



# Unleashing the potential of SACCOs to serve remittance users in rural areas

Welcome

**National Remittances Stakeholder Network:  
Kenya**

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Radisson Blu - Arboretum

# About FSD Kenya



FSD Kenya was established in 2001 to support the development of **inclusive finance** as a means to stimulate **wealth creation** and to **reduce poverty**.

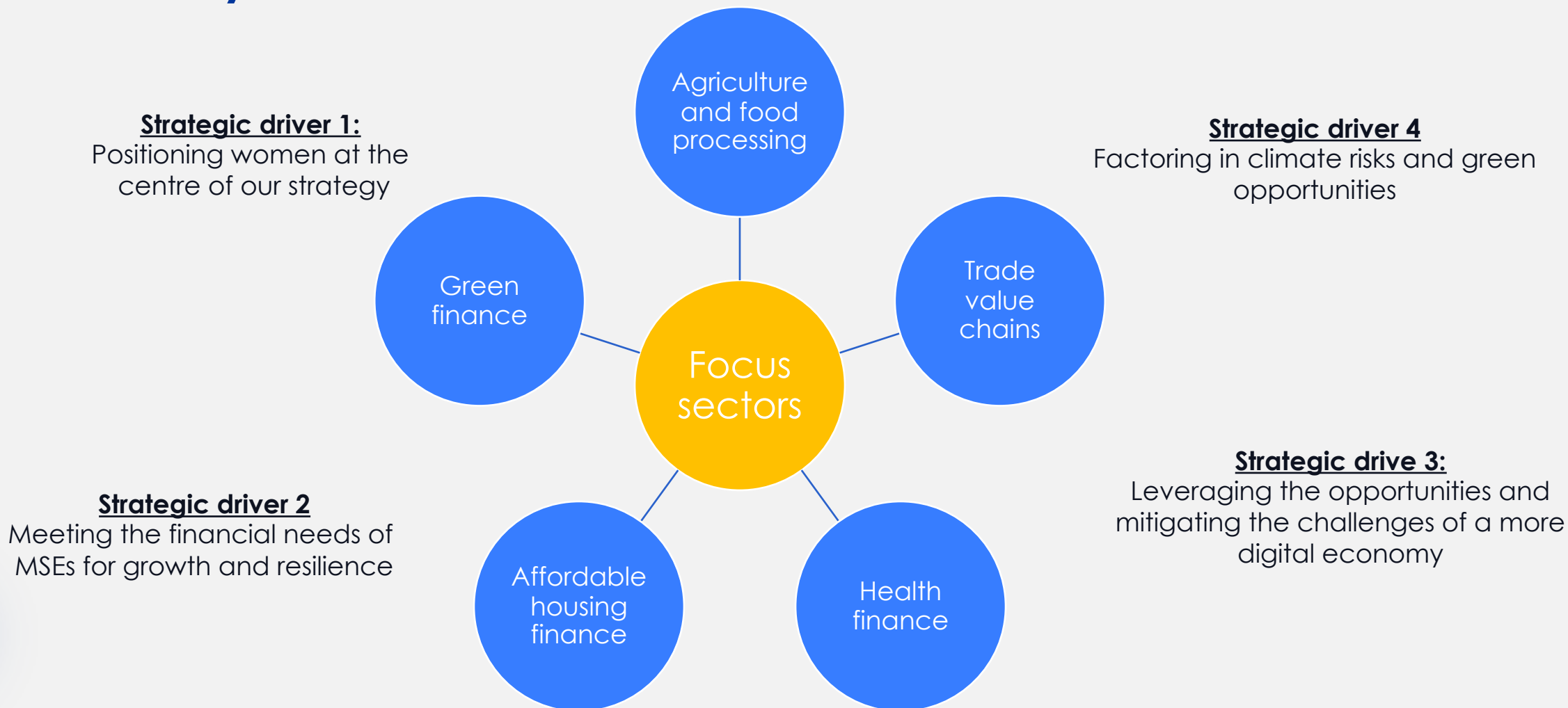
In 2005, FSD Kenya was constituted as an independent trust. FSD operates under the supervision of professional trustees with policy guidance from a programme investment committee (PIC).

We work closely with the public sector, the financial services industry, and other partners to **develop financial solutions** that better address the

**real-world challenges** that low-income households, micro and small enterprises, and underserved groups **such as women and youth** face.

Our current funders are FCDO, the Swedish International Development Cooperation Agency (SIDA), and the Bill & Melinda Gates Foundation.

# FSD Kenya focus sectors



## Anchored on shifting key functions of the financial markets:

- **Effective policy, regulation, and vision:** To walk closely with policymakers and regulators to turn those ideas into reality
- **Open financial market infrastructure:** Facilitate greater openness, interoperability, portability, risk mitigation, and improving financial service delivery, especially at the last mile.
- **Value adding solutions:** partner with the market to better understand when finance delivers value versus when it extracts value and then will work with the market to stimulate the scaling of the value-adding solutions.

# Background

- The role of SACCOs in remittances is increasingly growing
- Their unique position of being close to the grassroots makes the segment a key player in achieving Kenya's financial inclusion agenda through sustainable remittances.
- SACCOs have the potential to reach the most underserved and vulnerable such as women and rural populations
- IFAD and FSD Kenya acknowledge this and are in the process of partnering with SASRA in attaining this

# Context

- IFAD has an on-going project, PRIME Africa - the Platform for Remittances, Investments and Migrants' Entrepreneurship, which focuses on seven African countries (including Kenya).
- The main objectives of PRIME Africa are:
  - to reduce the cost of diaspora remittances
  - increase digitisation of the value chain
  - reduce the use of informal channels
  - increase financial inclusion through remittances
- The project produced a diagnostic on the Kenyan remittance market in 2020, as well as an accompanying roadmap to guide activities to help make improvements to the market.
- The implementation activities following this include interventions that support both the private and public sector players.

# The project

- The **scope** of the collaboration is undertaking a remittances diagnostic study for SACCOs in Kenya
- The **goal** is to improve informed public policies and private sector strategies for enhancing the role of SACCOs in delivering remittances to the Kenyan rural population.
- The **implementing partner** for the project is SACCO Societies Regulatory Authority (SASRA)

# Why SACCOs?

- There are currently over 500 pay points for SACCOs, with the top 25 SACCOs being larger than the tier 2 banks.
- Some of the larger SACCOs have been able to participate in remittances through partnerships with banks or through partnerships with FinTechs that link them to mobile money.
- These partnerships are necessary as SACCOs currently do not participate directly in the National Payments System.
- Although these partnerships have enabled participation, they present several shortcomings such as:

# ...Challenges faced...

- they create several intermediary layers which add costs to the transactions thus making it more expensive to the end consumers;
- the integrations through partners create multiple points of integration which are usually more prone to failures and more vulnerable to cyber-attacks, and
- banks need to get approvals from CBK before partnering with SACCOs which leads to delays.



# Opportunities

- Increase inclusive finance through efficient and effective transfers, including reduced costs
- Reduce the use of informal channels
- Increase networks into rural areas by linking remittances with the financial services used by rural, low-income people such as women
- Contribute to accurate reporting of the value and volume of remittances, where numbers are currently under reported – necessary for the national balance of payments

# Activities

## Components

### Demand side research

1. National remittances household survey
  - How many of these remittance recipients/senders are members of SACCOs? Who are they?
  - To measure the appetite of this segment group to receive remittances through SACCOs
  - Identify challenges and opportunities for enhancing remittances.
2. Analysis of the SASRA database on SACCOs that participate in remittances
3. Interviews with SACCO members on remittance practices and preferences
4. Interviews with Kenyan Diaspora and relevant organisations that are closely linked with the Diaspora

# Activities

Components	
<b>Supply-side survey</b>	<ol style="list-style-type: none"><li>1. Assessment of the various models that SACCOs use when routing remittances through partnerships with payment service providers or banks.</li></ol>
<b>Regulatory diagnostic</b>	<ol style="list-style-type: none"><li>1. Desktop research to review current regulatory environment.</li><li>2. Interviews with SASRA to understand how the 'Shared SACCO Platform' could potentially help in the termination of remittances through SACCOs.</li></ol>
<b>Others</b>	<ol style="list-style-type: none"><li>1. Validation workshops</li><li>2. Dissemination of learnings and best practices to SASRA members and the wider financial sector players and stakeholders.</li><li>3. Pilot or proof of concept (PoC) to test the termination of remittances through SACCOs (TBD)</li></ol>

# Outcomes

- **A demand-side report, including:**
  - an assessment of the market size
  - the rationale used to determine the preferred channel to send or receive remittances from the larger Kenyan diaspora destinations
- **A supply-side report, including:**
  - an overview of the various models that SACCOs use (or could use) when channelling remittances through partnerships with payment service providers (fintechs, banks, MTOs)
  - a repository of fintechs involved in these partnerships
  - the minimum criteria for SACCOs to enter the market
  - regulatory challenges faced

# Outcomes

- **A regulatory assessment report that will include:**
  - a description of the regulatory environment
  - identified regulatory challenges for SACCOs to mobilize remittances
  - recommendations for both regulatory bodies and the private sector
- **Shared SACCO platform**
  - understand how the new Shared SACCO Platform could potentially help in the termination of remittances through SACCOs.
- **Final report and dissemination**
  - dissemination of findings and recommendations to all relevant public and private stakeholders

# Roles...

## SASRA

- Implementing partner
- Facilitate data collection, convening and all project related activities

## IFAD

- Financial support
- Technical input

## FSD Kenya

- Co-ordinate the partnership and related activities



**fsd**  
Kenya

Creating value through  
inclusive finance

