimally analyzed for comparison.

Data collection took place from December 2023 to May 2024 using a combination of techniques including

Key Informant Interviews, Focus Group Discussions, and virtual In-depth interviews through an online survey and face-to-face and virtual interviews.

A purposive sampling technique was used to identify demand side respondents in line with the categories outlined below. **The study was focused on Inbound remittances to Kenya.** Senders were recruited from 9 send corridors, and receivers from 7 counties in Kenya. The selection of counties was based on the level of SACCO inbound activity as reported in FinAccess 2021 and number of SACCOs/branches according to the SASRA annual report 2023.

Figure 34: Demand side sample

Demand Side Categories	Locations	Methodology
SACCO senders	Nairobi, Mombasa, Nyandarua, Eldoret	Desk reviews, Focus Group Discussions (FGDs)
Non-SACCO Senders		
Rural receivers	Kisii, Eldoret, Meru, Nakuru	In-depth Interviews (IDIs)
Diaspora SACCO senders	Austria, Australia, Canada, Finland, Netherlands, Qatar, UAE, Uganda, USA	

The supply side study focused on regulated SACCOs in Kenya, including 3 in the diaspora; and bank and non-bank financial service providers currently partnering with SACCOs or planning to. Other participants were governmental agencies including State Department

of Diaspora, Capital Markets Authority (CMA), Financial Reporting Center (FRC) and Retirement Benefits Authority (RBA). Primary data collection was conducted through key informant interviews using a semi structured qualitative interview tool.

Figure 35: Supply side sample

Supply side category	Number interviewed	Methodology
SACCOs	140	Quantitative survey
SACCOs including diaspora SACCOs	36	Desk Review, Key Informant Interviews (KIIs)
Financial Service Providers	21	
Other-regulators and government departments	7	

The regulatory diagnostic covered an extensive desk review of the legal and regulatory framework on remittances in Kenya as relates to SACCOs, prior to the key informant interviews. The objective

was to highlight provisions required to facilitate the participation of SACCOs as direct remittance providers.

17 Primary SACCOs- membership restricted to individual persons and serving individual members.

Figure 36: Regulatory diagnostic

Category	No. Interviewed	Methodology
Regulators- CBK, FRC, SASRA	3	Regulatory review, Key Informant Interviews
Financial Service Providers- SACCOs	1	Key Informant Interview

Validation and dissemination

A validation workshop took place on April 30th to review and confirm the accuracy of the findings, clarify meanings and nuances, evaluate the conclusions drawn, and ensure that the recommendations accurately reflect respondents’ contributions. The workshop aimed to verify that the findings represented relevant changes and shifts within the ecosystem, such as regulatory updates, during the study period.

Preliminary findings were shared at two dissemination events: The Annual Sacco sub-sector regulatory roundtable workshop held in Naivasha and the International Day of Family Remittances (IDFR). A launch event is scheduled in September 2024 to present the final study outcomes.

Study limitations

The study generated relevant insights and was largely successful except for a few limitations:

- i. Supply side respondents, particularly SACCOs and FSPs, were unable or reluctant to share requested transaction data due to unavailability and/or confidentiality.
 - SACCOs did not keep structured and detailed data related to the pricing, volume, value and source of remittance inflows channeled into their member accounts. Similarly, they did not divulge useful details of their commercial agreements with their remittance partners, mostly banks, citing confidentiality clauses.

Compounded by the lack of publicly available data on the subject, determination of SACCOs remittance market share became a complex undertaking.

- FSPs did not provide actual transaction data due to privacy and confidentiality clauses.
- Publicly available data, such as remittance inflow data published by CBK, has seen great improvements in the past to include source corridors. However, it lacked key indicators such as volume that is useful for financial modelling.

To address such data gaps, the team used available data and insight driven assumptions for financial modelling.

- ii. Some key FSPs and Government entities were unavailable for interviews. The research team replaced them with others, but this extended the interview period.
- iii. As the study findings point out, SACCOs’ direct participation in remittances is contingent upon review of some regulations that range from moderate to major. While other recommendations can be actualized, this will not be a short-term initiative. For mitigation, recommendations take into consideration current models and how these can be improved in the interim or for those who will not opt for longer term strategies.

Annex 2: Consulted stakeholders

Category	Organisation
Regulatory & government entities	Central Bank of Kenya
	SASRA
	Financial Reporting Centre
	Ministry of Foreign and Diaspora Affairs
	Ministry of Investments, Trade & Industry
	Capital Markets Authority
	Retirement Benefits Authority
	Insurance Regulatory Authority
Financial Service Providers (FSPs)	Tap Tap Send
	Coop Bank
	Equity Bank
	Credit Bank
	Kenyan Fintech Association (FINTAK)
	Association of Fintech Kenya (AFIK)
	Eclectics
	Interswitch
	Family Bank
	Mukuru
	PesaLink
	Tangazo Letu
	Co-op Consultancy and Bancassurance Intermediary
	Lemfi
	Pesa Direct
	PoaPay
	Coretec
	Fibo360
	Skyworld
	Craft Silicon
AMTECH	

Category	Organisation
SACCOs	Ammar SACCO
	AMREF SACCO
	Balozi Regulated N-WDT SACCO Society Limited
	Bandari SACCO Limited
	Boresha SACCO
	Dimkes SACCO
	Exam SACCO
	Good Faith SACCO
	Harambee SACCO
	Invest and Grow SACCO
	KAG SACCO
	Ken Pipe SACCO Ltd
	Kimisitu SACCO
	Kingdom SACCO
	Mentor SACCO Society Ltd
	Nation DT SACCO Society Limited
	Nyati SACCO
	Parliament SACCO
	PCEA Ruiru SACCO
	Safaricom SACCO Limited
	Solution SACCO
	Stima DT SACCO Society
	Tower SACCO
	Trans-Counties SACCO Limited
	Umoja Wendani SACCO Limited
	UNAITAS SACCO
	Unifying Regulated NWDT Sacco Ltd
	Unison SACCO Limited
	Universal Traders SACCO
	Utabibu SACCO
Vision SACCO	
Waskom SACCO	
Diaspora SACCOs	Kenya USA Diaspora NWDT SACCO
	Grand Granite NWDT
	Stoke NWDT SACCO

Annex 3: Comparisons between demand side respondents SACCO members vs. non-members

SACCO members generally expressed more positive views and experiences with SACCOs in facilitating remittances compared to non-members.

Figure 37: Comparison between SACCO members and non-members.

Aspect	SACCO members	Non-SACCO members
Trust and safety of funds	Higher trust in SACCOs and fund safety	Lower trust, fear of mismanagement and concerns about fund safety
Benefits	Highlight dividends, loans, additional perks	Less aware of potential benefits
Interest in SACCO remittance services	Open to the idea if implemented well	More reluctant to use SACCOs for remittances
Knowledge and experience of SACCO services	More informed about SACCO offerings and have firsthand experience	Limited knowledge of SACCO capabilities Opinions often based on hearsay or limited exposure
Suggested improvements	Provide specific ideas for SACCO improvements	Less specific on how SACCOs could improve

Urban vs. rural counties

Figure 38: Rural vs urban comparison

Aspect	Urban counties (Nairobi, Mombasa)	Rural counties (Meru, Kisii, Uasin Gishu, Nakuru, Nyandarua)
Awareness of SACCOs and product knowledge	Higher awareness and exposure, more informed of SACCO products and services	Lower awareness and exposure as well as limited product and services knowledge.
Variety of financial services used	More diverse, including banks, mobile money, and SACCOs	More reliant on mobile money and informal channels
Trust in SACCOs	Mixed views, but generally more open to the idea	More sceptical, less trust in formal institutions
Preference for remittance channels	Prefer faster, more convenient methods like M-PESA View SACCOs as more accessible	Strong preference for M-PESA due to accessibility, Perceive SACCOs as less accessible in rural areas
Perception of SACCO efficiency	Concerns about efficiency, but see potential for improvement	View SACCOs as potentially slow and bureaucratic
Attitude towards financial innovation	More open to new financial products and services	More conservative, prefer tried-and-tested methods

Comparison across countries/regions

Figure 39: Regional comparisons of remittances.

Aspect	Australia	North America	Europe	Gulf (UAE, Qatar)	Uganda	UK
Preferred remittance channels	Send Wave, World Remit, Western Union, Mobile money	Send Wave, World Remit, Remitly, M-Pesa	- NALA, Remitly, TransferWise, M-Pesa	- Exchange shops, M-Pesa, Western Union, Bank transfers	M-Pesa, bank transfers (e.g. Equity)	Digital platforms (e.g. World Remit, Taptap), bank transfers,
Key drivers for choice	- Exchange rates, Speed of transfer, Reliability, Ease of use	- Low/no fees, Fast transfers, Convenience, User-friendliness	- Exchange rates, Low fees, Speed, Reliability	- Exchange rates, Flat fees, Instant transfers, Familiarity	Convenience, accessibility, speed	Speed, convenience, competitive exchange rates, customer service
Unique challenges	- Network issues causing delays, Lack of direct options, Trust issues with intermediaries	- Lack of direct SACCO remittance channels, High expectations from recipients, Difficulty verifying use of funds	- Lack of trust in government/official channels, Limited investment options, High taxes on investments	- Restrictions on amount sent based on salary, Limited side job opportunities, High cost of living	Fluctuating exchange rates, high transaction costs, lack of trust in institutions	Distance from Kenya, difficulty verifying investment opportunities, risk of fraud
SACCO engagement	- Limited direct remittance options, mostly for savings	- Primarily for savings, Some loan facilities, Limited direct remittance options	- Mainly for savings, Interest in more investment products, Desire for direct remittance channels	- Savings and investments, Loan facilities, Desire for direct remittance options	Mixed experiences - some positive, others citing dishonesty and mismanagement	Mostly positive - seen as trustworthy for investments, especially property
Investment priorities	- Real estate, Land, Business ventures	- Real estate, Education funds, Retirement savings	- Rental properties, Land, Retirement planning	- Real estate, Sacco savings, Local business support	Land, real estate, farming, small businesses	Land, real estate, retirement savings

Comparison between remitting periods:

Senders who had been remitting for over 10 years generally reported a more consistent increase in their remittances over time, citing a growing need to support family members and invest in projects

back home. Those remitting for shorter periods (0-10 years) experienced more fluctuations in their remittance amounts, often due to changes in personal circumstances or income levels.

Figure 40: Remittance period comparisons.

Aspect	Below 10 years	Above 10 years
Preferred remittances channels	- Digital platforms (e.g., Send Wave, World Remit), Mobile money transfers (e.g., M-Pesa), Bank transfers	- Traditional methods (e.g., Western Union), Digital platforms, Direct bank transfers
Key drivers for choice	- Speed of transfer, Low fees, User-friendly interfaces, Exchange rates	- Reliability, Familiarity, Exchange rates, Established relationships with providers
Unique challenges	- Understanding remittance regulations, building trust with recipients, Navigating new financial systems	- Adapting to technological changes, balancing long-term financial goals with remittance obligations, Managing expectations of recipients
SACCO engagement	- Primarily for savings, Interest in digital SACCO services, Exploring loan options	- Long-term savings and investments, Utilizing SACCO loans for projects back home, Interest in SACCO partnerships for remittances
Investment priorities	- Education funds, Supporting family, Short to medium-term savings	- Real estate investments, Retirement planning, Business ventures in home country
Remittance frequency	- More frequent, low value	- More structured, regular remittances, higher value less frequency esp. for investments
Financial literacy	- Topics include cross border transfers, exchange rates and fees and available remittance options	- Advanced understanding of international finance, Strategic use of multiple remittance channels, Long-term financial planning incorporating remittances
Impact on career decisions	- Influenced by remittance obligations, seeking higher-paying jobs to meet remittance needs	- Established career paths, Balancing increased income with sustained remittance purposes
Technology adoption	- Quick to adopt new remittance technologies, Preference for mobile and app-based solutions	- May be slower to adopt new technologies, Preference for familiar, trusted methods
Long-term financial planning	- Focus on immediate needs and short-term goals, beginning to consider long-term impact of remittances	- Integrating remittances into retirement planning, considering succession planning for remittance responsibilities

Comparison across genders: Both male and female senders primarily sent remittances to immediate family members. However, some gender differences were observed in the percentage of income remitted and the purposes for remittances.

Figure 41: Gender comparisons

Aspect	Male	Female
Preferred remittances channels	Digital platforms, Bank transfers, Mobile money transfers	Mobile money transfers, Digital platforms, Traditional methods (e.g., Western Union)
Key drivers for choice	Exchange rates, Speed of transfer, Low fees	Convenience, Ease of use, Reliability
Unique challenges	Pressure to be primary provider, Balancing personal goals with family obligations	Juggling family responsibilities, Overcoming gender-based financial barriers
SACCO engagement	Focus on long-term investments, Interest in business loans	Emphasis on savings, Interest in micro-loans for small businesses
Investment priorities	Real estate, Business ventures, Retirement planning	Children's education, Family healthcare, Small-scale businesses
Remittance frequency	Larger, less frequent transfers, Regular monthly remittances	More frequent, smaller amounts, Responsive to immediate family needs
Financial decision-making	More autonomous decision-making, Focus on long-term financial strategies	Collaborative decision-making, Balance between immediate needs and future planning
Recipients of remittances	Extended family, Community projects, Personal investments	Immediate family (children, parents), Siblings, Personal development
Impact on career decisions	Pursuit of higher-paying positions, Willingness to relocate for better opportunities	Balancing career with family responsibilities, Preference for flexible work arrangements
Risk tolerance in investments	Generally higher risk tolerance, more diverse investment portfolio	Generally, more conservative, Preference for secure, stable investments
Financial literacy efforts	Focus on investment strategies, Interest in market trends	Emphasis on budgeting and saving, Interest in financial independence education
Social expectations	Expected to provide for extended family, Pressure to demonstrate financial success	Expected to maintain family ties through remittances, Balancing personal aspirations with family expectations

Annex 4: SACCO case studies

Case Study 2: Thamani SACCO- Meru County, Kenya

Thamani Sacco society Ltd, formerly Nithi Tea Growers Sacco Ltd was registered on 3rd November 1987 and licensed by SASRA in October 2011 as a deposit-taking society. A rural based SACCO, it has a head office in Chuka and branches in Chogoria town, Marima town, Kibugua town, Cheera market and Kathwana Market.

The IMTO retains an estimated 70 percent of the fee and FX earned, the balance of 30 percent is split between the sending and receiving agents depending on their commission rates. The receiving agent in Kenya likely a local bank agent will further split their commission with Thamani SACCO at a ratio of 30-70 or 60-40 percent based on contractual terms. The IMTO directly settles the accumulated commissions on a net settlement basis to Thamani SACCO in local currency.

Case Study 3: Interledger Foundation and People's Clearing House Mexico

The Interledger Foundation has partnered with the People's Clearinghouse in Mexico, with the support of MojaLoop and Bill and Melinda Gates foundation to facilitate seamless remittances to Mexico. This initiative will allow community banks to receive remittances directly into their clients' accounts, creating deposits that can be utilized for increased lending and investment within the local economy. The initial phase of this project will focus on the 140 members of the Mexican Association of Social Sector

Credit Unions (AMUCSS), a network of community banks that serve rural areas in Mexico.

By equipping these institutions with the necessary digital infrastructure and secure payment capabilities, the Interledger Foundation and People's Clearinghouse aim to revolutionize the handling of remittances. The goal is to ensure that the capital generated can be reinvested locally, driving sustainable development and economic growth.

The Interledger Foundation views this project in Mexico as a model that can be replicated in other regions worldwide, particularly in underserved and rural areas that have historically been overlooked by the traditional financial system.¹⁸

Case Study 4: Tower SACCO Nyandarua, Kenya

Tower Sacco actively engages the diaspora by implementing strategies that simplify and secure money transfers for Kenyans abroad. This is through partnerships enabling bank to bank transfers and Mobile money with partners such as SendWave and World Remit.

Members can securely invest, alleviating concerns about their savings. The SACCO has over 600 members who collectively contribute more than Kshs 180 million (USD 1.4M) annually.

The SACCO recently introduced diaspora banking services which include mobile and internet banking services for loans, investment advice, money transfers, and saving plans. There is a dedicated diaspora unit that serves customers on a 24/7 basis to accommodate different time zones.

18 Kennedy, R. (2024, August 4). US-Mexico Remittances Initiative empowers Mexican rural banks - the global treasurer. The Global Treasurer. <https://www.theglobaltreasurer.com/2024/08/05/us-mexico-remittances-initiative-empowers-mexican-rural-banks/>



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