



International Year
of Cooperatives

SACCO Sub-Sector Report

“Lessons from FinAccess Surveys”

November 2025



ACCESS | USAGE | QUALITY | IMPACT





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EXECUTIVE SUMMARY

The SACCO industry in Kenya continues to grow, playing a vital role in national development and financial inclusion. As of December 31, 2024, there were 356 regulated SACCOs, with total assets reaching Kshs. 1.08 trillion and a total membership of 7.39 million people. This growth is a result of increased public confidence, a supportive regulatory environment, and the industry's ability to mobilize savings and provide affordable credit.

The key findings from the 2024 FinAccess Household Survey on SACCOs indicate that while overall SACCO access has increased, participation varies significantly by age. Middle-aged adults (36-45 and 46-55) are the highest users, while younger individuals (18-25) have the lowest participation rates. Access for both men and women saw a recovery in 2024 after a decline in 2021. Membership is highest among those with post-tertiary education and individuals in formal employment.

In addition, while physical branches remain the most common way for members to access services, there is a clear and rapid shift towards digital channels. Mobile banking, including USSD codes and apps, saw a dramatic increase in usage from 19.08 percent in 2021 to 55 percent in 2024. This trend is more pronounced among younger, urban members, whereas older, rural members still rely heavily on traditional methods.

In contrast, there has been a general decline in the number of members accessing credit since 2019, though the average loan value has increased. The most common purposes for loans are education (34.2 percent) and land/housing (26.7 percent). A significant disparity exists in loan access, with urban members and males receiving larger loans. Guarantors are the most common form of collateral, and direct salary deductions are the primary loan repayment method.

Finally, the significant barrier highlighted by the respondents is affordability which is the single biggest barrier to using SACCO services, cited by 54.5 percent of non-users. This issue is more prevalent among women and older adults. In contrast, eligibility is a greater barrier for younger, unemployed individuals. The main reasons for people stopping their use of SACCO services are voluntary withdrawal and the inability to afford them.

FOREWORD BY THE CHIEF EXECUTIVE OFFICER, SASRA

The SACCOs Financial Inclusion Sectoral Report 2024 is the first in a series of reports stemming from the FinAccess Household Survey. This specific edition focuses on detailed indicators within the SACCO sector that are not immediately evident in the broader FinAccess report. This is indeed a great milestone for the SACCO industry because the report provides great perception insights from the demand side. Further, this report builds upon the 2024 FinAccess Household Survey by focusing specifically on the SACCO sector, examining dimensions like Access, Usage, Quality, and Impact/Welfare. It uncovers new insights and brings important issues to the attention of policymakers. The report highlights that SACCOs served 3.3 million adult members in 2024, a significant increase from 2.6 million in 2021. Furthermore, there's been a notable rise in monthly financial service usage across Kenya, with SACCOs showing a high engagement rate of 74.9 percent, compared to banks at 58.7 percent. This trend underscores the vital role SACCOs play in managing regular financial obligations like loan repayments, savings contributions, and salary deposits. Education levels significantly influence how individuals use financial services. Those with tertiary education are the most active consumers of SACCO products at 26.0 percent, followed by individuals with secondary education (11.2 percent) and primary education (7.8 percent). The report also points to a growing gender gap in SACCO financial service usage, which widened from 0.3 percent in 2021 to 3.7 percent in 2024. These findings suggest underlying barriers that require targeted interventions to achieve equal access among genders. Mobile banking channels, including USSD codes, mobile apps, and Pay Bill, have seen substantial growth, increasing from 19.08 percent in 2021 to 55 percent in 2024. Supporting this, secondary data from the 2024 Sacco Supervision report indicates that out of the 355-Regulated SACCOs in 2024, a total of 245 of them constituting 69.01 percent of all the Regulated SACCOs had deployed USSD codes for their members to access financial services. This was a sharp increase in the number of Regulated SACCOs using USSD code accessibility services from the 228 regulated SACCOs representing 63.87 percent. Additionally, 171-Regulated SACCOs comprising 48.17 percent of all the Regulated SACCOs, had mobile money financial services through internet enabled devices and applications in 2024. This was a slight increase from the 140-Regulated SACCOs representing 39.22 percent of all the Regulated SACCOs which had deployed the service. This analysis confirms that mobile money services are increasingly becoming prevalent within the regulated SACCO sector. Despite positive trends, the survey also reveals barriers to the widespread adoption of SACCO financial services. Affordability is the leading concern, cited by 54.5 percent of respondents as a barrier to using SACCO products, followed by a lack of awareness at 22.2 percent. Trust concerns also remain significant for SACCOs, at 6.2 percent. Consumer protection issues are highlighted, with internal fraud within SACCOs emerging as a major problem. Approximately 75.1 percent of respondents who experienced financial losses attributed them to internal fraud within SACCOs. This underscores the critical need for stronger oversight and greater transparency within these institutions to safeguard members' interests. Interestingly, the report observes that the average health of a SACCO member is generally better than that of the average Kenyan. This could be linked to the employment status of SACCO members, which often leads to increased financial well-being of the SACCO members. Overall, the report indicates positive growth in SACCO usage, driven by improved regulations and increased public awareness. However, it also stresses the importance of addressing consumer protection concerns to maintain member trust and ensure the continued success of SACCOs.

ACKNOWLEDGEMENT

In conclusion, may I take this opportunity to commend the stewardship of the Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS), Financial Sector Deepening (FSD) Kenya as lead partners and the Joint Financial Sector Regulators Forum comprising of the Capital Markets Authority (CMA), Insurance Regulatory Authority (IRA), Retirement Benefits Authority (RBA), Sacco Societies Regulatory Authority and Safety Net providers Kenya Deposit Insurance Corporation (KDIC) and Policy Holders Compensation Fund (PCF) for the financial and technical support in preparing this inaugural edition of the Sacco sub sector Report. The successful publication and roll out of this report were made possible through the joint efforts of Coordinators, Supervisors, Research Assistants among others. We take this opportunity to sincerely thank the leadership and management of SASRA for their support in ensuring the 2024 FinAccess Household survey was successfully conducted, subsequently making the preparation of this sub-sector report possible.

We further appreciate Dr. Isaac Mwangi (CBK), the project lead in the development of the sectoral reports, as well as Prof. Robert Mudida (CBK), Mr. Cappitus Chironga (Deputy Director) (CBK), Dr. Amrik Heyer (FSD Kenya, and Mr. Simon Gaitho (KNBS) for their valuable review of the draft report. Their insights and recommendations enhanced the clarity, accuracy, and overall quality of the final report, ensuring its relevance to industry stakeholders and policymakers. The report has also benefited from KNBS team led by Tabitha Wambui and FSD Kenya led by Geraldine Makunda and CBK graphic designers led by Sylvia Anam, George Kamau and Duncan Mbiu who ensured all the sub-sector reports are aesthetically pleasing.

We also recognize the technical team whose expertise ensured the quality and reliability of the findings, including Keneth Bichanga and Evans Kimosop from SASRA and Sharon Juma (FSD Kenya). Their dedication in analyzing the data and developing this report was instrumental in producing valuable insights.

Our gratitude extends to the field teams, data analysts and quality assurance personnel whose dedication ensured the integrity of the 2024 FinAccess Household survey data collected. Finally, we appreciate all survey respondents across Kenya for sharing their experiences. Your insights are essential in shaping policies and initiatives that enhance insurance accessibility and consumer protection.

CPA (Mr.) David Sandagi

Ag. Chief Executive Officer



1.0. INTRODUCTION

1.1. Background of SACCO Industry

Savings and Credit Cooperative Societies (SACCOs) are a type of cooperative that specializes in offering financial services and products, primarily savings and loans, to their members. In Kenya, the SACCO Societies Regulatory Authority (SASRA) is the principal government agency responsible for the licensing, regulation, and supervision of SACCOs established under the SACCO Societies Act No. 14 of 2008.

The SACCO industry is legally divided into two segments based on how they handle savings and deposits, namely, Deposit-Taking SACCOs (DT-SACCOs) which accept demand deposits and provide withdrawable savings account services, much like traditional banks and Specified Non-Deposit-Taking SACCOs (Non-DT-SACCOs) which collect savings from their members, but these funds are strictly used as collateral for loans. Members can't withdraw these deposits; they're only refunded (minus any outstanding liabilities) when a member exits the SACCO. As of December 31, 2024, there were 356 regulated SACCOs, comprising 178 DT-SACCOs and 178 Non-DT-SACCOs.

The regulated SACCO industry plays a vital role in achieving Kenya's Vision 2030 Fourth Medium Term (2023-2027) Plan and the UN Sustainable Development Goals 2030. They contribute by providing affordable credit to households, mobilizing savings for national development, promoting financial inclusion for a large portion of the population, and creating sustainable employment opportunities for Kenyans.

The Regulated SACCO industry saw significant increase with total assets increasing by 10.72% in 2024 to reach Kshs 1.08 trillion from Kshs. 971.96 billion in 2023 which represented

a growth rate of 9.17%. The total gross loans extended increased to Kshs. 845.11 billion in 2024 from Kshs. 758.57 billion in 2023, indicating a higher demand for their credit services. This growth was supported by an increase in mobilized savings and deposits from members, which reached Kshs. 749.43 billion in 2024 from Kshs. 682.19 billion in 2023, solidifying SACCOs' role as key mobilizers of domestic savings.

Additionally, the total membership increased by 7.94% in 2024 to reach 7.39 million members compared to a membership base of 6.84 million in 2023. This expansion reflects growing public confidence and trust in the financial services offered by SACCOs, which is crucial for deepening financial inclusion. Furthermore, SACCOs provided sustainable employment opportunities for 12,005 people in 2024, with most employees on permanent or long-term contracts.

1.2. FINACCESS Survey Objectives

The main objective of FinAccess Surveys is to monitor developments and progress achieved in financial inclusion for policy makers and industry players to gain a better understanding of the inclusivity and overall dynamics of Kenya's financial inclusion landscape. The detailed survey objectives were:

- i. Tracking trends and progress on financial inclusion.
- ii. Providing information on barriers to financial inclusion.
- iii. Providing information on market conditions and opportunities.
- iv. Providing data for academic research on financial inclusion.

1.3. Survey Design and Methodology

1.3.1. Survey Design

The 2024 FinAccess was a cross-sectional survey that targeted individuals aged 16 years and above residing in conventional households in Kenya. Data analysis, however, was conducted on individuals aged 18 years and above, as national identity cards, which are a key requirement to accessing formal financial services, are only issued to this age group.

1.3.2. Sample Size and Distribution

The Survey sample was designed to provide estimates at national as well as rural and urban areas, and across all the forty-seven (47) counties. The minimum sample size for the survey was computed for each of the Survey domains, resulting in a total sample size of 28,275 households and 1,885 Enumeration Areas (EAs).

1.3.3. Sample Frame, Selection of Households and Weighting

The sample was drawn from the Kenya Household Master Sample Frame (K-HMSF), which was developed based on the 2019 Kenya Population and Housing Census. The K-HMSF comprises 10,000 clusters selected using the Probability Proportional to Size (PPS) methodology from approximately 128,000 Enumeration Areas (EAs) created during the

cartographic mapping of the 2019 Population and Housing Census. The sampling frame is stratified into 92 sampling strata, including urban and rural strata in 45 counties, while Nairobi and Mombasa Counties are entirely urban.

The survey targeted one eligible individual per selected household. The interviewer listed all the usual members of the sampled households, and one individual aged 16 years or older was randomly selected using the Kish Grid. The Kish Grid random number table was integrated into Survey Solutions CAPI software, ensuring that respondent selection was automatic, with no manual intervention by the enumerator. The Survey data was not self-weighting due to the non-proportional allocation of the sample to the sampling strata. The resulting data was, therefore, weighted and adjusted for non-response to ensure the data was representative at the national and county level.

1.3.4. Survey Response Rates

A total of 28,275 households were selected for the Survey at the national level. Among these, 24,684 households were found to be eligible for interviews at the time of data collection, and 20,871 were successfully interviewed resulting in an overall household response rate of 84.6 percent. The rural households' response rate was 87.6 percent compared to 79.4 percent for the urban households.

2.0. ACCESS TO FINANCIAL PRODUCTS AND SERVICES

2.1. Overall Financial Providers Access

According to the Survey, formal financial access increased from 83.7% in 2021 to 84.8% in 2024. In addition, the report provides comprehensive insights into Kenya's financial landscape, including the role of Savings and Credit Cooperative Societies (SACCOs).

2.2. SACCO Access

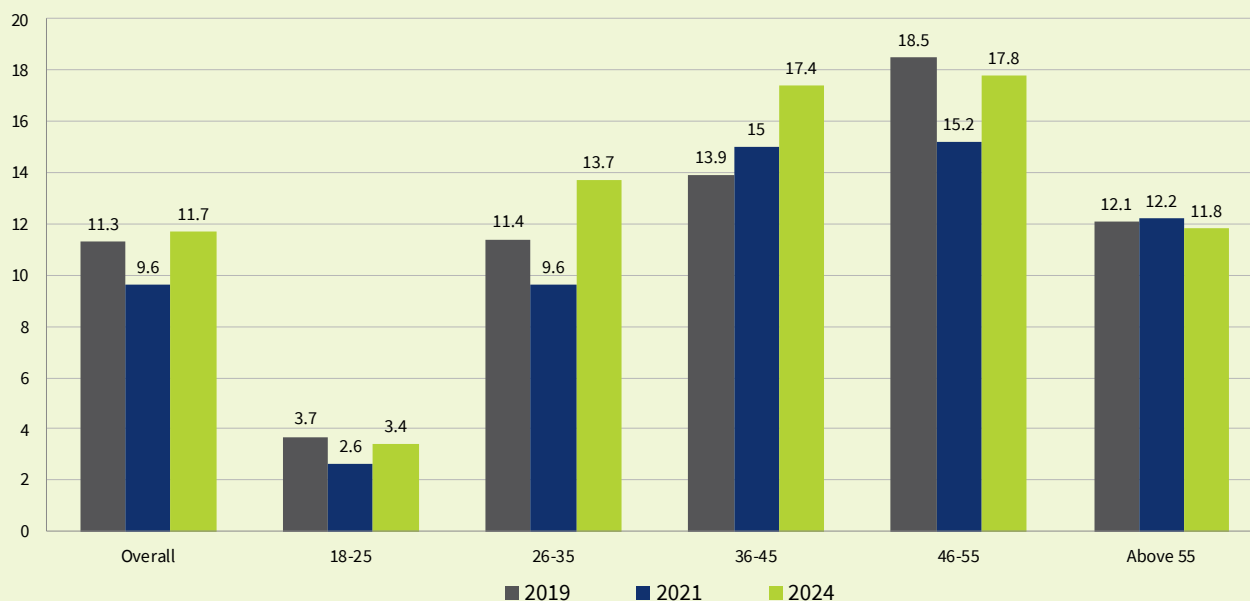
SACCOs financial services formal access increased by 1.1% which was attributed to among other factors, the inclusion of additional SACCOs under prudential regulation namely, the Non-Withdrawable Deposit Taking SACCOs. This section outlines SACCO access across demographics, residency, livelihoods, and wealth position, as well as across counties.

2.2.1. Access by Age

SACCO usage has increased over time, though trends vary by age group. Younger individuals

(18-25 years) have the lowest participation, with fluctuations from 3.7 percent in 2019 to 3.4 percent in 2024, indicating a need for targeted digital and financial literacy initiatives. Young adults (26-35 years) showed a dip to 9.6 percent in 2021 from 11.4 percent in 2019 but rebounded to 13.7 percent in 2024, driven by employment growth and entrepreneurship. Middle-aged adults (36-45 years) recorded the highest growth, rising from 13.9 percent in 2019 to 17.4 percent in 2024, reflecting reliance on SACCOs for asset financing and long-term planning. Older adults (46-55 years) experienced a decline to 15.2 percent in 2021 from 18.5 percent in 2019 but recovered to 17.8 percent in 2024, maintaining their role as key contributors to SACCO stability. Participation among those above 55 years remained stable, highlighting SACCOs as a financial safety net for retirees.

Figure 1: Access by age

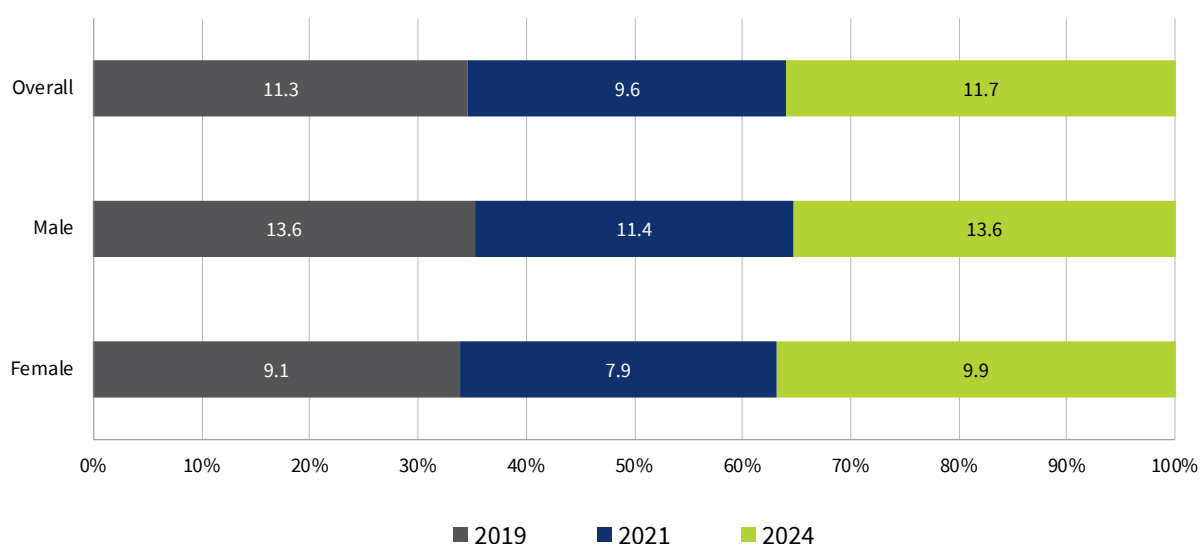


2.2.2. Access by Sex

Access to SACCO financial services for both males and females experienced notable fluctuations. In 2019, 13.6 percent of males and 9.1 percent of females had access to these services. By 2021, these rates declined to 11.4 percent for males and 7.9 percent for females.

However, by 2024, access rebounded back, with males returning to 13.6 percent and females rising to 9.9 percent, surpassing their 2019 levels. This trend highlights a temporary decline in 2021, followed by a recovery in 2024, with females seeing a more pronounced improvement.

Figure 2: Access by sex



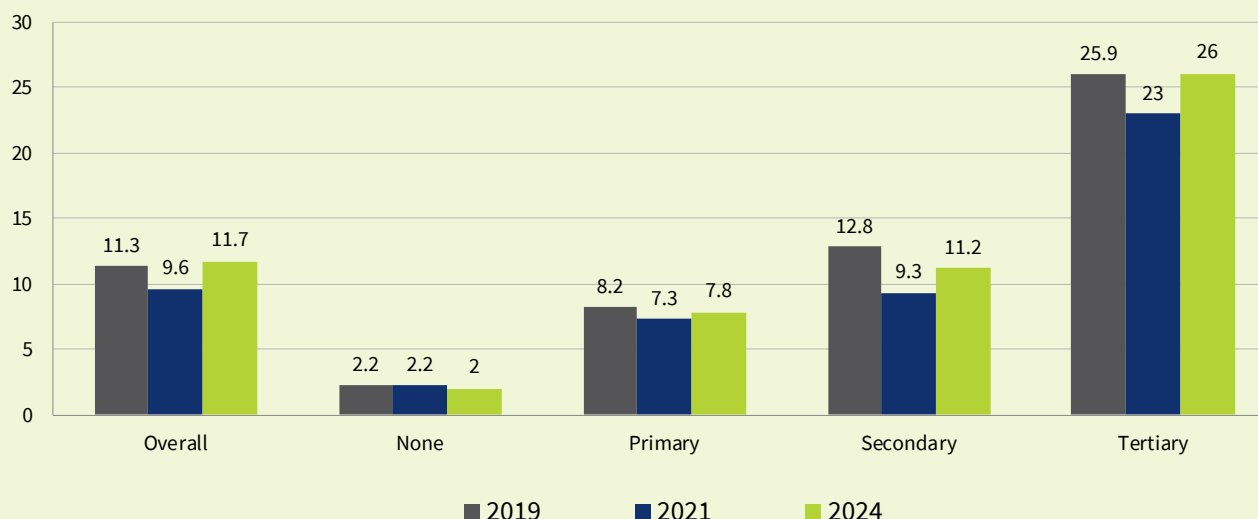
2.2.3. Access by Level of Education

Membership in SACCOs tends to be higher among individuals with more advanced education. This is likely due to the fact that employed individuals, who often have post-tertiary education, typically have more stable and predictable incomes. In fact, members with post-tertiary education represent 26% of all SACCO participants.

This observation is supported by the 2024 SACCO Supervision Report, which highlights that government-affiliated SACCOs, primarily

composed of employees from government ministries, departments, state corporations, and public universities, held the second-largest share of total membership. In 2024, these SACCOs accounted for 2.69 million members, representing 37% of the total membership, an increase from 2.45 million members (36%) in 2023. Significantly, these government based SACCOs collectively control 64.49% of the entire SACCO industry's assets, establishing them as key players in the sector.

Figure 3: Access level by education

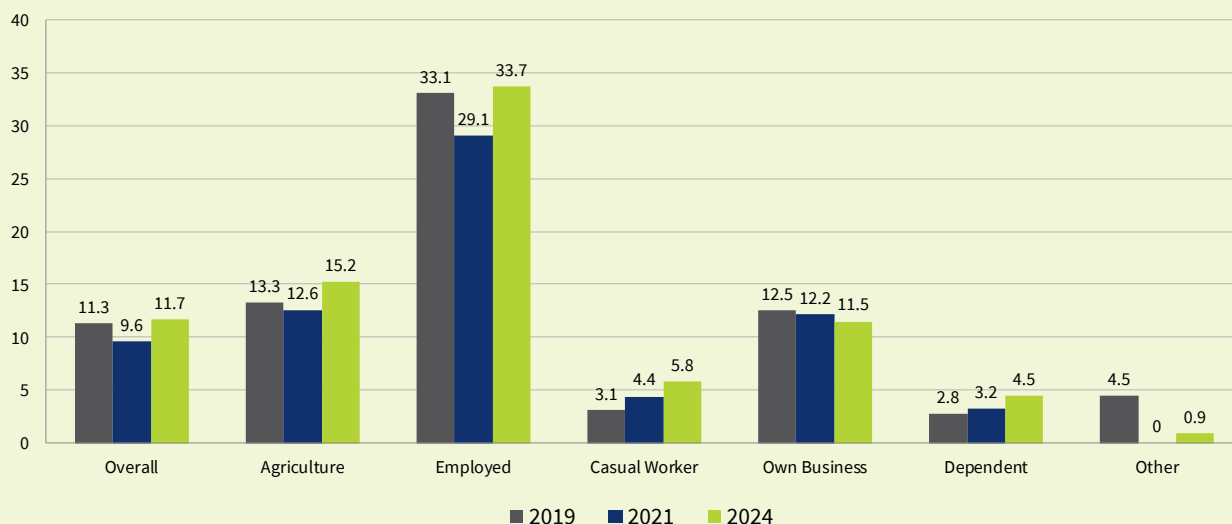


2.2.4. Access by Livelihood

Overall, SACCOs are established by members with a common goal emanating from those in the same working environment. This explains why most Kenyans who access SACCOs are employed at 33.7 percent as there are more SACCOs related to formal employment than those from informal economic sectors, with

the least being casual workers. The low access by the casual workers is explained by the fact that the nature of SACCOs is the monthly contribution towards savings, which is not consistent with the casual work. Notably is the agriculture sector which correlates with the high number of SACCOs that formed around farming activities in the rural areas.

Figure 4: Access level by livelihood

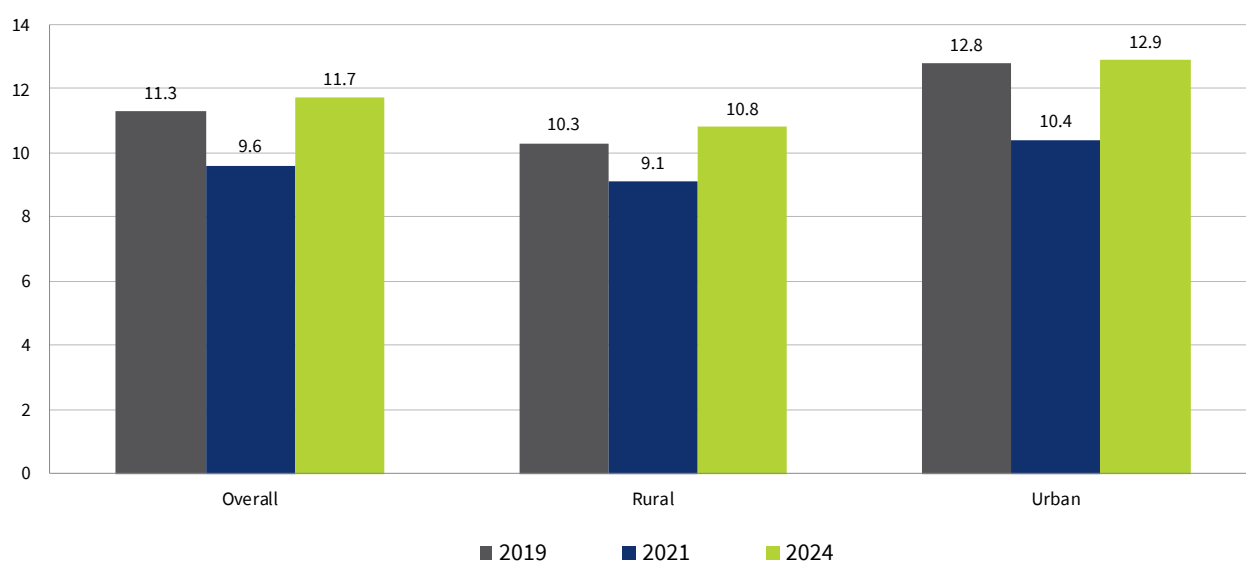


2.2.5. Access by Residence

Urban areas demonstrated higher SACCO access rates at 12.9 percent compared to rural areas at 10.8 percent. Notably, access declined in 2024, likely due to the lingering effects of

COVID-19. However, the sector is now showing signs of recovery, with a 2.1 percent overall increase in access. This growth has been more pronounced in urban areas, suggesting a faster rebound compared to rural regions.

Figure 5: Access by residence



2.2.6. Access by Counties

Kirinyaga County demonstrates the highest level of access to SACCOs at 35.6 percent, while Mandera County has the lowest at 0.1 percent. This disparity is consistent with the distribution of SACCO headquarters and branches across the country, where Kirinyaga County has a greater number of SACCOs. Furthermore, SACCOs exhibit higher concentration rates compared to Microfinance Institutions (MFIs), particularly in the southwestern counties of Kenya. A 2015 study on the Geography of Financial Service

Providers in Kenya by Barboni (p. 63) found that six counties, namely, Embu, Kiambu, Kirinyaga, Nyandarua, Nyeri, and Tharaka-Nithi, have more than four SACCOs per 100,000 inhabitants.

Interestingly, Bomet County ranks second in SACCO access at 30.5%, despite having fewer SACCOs headquartered within its borders. This higher access is attributed to the presence of branches opened by SACCOs whose head offices are located in other counties.

Figure 6: Access by counties

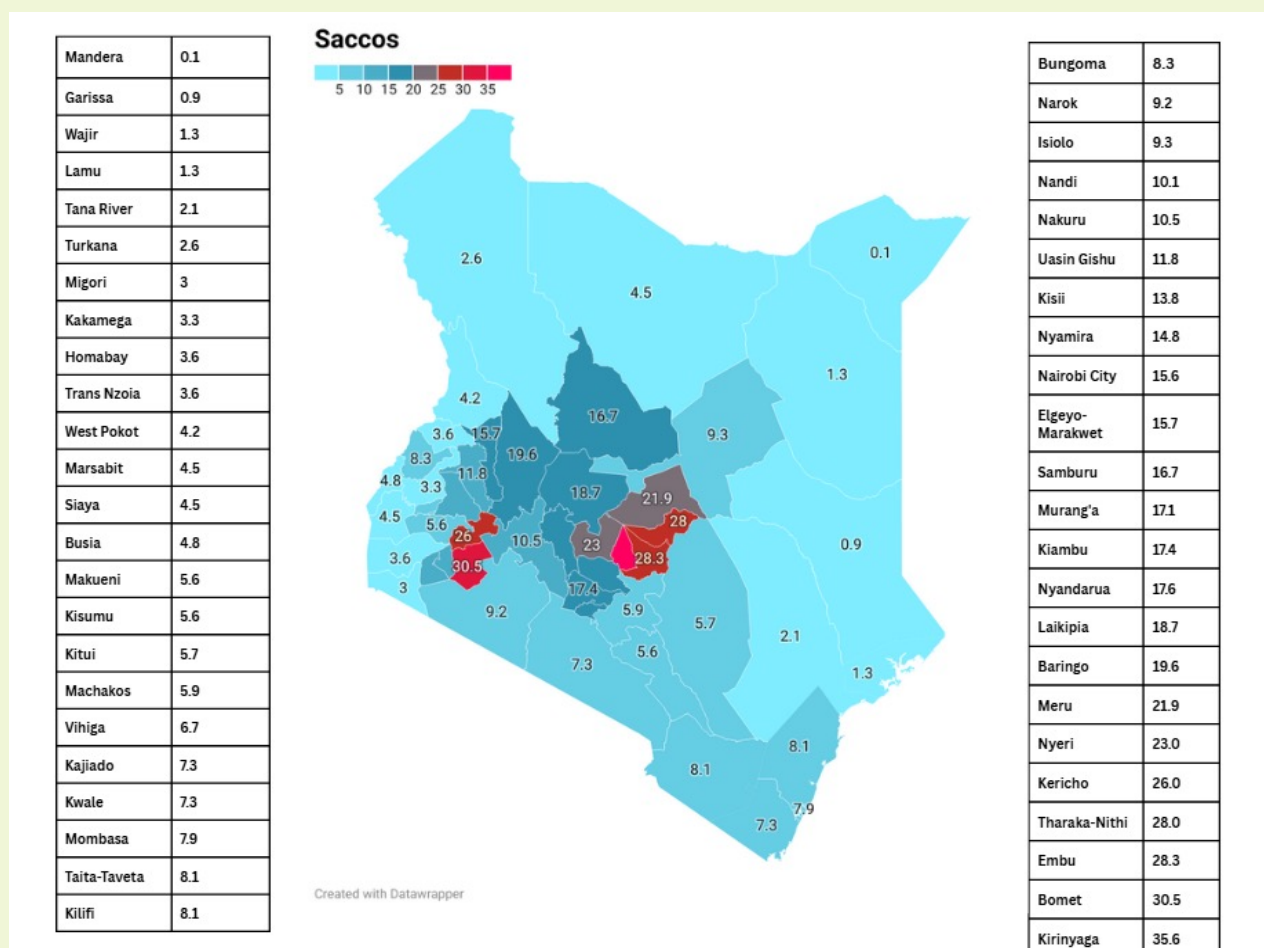
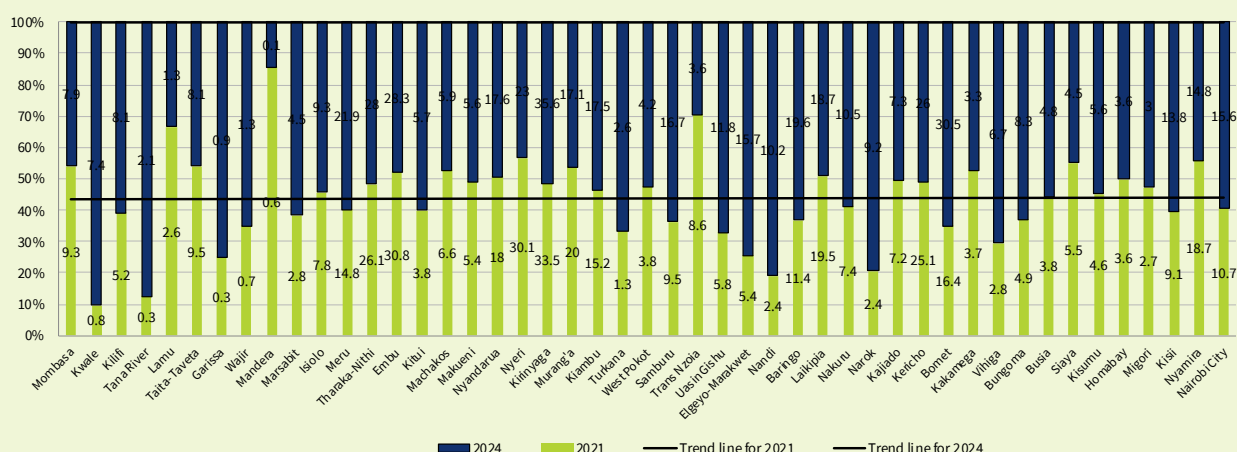


Figure 7: Access by counties trendline



3.0. USAGE OF FINANCIAL PRODUCTS AND SERVICES

3.1. Overall Financial Services and Products Usage by Providers

According to the 2024 FinAccess Household Survey, usage of formal financial services has grown significantly, rising from 26.7 percent in 2006 to 84.8 percent in 2024. This expansion has been driven by advancements in financial technology, particularly mobile money innovations, as well as the physical expansion of financial service providers, including SACCOs, bringing services closer to the population. Additionally, a supportive regulatory framework and various government initiatives have fostered a more inclusive financial system.

The uptake of Savings and Credit Cooperative Societies (SACCOs) has also improved, with access increasing from 9.6 percent to 11.7 percent of the Kenyan population. This growth is attributed to greater public confidence following the inclusion of another category of SACCOs in the year 2021 under Authority's prudential regulation, ensuring better governance and stability. Additionally, SACCOs' competitive advantage of offering lower interest rates on loans compared to other financial institutions has further encouraged increased membership and usage.

	2006	2009	2013	2016	2019	2021	2024
Mobile money	0.0	27.9	61.6	71.4	79.4	81.4	82.3
Bank	14.0	20.5	29.2	38.4	40.8	44.1	52.5
Informal Groups	32.4	36.0	27.7	41.4	30.1	28.7	30.8
Insurance (including NHIF)	4.9	3.3	17.8	23.2	27.9	23.7	22.0
SACCOs	13.1	9.0	11.0	12.9	11.3	9.6	11.7
Pension (Incl.NSSF)	3.2	3.7	10.9	12.5	12.2	10.6	11.8
Fuliza						18.3	18.4
Hustler Fund							28.9
MFIs (including digital apps)	1.7	3.4	3.5	3.6	1.7	1.7	8.8
Securities Investments				10.3	3.2	2.3	3.1

3.2. Channels used by SACCO members

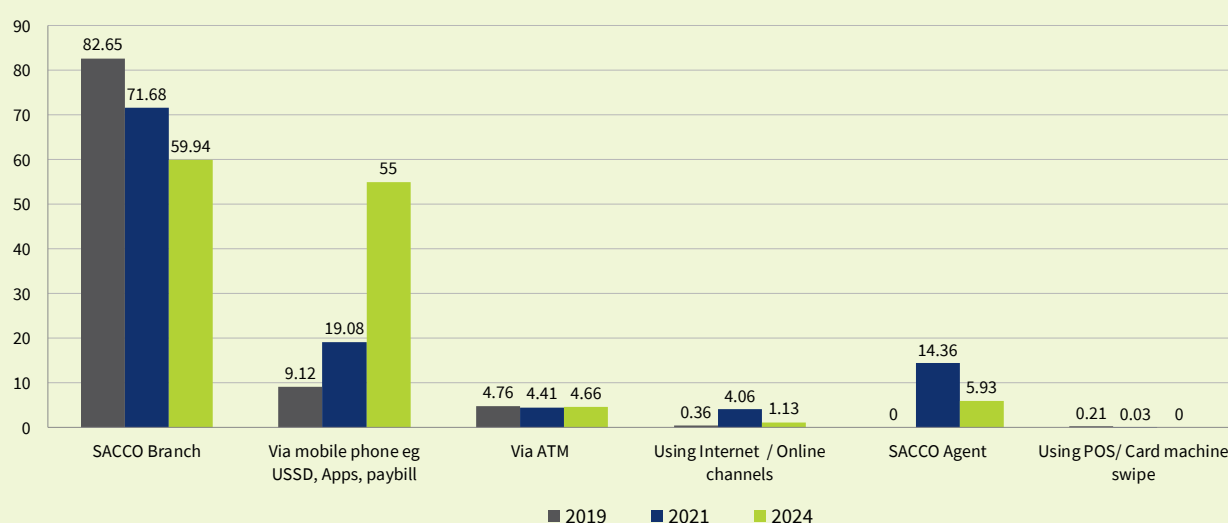
The survey asked respondents how they accessed SACCO financial services over the past one year. Accordingly, a majority of respondents at 59.94 percent, preferred visiting a physical branch, while Point-of-Sale (POS) services were the least used. However, while branches remain the most common access point, their usage has been gradually declining. Meanwhile, mobile channels—such as USSD codes, mobile apps, and Pay

Bill gained tremendously from a low of 19.08 percent in 2021 to a high of 55 percent in 2024. This shift suggests growing member adoption of digital solutions, likely due to the convenience of mobile access compared to traveling to a branch or headquarters. This is corroborated by the 2024 Sacco Supervision Report analysis which indicates that out of the 355-Regulated SACCOs in 2024, a total of 245 of them constituting 69.01% of all the Regulated SACCOs had deployed USSD codes

for their members to access financial services. This was a sharp increase in the number of Regulated SACCOs using USSD code accessibility services from the 228-SACCO Societies representing about 63.87% of all the

Regulated SACCOs, which were offering USSD code accessibility services to their members in 2023 and thus underscores its demand of USSD code enabled financial services by members of Regulated SACCOs.

Figure 8: Channels used by SACCO members

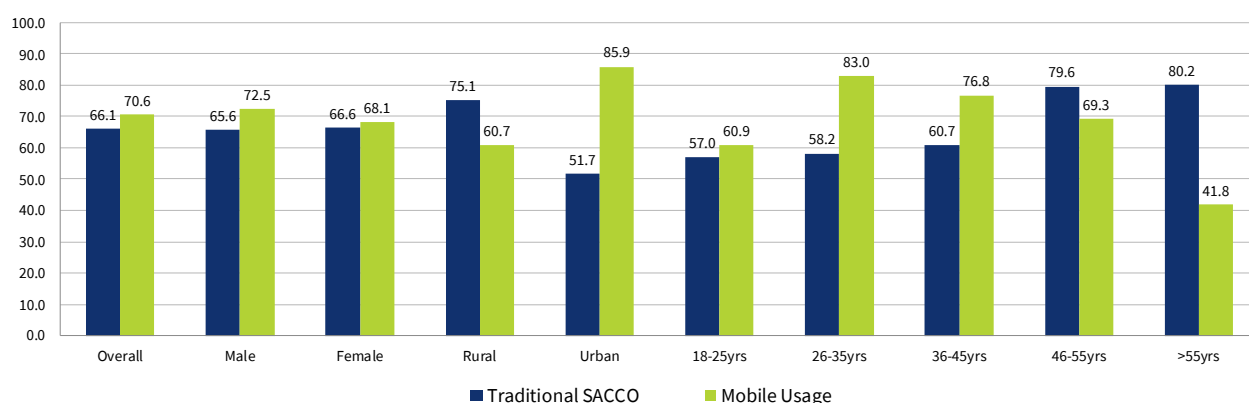


3.2.1. Traditional vs Digital channels used by SACCO members

Over twelve (12) months, SACCO users mostly used the mobile channel at 70.6 percent, which slightly surpassed traditional SACCO channels at 66.1 percent, with men at 72.5 percent adopting mobile services more than women at 68.1 percent. Notably, urban members demonstrated a strong mobile preference at 85.9 percent versus rural members' who demonstrated reliance

on traditional methods at 75.1 percent. The adoption patterns reveal a clear generational divide with younger groups favoring mobile at 83.0 percent for 26-35-year-olds, whereas the older above 55 years predominantly use traditional channels at 80.2 percent. These trends highlight the need for SACCOs to maintain hybrid service models that accommodate both digital adoption among younger, urban demographics and traditional access for older, rural populations.

Figure 9: Traditional Vs. Digital channels used by SACCO members



3.2.2. Frequency of SACCO Channels usage

When asked about the frequency of SACCO channel usage, SACCOS score highly on monthly usage which stood at an average of 73 percent. The finding is corroborated by the findings of the 2024 Sacco Supervision report which indicates that employer based Regulated SACCOS total assets accounted for 64.49 percent of the total assets in the SACCO industry in the year 2024, thereby making them the most dominant. This therefore implies that member transactional activities are majorly tied to monthly cycles due to the fact that their salaries are processed on a monthly basis by the employers.

Frequency of use	SACCO Segment	2019	2021	2024
Daily	Regulated	0.7	1.0	2.6
	Unregulated	0.4	2.9	1.2
Weekly	Regulated	3.7	10.7	6.2
	Unregulated	7.0	5.8	10.7
Monthly	Regulated	78.8	67.9	75.6
	Unregulated	78.8	67.1	70.4
Quarterly	Regulated	9.2	5.8	7.1
	Unregulated	2.8	10.1	6.2

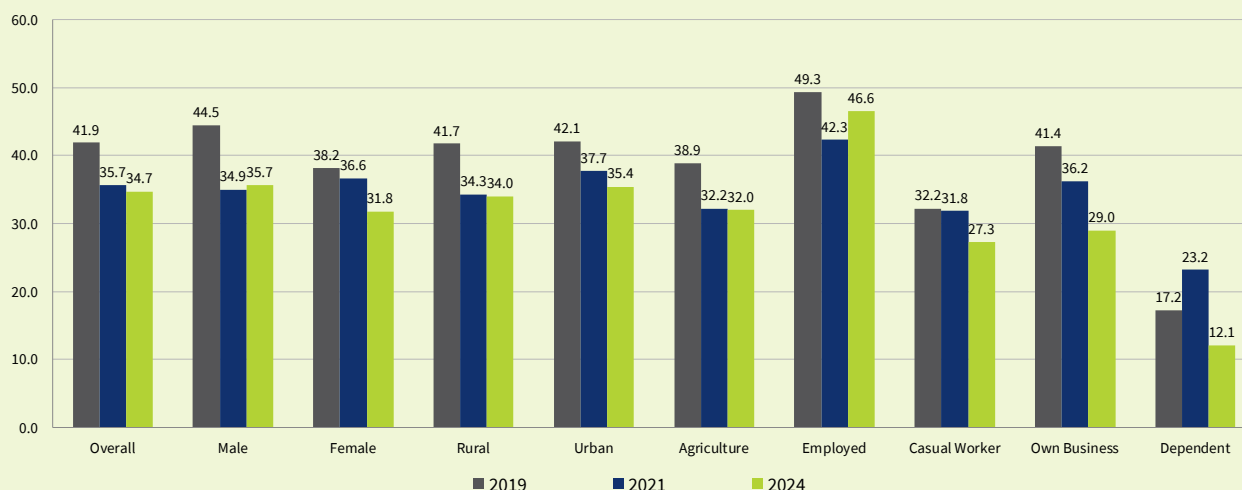
3.3. Credit Usage by SACCO Members

The data reveals a general decline in SACCO members who have accessed credit across

all demographics between 2019 and 2024, with overall participation dropping from 41.9 percent to 34.7 percent. This downward trend was particularly pronounced among males, which fell sharply from 44.5 percent to 35.7 percent, while female participation declined more gradually from 38.2 percent to 31.8 percent. Rural areas maintained slightly lower participation rates than urban centers throughout the period, though both followed similar declining trajectories. Notably, employed SACCO members consistently showed the highest credit uptake levels, with their participation rebounding to 46.6 percent in 2024 after a dip to 42.3 percent in 2021 from 49.4 percent in 2019.

The most dramatic fluctuation occurred among dependents, whose participation spiked to 23.2 percent in 2021 before plummeting to 12.1 percent in 2024. This volatility suggests a unique vulnerability to economic shocks among dependent populations. The employed sector's strong recovery by 2024 indicates SACCOS may be regaining traction as a financial solution for stable income earners, even as other groups disengage.

Figure 10: Credit usage by SACCO members

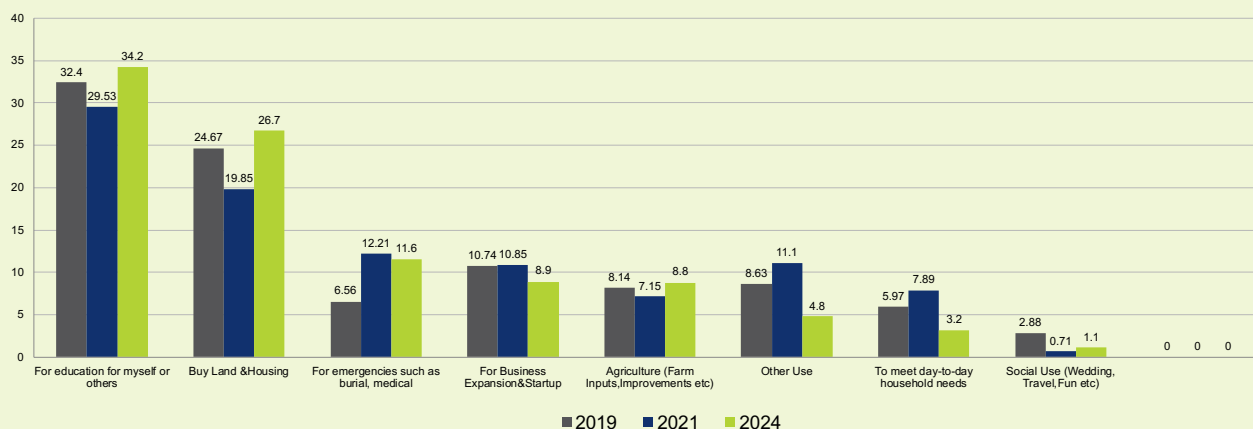


3.3.1. Purpose of Credit Uptake

The survey found that the largest portion of SACCO loans, 34.2 percent, was used for education. This aligns with the 2024 SACCO Supervision Report, which showed that the education sector received the second-highest amount of credit from regulated SACCOs, totaling Kshs. 119.49 billion. This represented 22.02 percent of all credit disbursed and was primarily used to cover school fees and related expenses for SACCO members and their families.

Similarly, a significant portion of SACCO loans, 26.7 percent, was used for purchasing land or improving homes. This finding is consistent with the 2024 SACCO Supervision Report's data on sectoral lending, which indicated that out of a total of Kshs. 542.75 billion disbursed by regulated SACCOs, Kshs. 137.12 billion (25.26 percent) was allocated to funding the land and housing sectors.

Figure 11: Purpose of credit uptake

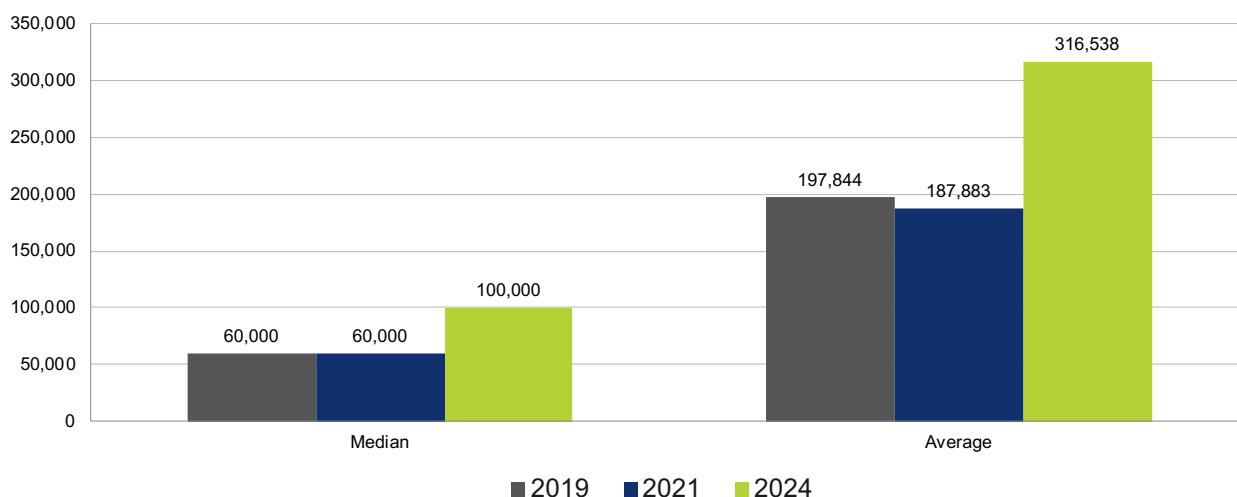


3.3.2. Average credit uptake

Credit uptake has shown significant growth, with the median loan value remaining stable at KSh 60,000 between 2019 and 2021 before rising sharply to Kshs. 100,000 in 2024, suggesting expanding credit demand

for a typical SACCO member. The average loan value for a segment of SACCO members rebounded from Kshs. 187,883 in 2021 to Kshs. 316,538 in 2024, surpassing pre-pandemic levels, indicating increased demand for larger loans alongside widening disparities in credit distribution.

Figure 12: Average credit uptake



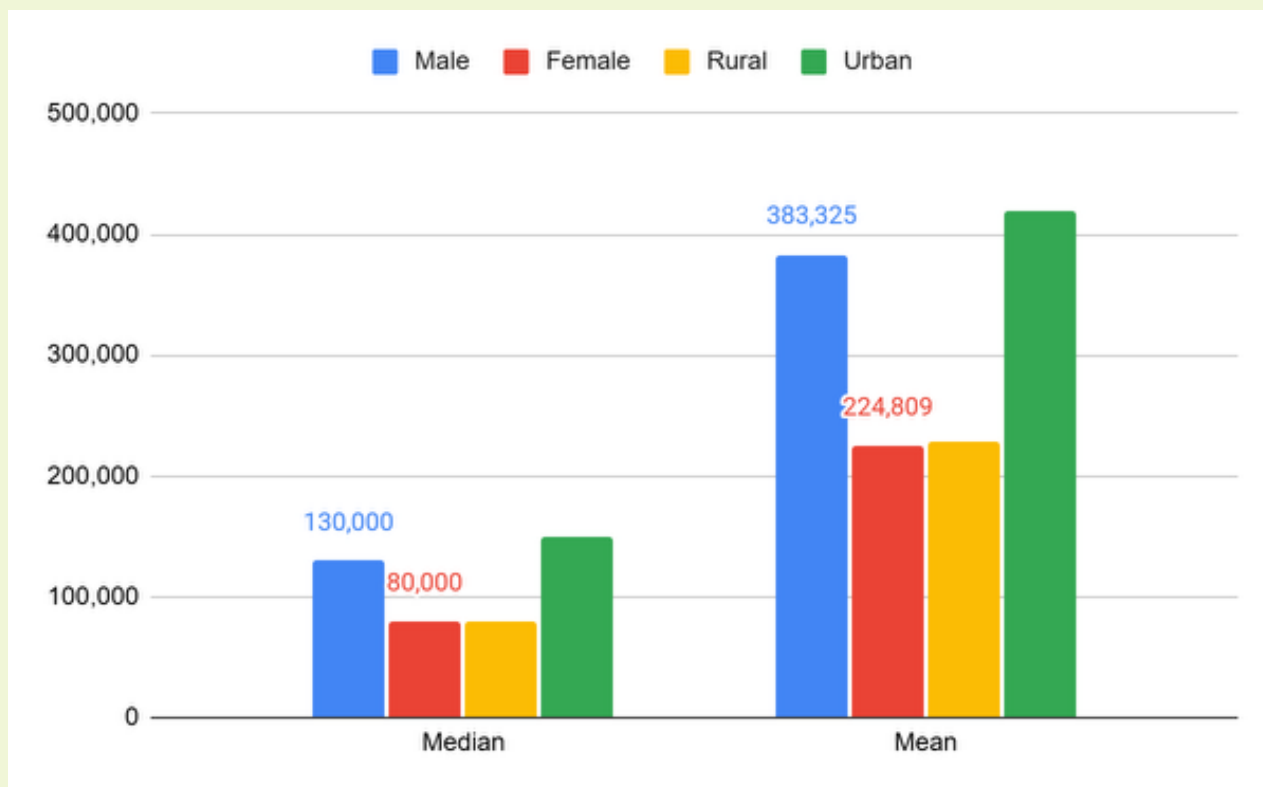
3.3.3. Loan access disparities among SACCO members

There are significant differences in the size of loans accessed by SACCO members based on where they live and their gender. For instance, SACCO members in urban areas receive median loans that are 87.5 percent larger than those accessed by rural borrowers (KSh 150,000 compared to KSh 80,000).

Similarly, male borrowers receive 62.5 percent higher median credit amounts than

female borrowers (KSh 130,000 compared to KSh 80,000). Furthermore, there's a notable difference between the average (mean) and middle (median) loan values across all groups. For urban members, the average loan is KSh 418,867, while the median is KSh 150,000. This large gap suggests that a few select borrowers, particularly urban male members, are receiving a disproportionately high number of very large loans.

Figure 13: Loan access by gender and residence



3.3.4. Collateral Used by SACCO members

When accessing credit from SACCOs, most respondents relied on guarantors to secure their loans. This aligns with the cooperative principle of members mutually guaranteeing each other's credit. Using a salary as security was the second most common method. Data shows that the use of guarantors for loan security significantly increased from 42.76% in 2019 to 53.52 percent in 2024. During the same period, loans secured by salary or income saw a moderate rise from 21.13 percent to 26.19 percent.

In a SACCO, a guarantor is a member who co-signs a loan, taking responsibility for its repayment if the primary borrower fails to meet their obligations. Guarantors typically

pledge their own deposits as collateral. If a loan is defaulted, the SACCO will notify the guarantors of their intent to recover the outstanding amount from them. If the situation isn't resolved, guarantors become jointly and individually liable for the defaulted loan. The SACCO can then recover the amount by offsetting it against their deposits or by attaching their property or salary until the debt is cleared. This is because these options offer SACCOs a more straightforward way to recover defaulted loans, compared to the often lengthy, complex, and costly process of selling land or housing properties. This preference is evident in the decrease in the use of land or houses as collateral, which fell from 3.47 percent in 2021 to 1.34 percent in 2024.

Similarly, the use of household assets as security also decreased, dropping from 2.41 percent in 2021 to 0.87 percent in 2024. This decline may be due to the lack of a readily established market for selling household assets, making it difficult to determine their value accurately.

Moreover, loans requiring no security sharply declined from 16.3 percent to 10.61 percent, indicating that lending standards across the sector are becoming stricter. While movable assets and savings/shares remained relatively stable as collateral options, they continued to be minor choices, fluctuating between 3 percent and 5 percent over the period.

Figure 14: Collateral used by SACCO members

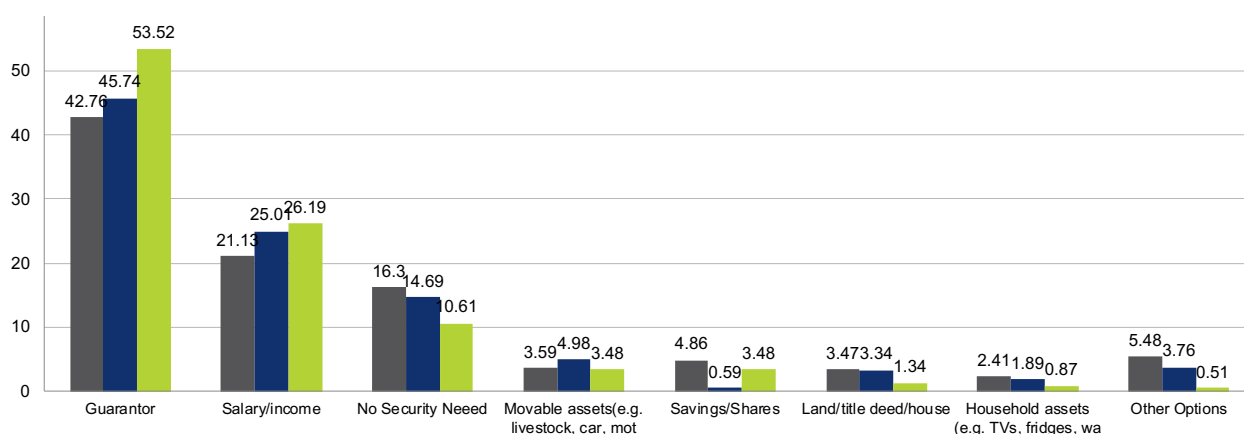
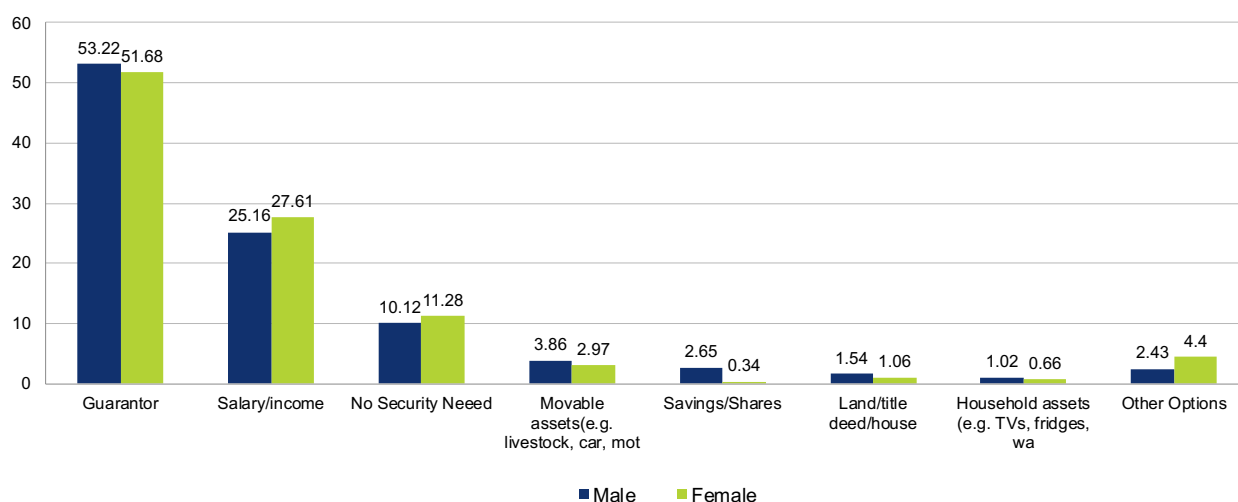


Figure 15: Collateral usage by sex

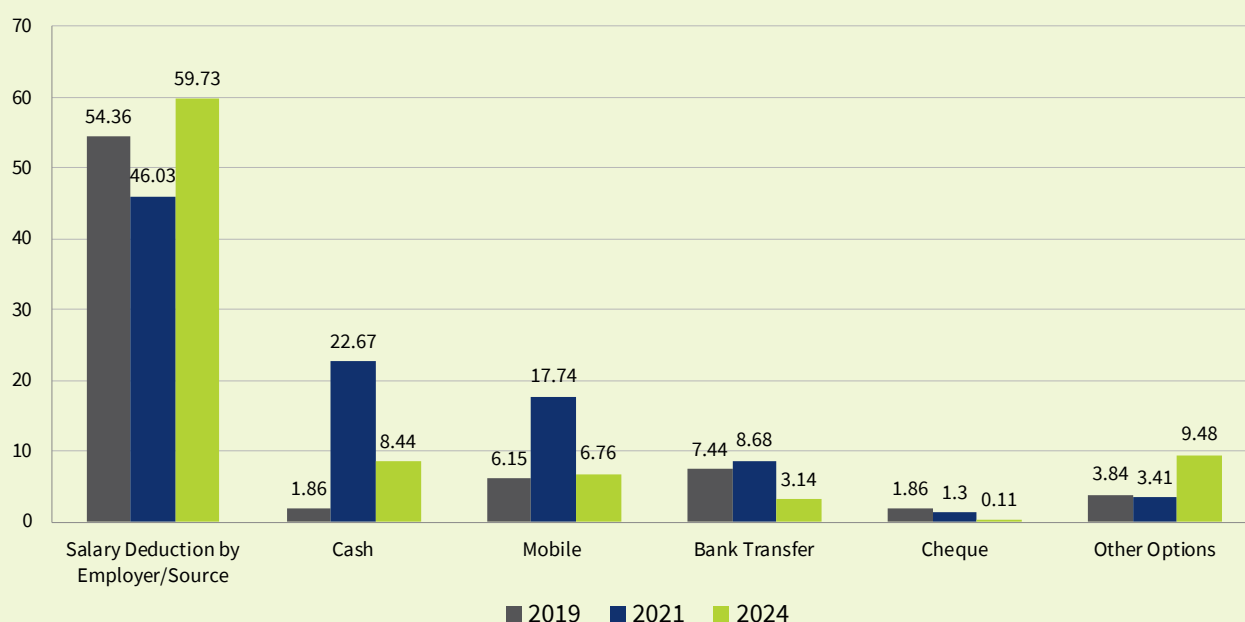


3.3.5. Repayment Channels used

The most common way SACCO members repay their loans is through deductions directly from their salaries by their employer. This repayment channel grew by prominence from 46.03 percent in 2021 to 59.73 percent in 2024. This increase might be a recovery from the COVID-19 pandemic, during which many employers reduced staff and, consequently, their SACCO remittances. It also reflects that

many SACCO members are employed, and those in agriculture based SACCOs often have their earnings processed and channeled through the SACCOs directly. While SACCOs are embracing new technologies, older methods like cash and bank transfers are less frequently used. However, mobile-based repayments remain largely unused, accounting for only 6.76 percent of transactions, far behind direct salary deductions.

Figure 16: Repayment channels used

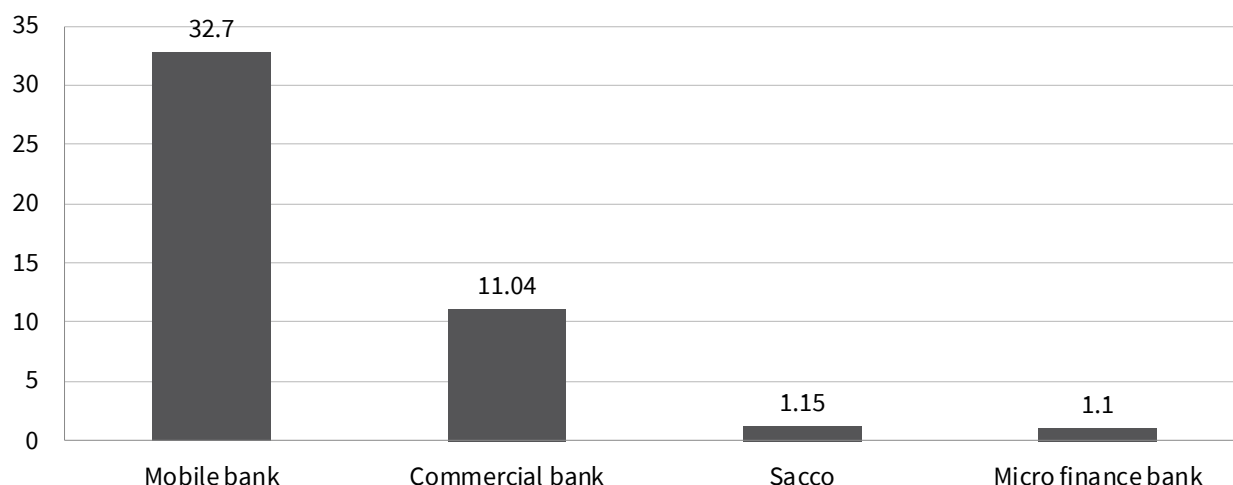


3.3.6. Credit default rate across Credit Providers

When asked if they have delayed repaying credit advances in the past twelve (12)

months, SACCO members came third at 1.15 percent, while mobile banking had the highest response rate at 32.7 percent.

Figure 17: Credit default rate across credit providers



3.4. Barriers to SACCO Financial Services and Products

The survey also sheds light on the challenges preventing people from fully utilizing SACCO financial services. Affordability stands out as the biggest hurdle, identified by 54.5 percent of respondents. In contrast, trust (6.2 percent) and eligibility (4.2 percent) were much less frequently cited, suggesting that the public generally has confidence in SACCOs, which contributes to their increasing use.

When looking at specific groups, 57.4 percent of women faced affordability issues compared to 51.3 percent of men. People aged 46-55 years also found affordability to be their main obstacle. For young individuals (18-25 years) and their dependents, eligibility was the most common reason for not participating. This trend likely stems from the traditional structure of SACCOs, which often requires regular monthly savings contributions, posing a challenge for those who may be unemployed or have fewer stable incomes.

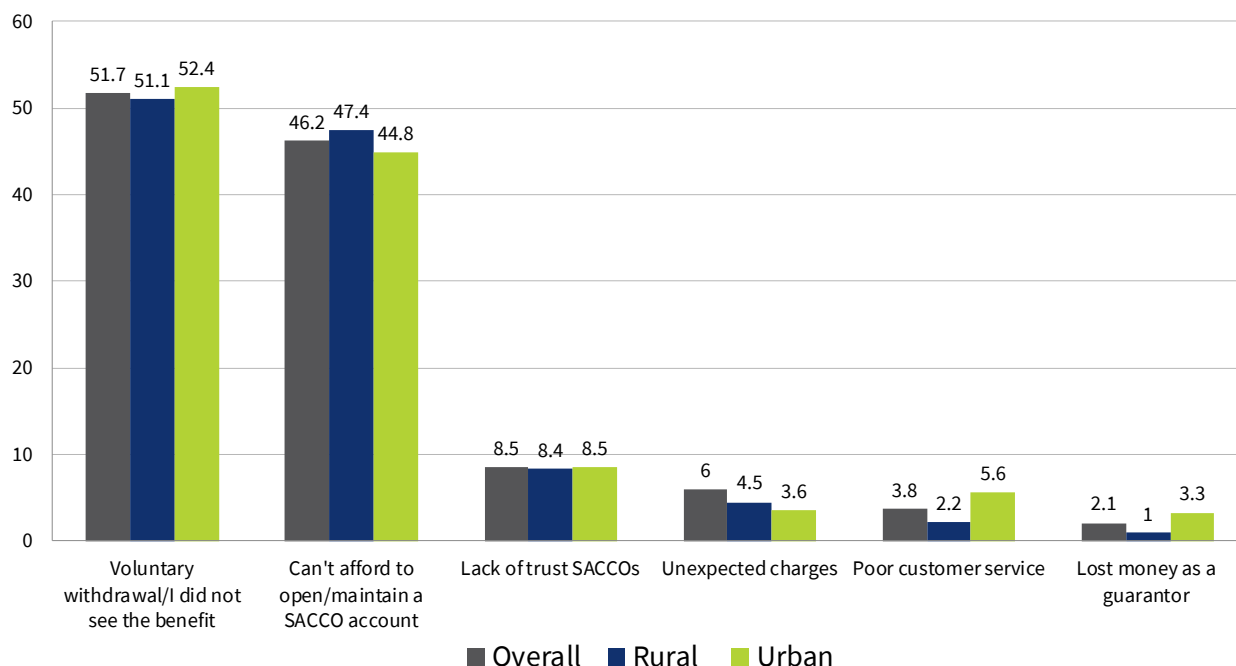
	Barriers	Affordability	Eligibility	Relevance/ Suitability	Awareness	Trust	Other
Non users	Overall	54.5	4.2	12	22.2	6.2	0.8
Residence	Rural	53.3	4.8	10.3	25.8	4.9	0.8
	Urban	56.2	3.3	14.4	17.2	8	0.8
Sex	Male	51.3	4.5	14.6	20.4	8.1	1.1
	Female	57.4	3.9	9.6	23.9	4.5	0.7
Age	18-25	49.9	12.7	8.9	23.5	4.6	0.4
	26-35	56.3	0.6	13.3	21.4	7.5	0.7
	36-45	56.7	0.6	12.4	20.9	8	1.4
	46-55	60.2	0.2	14.2	17.7	6.4	1.4
	Above 55	54.1	0.2	13.9	26	4.7	0.9
Education level	None	44	0.4	3.7	50.3	1.5	0.1
	Primary	58.5	3.1	9	23.9	4.8	0.7
	Secondary	55.1	7.6	13.2	16.5	6.7	0.9
	Tertiary	50.8	0.7	22.3	12.3	11.9	1.8
Livelihood	Agriculture	53.1	1.4	13.1	24.3	6.6	1.3
	Employed	42.9	1.5	25.2	16.3	11.4	2.4
	Casual Worker	61.8	3.8	8.8	21	4.2	0.4
	Own Business	49.6	1.3	16.3	20.5	11.1	1.2
	Dependent	56.5	9.2	7.7	23.2	3.2	0.1
Wealth quintile	Lowest	50.1	3.9	4.1	39.1	2.3	0.5
	Second	58.3	6.2	7.7	22.9	4.2	0.7
	Middle	57.8	4	11.7	18.4	7	1.1
	Fourth	54.6	3.3	17	16.1	7.6	1.5
	Highest	51.9	3.5	20	13.6	10.2	0.7

3.4.1. Reasons for Stopping the use of SACCO Financial Services

When survey respondents were asked why they stopped using SACCO services, the top reasons cited were voluntary withdrawal at 51.7 percent and the inability to afford the services at 46.2 percent. Interestingly, voluntary withdrawal was more common

in urban areas, while the inability to afford services was a greater issue in rural areas. An emerging concern is poor customer service, which was reported more frequently in rural areas than in urban ones. This suggests a need for better training and support for SACCO staff in rural regions

Figure 18: Reasons for stopping usage of SACCO financial services

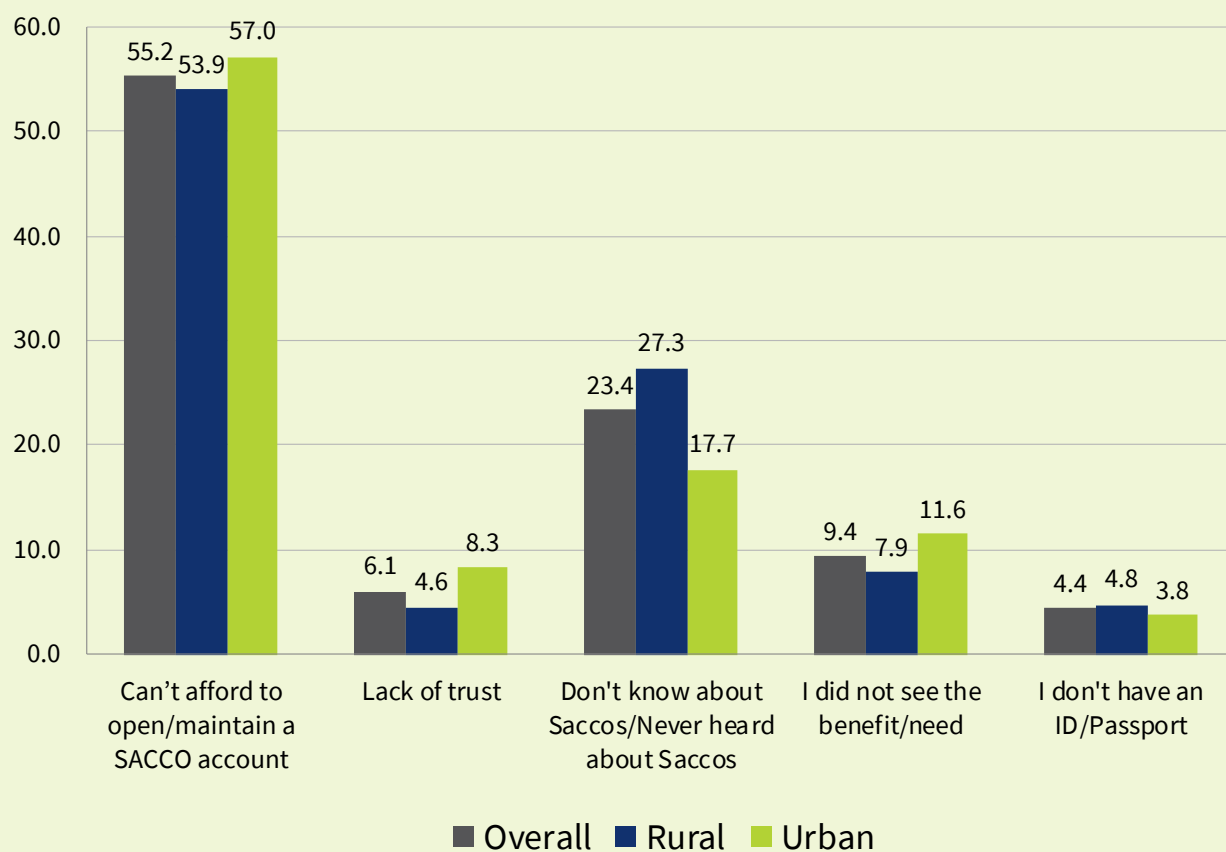


3.4.2. Never Used SACCOs

Affordability continues to be the main obstacle to accessing and using SACCO services, cited by 55.2 percent of respondents, with this concern being slightly higher in urban areas at 57.0 percent compared to rural areas which was at 53.9 percent. While awareness about SACCOs has improved, with fewer people reporting they “don’t know about SACCOs” (down from 27.3 percent in 2021 to 17.7

percent in 2024), other issues have become more prominent. Trust concerns nearly doubled, rising from 4.6 percent to 8.3 percent, and the feeling of having “no perceived need” for SACCO services also increased, from 7.9 percent to 11.6 percent. Challenges related to documentation, such as not having an ID or passport, remained the least significant barrier, fluctuating between 3.8 percent and 4.8 percent.

Figure 19: Reasons for not using SACCO financial services



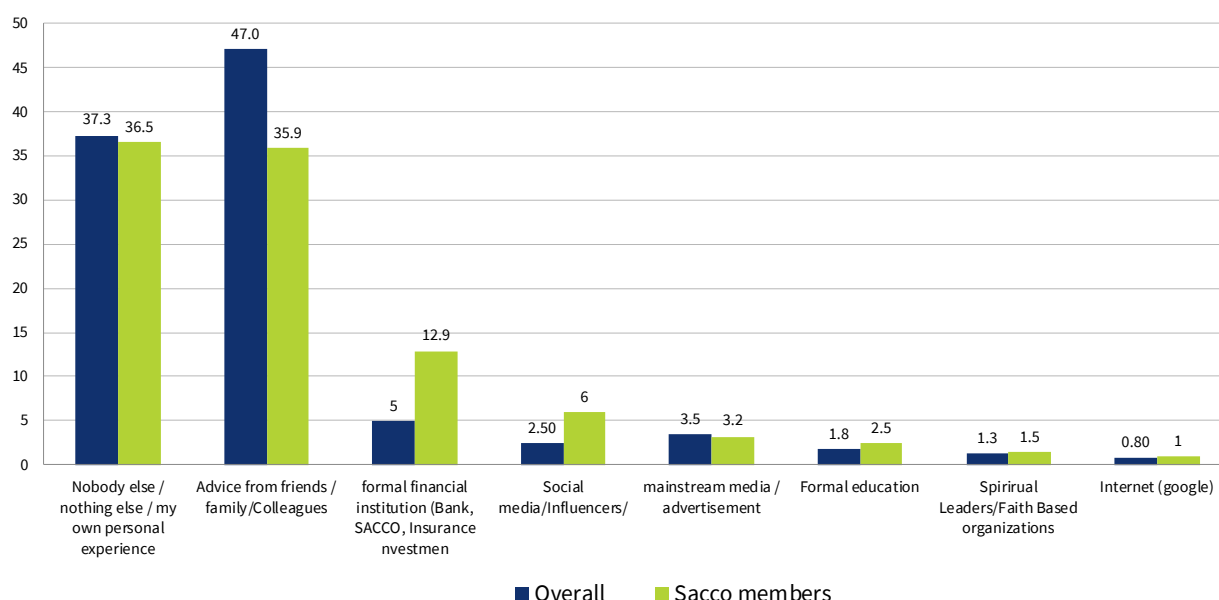
4.0. QUALITY OF FINANCIAL PRODUCTS AND SERVICES

4.1. Source of Financial Advice for Sacco Members

When seeking financial advice, the general public uses a variety of sources. According to the survey, 36.5 percent of SACCO members made their financial decisions independently. A nearly equal number, 35.9 percent, relied

on guidance from friends and family, which highlights the strong community ties within these groups. Formal financial institutions and social media were the next most common sources, while the internet was the least utilized option, despite widespread internet access in the country.

Figure 20: Sources of financial advice

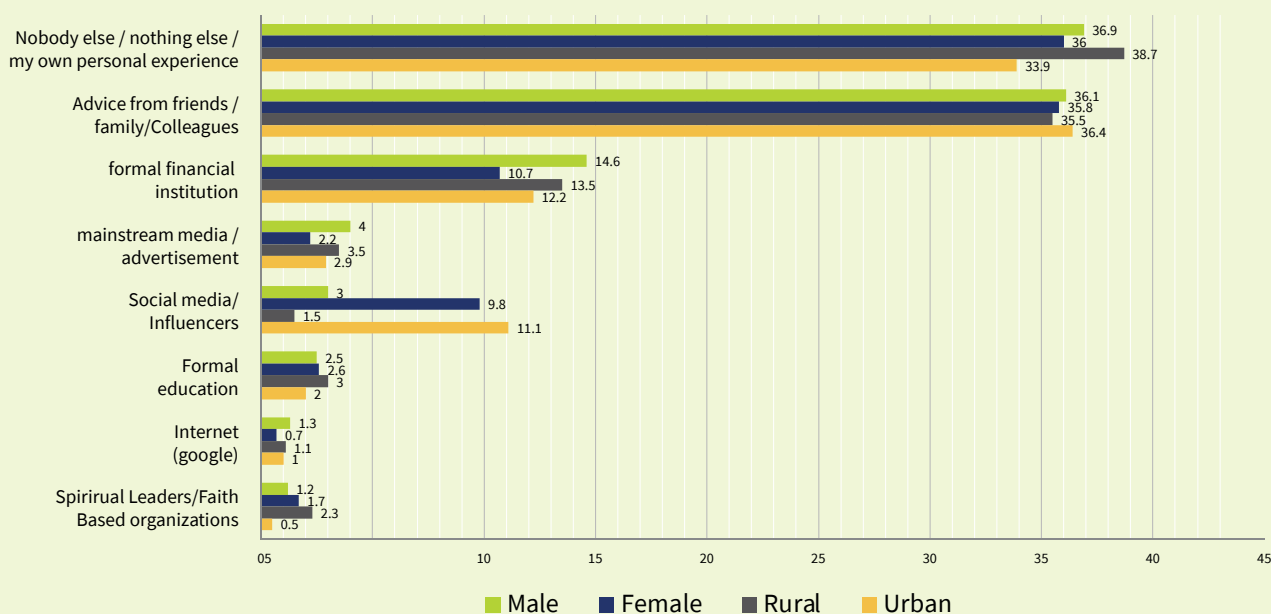


4.1.1. Source of financial advice by sex and residence

In rural areas, survey respondents showed a greater tendency towards self-reliance in financial decision-making at 38.7 percent compared to their urban counterparts at 33.9

percent. This self-reliance was also more common among men than women. While social media is generally not a primary source for financial advice, urban residents utilized this channel significantly more at 11.1 percent than rural residents at 1.5 percent.

Figure 21: Source of financial advice by Sex and residence

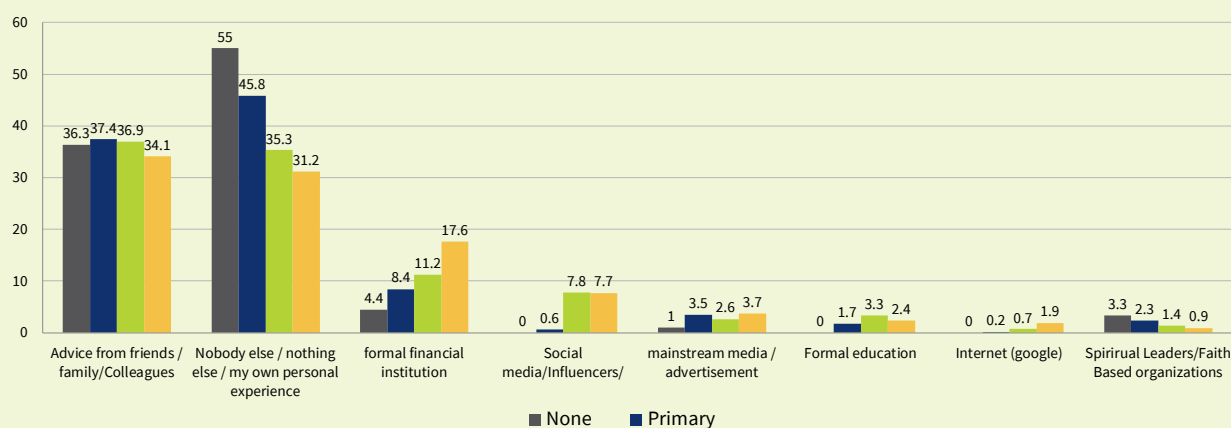


4.1.2. Source of financial advice by education

Interestingly, the level of education appears to significantly influence how individuals make financial decisions and where they seek advice. The survey found that 55 percent of those with no formal education made financial decisions independently, a stark contrast to only 31.2 percent of those with

education beyond college. Furthermore, individuals without formal education were more likely to turn to spiritual leaders for guidance, while those with higher education tended to seek advice from formal financial institutions. This suggests that a person's educational background plays a key role in shaping their sources of financial guidance, which in turn can lead to improved personal financial choices.

Figure 22: Sources of financial advice by education

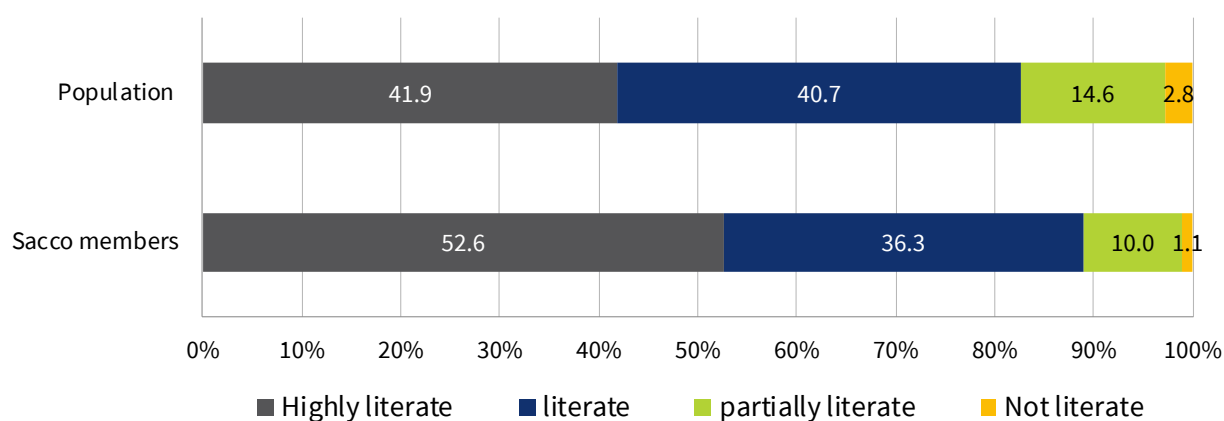


4.2. Financial Literacy Index

The survey indicates that SACCO members are notably more literate than the general population, with 52.6 percent being highly literate compared to 41.9 percent of the general public. Furthermore, only 1.1

percent of SACCO members are not literate, a significantly smaller percentage than the 2.8 percent found in the broader population. This suggests that literacy plays an important role in whether individuals engage with formal financial institutions like SACCOs.

Figure 23: Financial literacy index



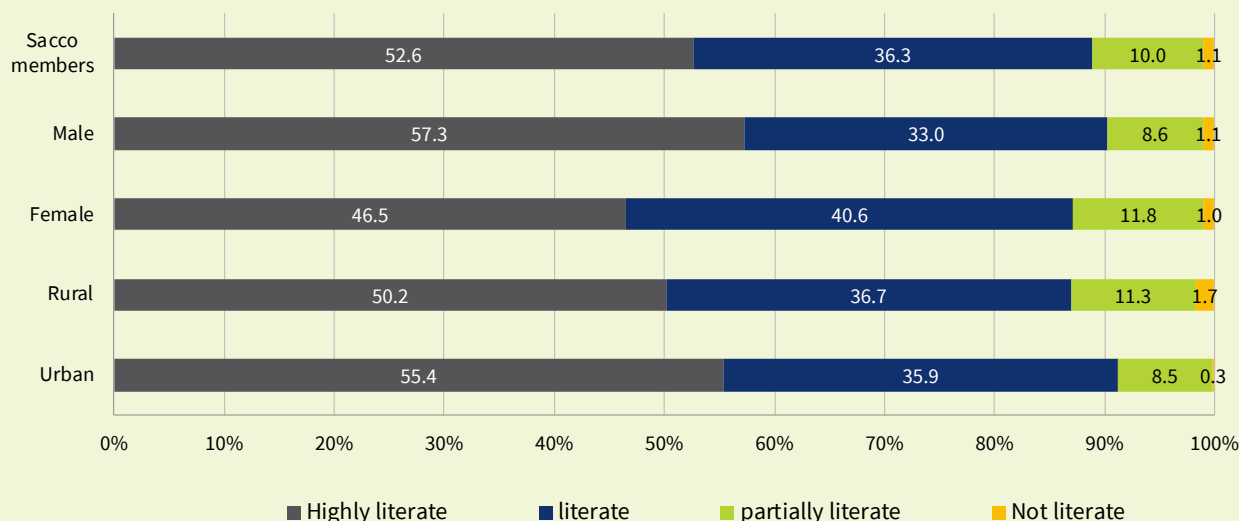
4.2.1. By Sex and residence

A study examining financial understanding among SACCO members revealed a notable difference between men and women. Male members showed higher financial literacy at 57.3 percent, compared to 46.5 percent for female members. However, this gap becomes smaller when looking at where people live. Urban members had a financial literacy rate

of 55.4 percent, while rural members were close behind at 50.2 percent.

A particular concern is the higher number of individuals in rural areas who are not literate (1.7 percent), compared to urban areas (0.3 percent). This suggests a need for focused financial education programs in less developed regions to help bridge this gap.

Figure 24: Financial literacy by sex and residence

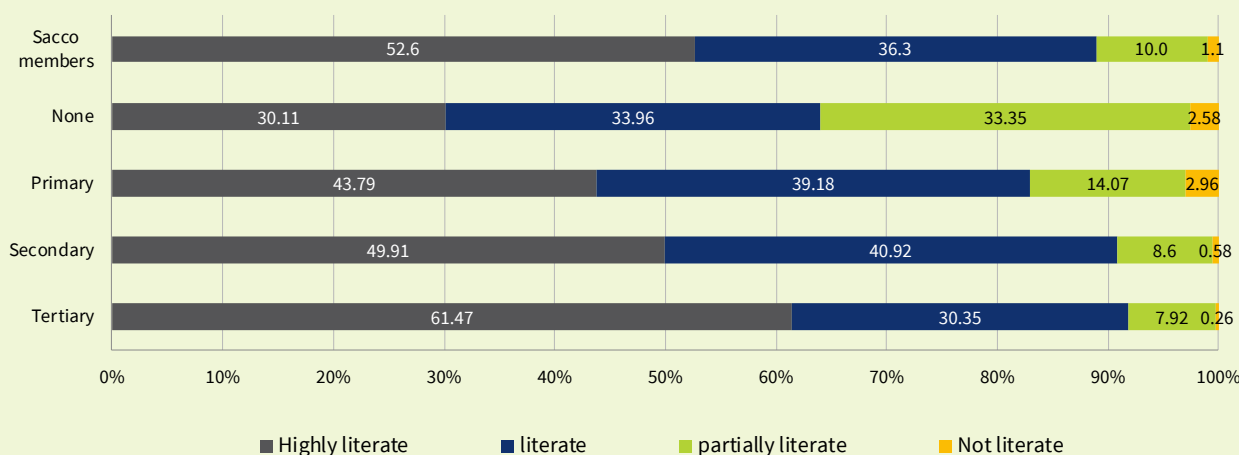


4.2.2. Education's Impact on Financial Literacy among SACCO Members

An analysis of financial literacy among SACCO members shows a clear link between how much education someone has and their ability to make financial decisions. Members with education beyond college demonstrate much higher levels of financial understanding compared to those with less schooling. This highlights how crucial advanced education is in developing smart financial habits and

investment choices. Interestingly, members who only have a primary education show very little difference in their basic financial understanding (both highly literate and literate levels). This suggests that while a foundational education provides essential financial awareness, more advanced education is what truly enables people to make more complex and informed financial decisions.

Figure 25: Financial literacy by education levels

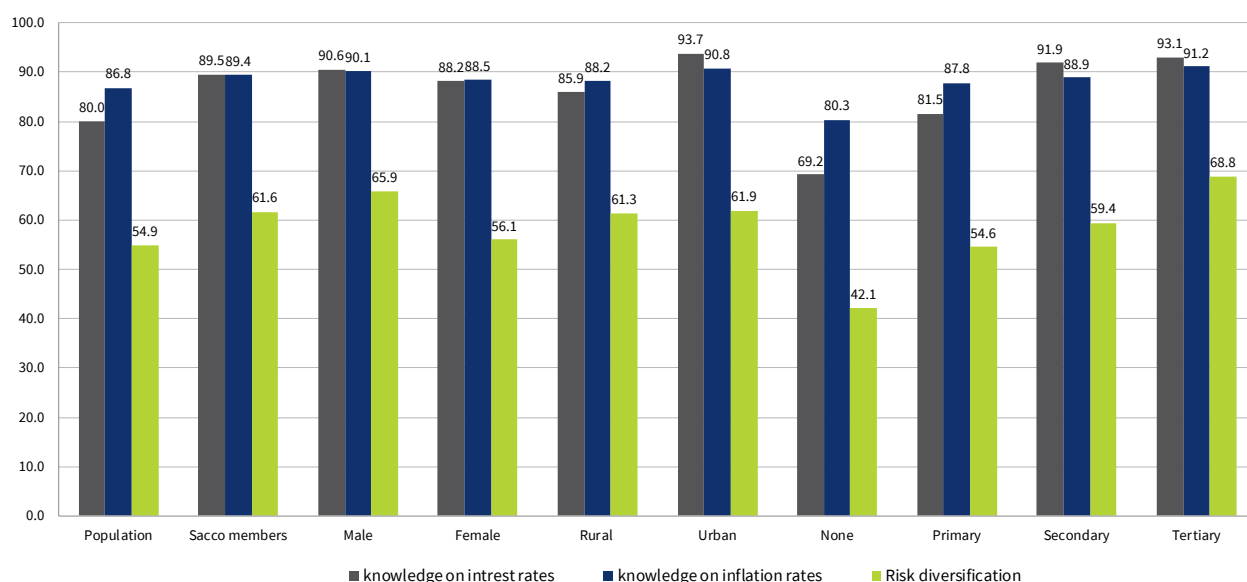


4.3. Knowledge of interest rates, inflation, and risk diversification

SACCO members demonstrated stronger financial literacy than the general Kenyan population, with 89 percent understanding interest rates (vs. 80 percent), 89.4 percent

aware of inflation (vs. 86.8 percent), and 61.6 percent knowledgeable about risk diversification (vs. 54.9 percent). This suggests that SACCO membership correlates with greater exposure to macroeconomic concepts that influence personal investment decisions.

Figure 26: Knowledge of interest rates, inflation and risk diversification

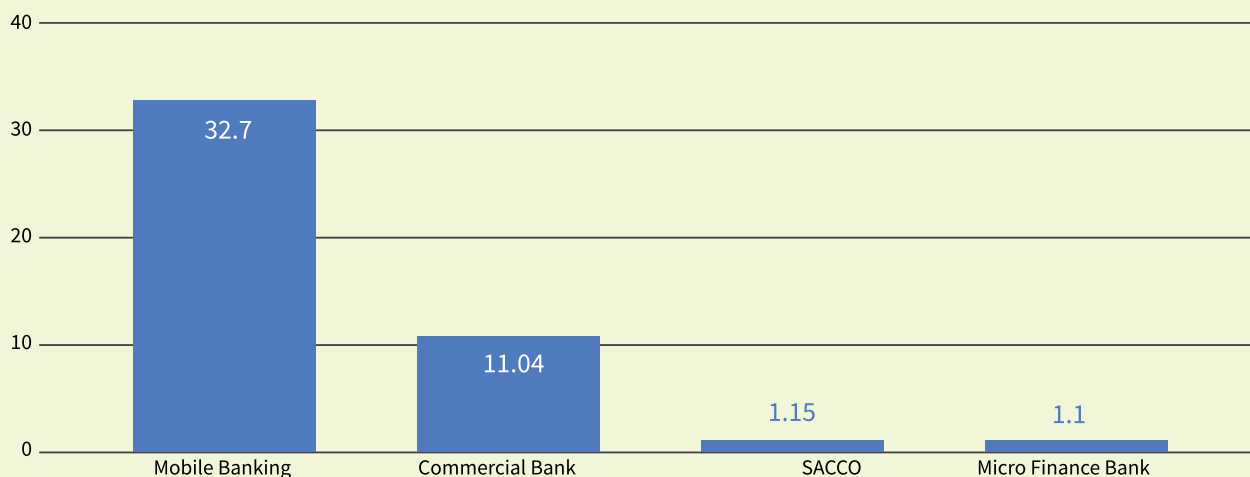


4.3.1. Debt Defaults/Distress

Default rates across different financial institutions indicates mobile banking experiencing the highest default rate at 32.7 percent, significantly higher than commercial banks at 11.04 percent. Meanwhile, SACCOs and microfinance banks reported much lower default rates of 1.15 percent and 1.1 percent, respectively. This disparity suggests that mobile banking, despite its

convenience, may carry higher risks, possibly due to easier access to credit or less stringent repayment enforcement. In contrast, SACCOs and microfinance institutions maintain stricter controls, resulting in fewer defaults. Commercial banks, while more regulated than mobile banks, still face moderate default risks, reflecting their broader customer base and varied lending practices.

Figure 27: Debt default rates by financial service providers



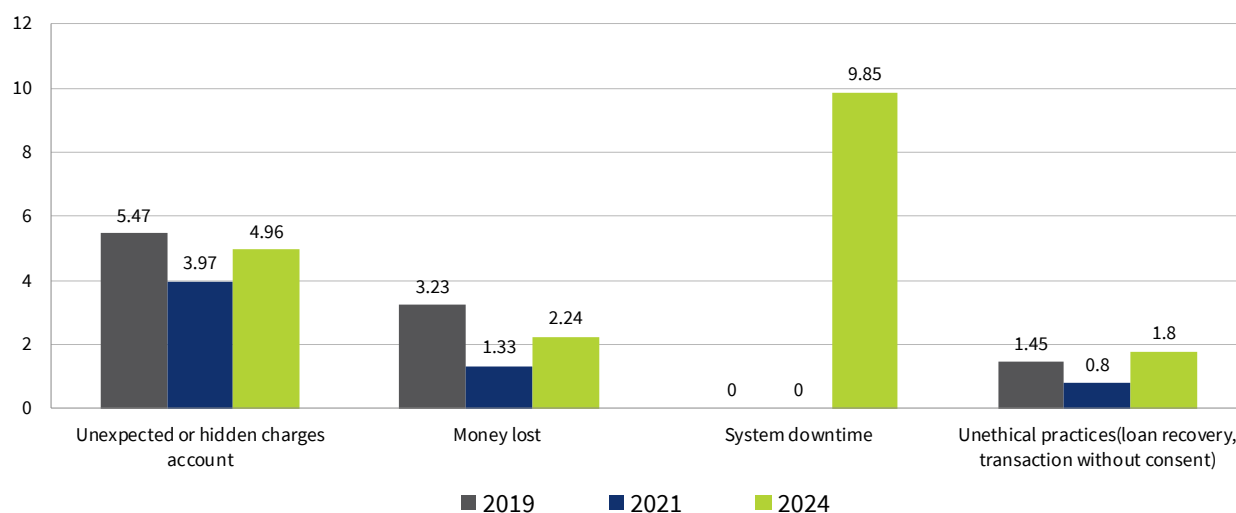
4.4. Consumer protection in the SACCO sector

SACCO members have reported mixed experiences regarding their interactions with SACCOs. Unexpected or hidden charges initially decreased from 5.47% in 2019 to 3.97% in 2021, but then slightly rose to 4.96% in 2024. This suggests that efforts to make fees more transparent have had varying success. Incidents of money lost by members showed significant improvement, dropping from 3.23% to 1.33% between 2019 and 2021. However, this positive trend was partially reversed, with incidents rising to 2.24% by 2024. This pattern indicates that while initial measures to reduce risk were effective, maintaining these improvements is difficult. More focus is needed on clear disclosures, cost transparency, and deliberate steps to protect members' funds from cyberattacks, such as

enforcing strong passwords and multi-factor authentication for online safety.

New concerns emerged in 2024, with system downtime being reported for the first time at 9.85%, reflecting an increasing reliance on digital services. Simultaneously, unethical practices, including issues with loan recovery and unauthorized transactions, decreased from 1.45% in 2019 to 0.8% in 2021, but then rebounded to 1.8% by 2024. This rebound could point to an increase in aggressive debt collection tactics, misuse of personal information, and unfair practices. Collectively, these trends highlight both the progress SACCOs have made and the ongoing vulnerabilities in their operations. As the sector undergoes digital transformation, new systemic risks are emerging alongside existing challenges to financial integrity.

Figure 28: Consumer protection challenges in the SACCO sector

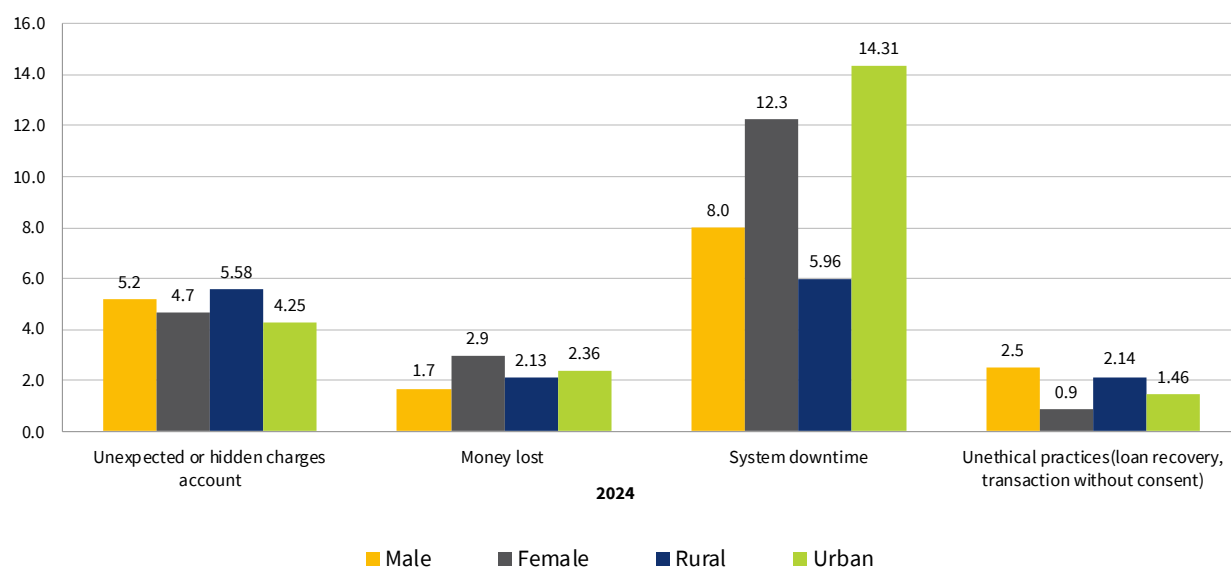


4.4.1. Consumer protection challenges by Sex and Residency

When SACCO members were asked about their recent experiences, system downtime was a more common issue for users in urban areas (14.3 percent) compared to those in

rural areas (5.96 percent), likely because urban users rely more on digital services. On the other hand, unexpected charges were reported more frequently by members in rural areas than in urban ones.

Figure 29: Consumer protection challenges by sex and residency

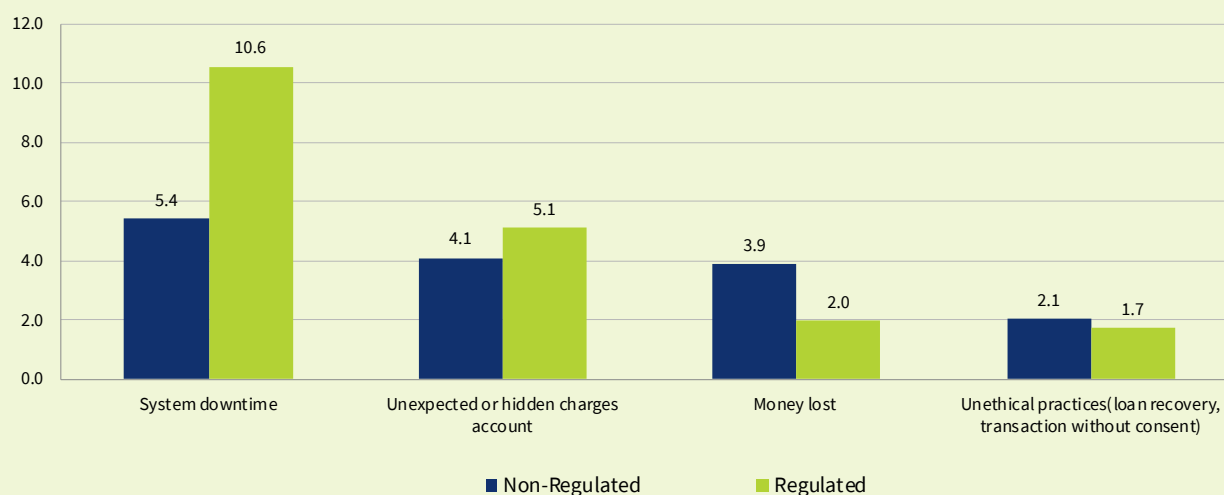


4.4.2. Consumer Protection Challenges in Regulated Vs Unregulated SACCOs

Regulated SACCOs experienced more system downtime at 10.6 percent than unregulated ones which were at 5.4 percent. This is likely because regulated SACCOs use advanced,

bank-like digital systems and rely heavily on technology, while unregulated SACCOs, many of which lack formal digital systems, encounter fewer technical issues due to their lower dependence on technology.

Figure 30: Consumer protection challenges among Regulated SACCOs Vs. Unregulated SACCOs



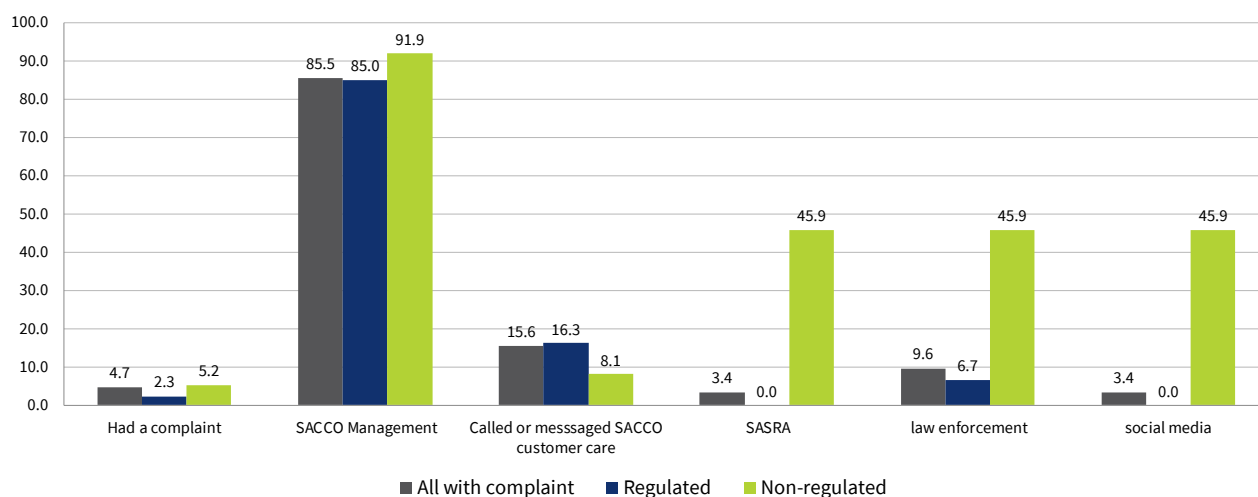
4.5. Complaint Registration

The survey asked SACCO users if they had filed a complaint about their services in the last one year, as a way to gauge member dissatisfaction. Of the 11.7 percent of SACCO users surveyed, 4.7 percent reported filing a complaint. Notably, 5.2 percent of these complaints came from members of unregulated SACCOs.

4.5.1. Complaints and channels of registering/resolving the complaint

Most SACCO members, 85.5%, preferred to resolve their complaints directly with the management of their SACCO. Only a small number chose to take their issues to the industry regulator, SASRA. This suggests that SACCO members may not be fully aware of Authority's role, or they feel more comfortable dealing directly with their SACCO's management. Interestingly, members of unregulated SACCOs were more likely to report complaints to SASRA than those in regulated SACCOs, a trend that needs further investigation.

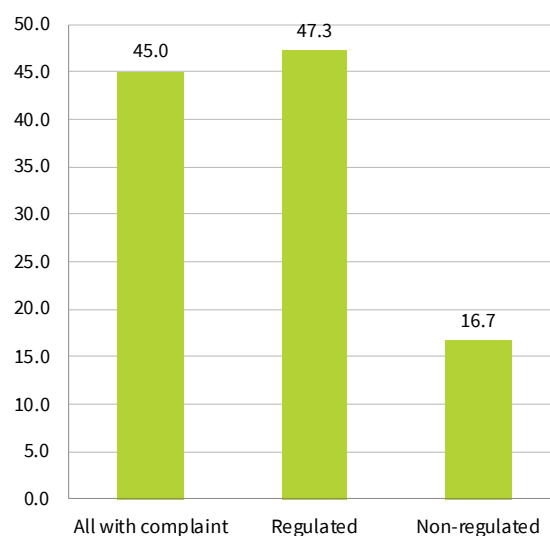
Figure 31: Complaints resolution mechanisms



4.5.2. Complaint resolutions among Regulated Vs. Unregulated SACCOs

When it comes to resolving complaints, regulated SACCOs showed a much higher success rate, with 47.3% of issues being resolved. In contrast, only 16.7% of complaints against non-regulated SACCOs were successfully addressed. This significant difference highlights how effective formal oversight mechanisms are. Overall, 45% of all complaints were resolved, but the clear disparity between the resolution rates of regulated and non-regulated institutions points to systemic difficulties in handling grievances outside of supervised systems.

Figure 32: Successful complaints resolution



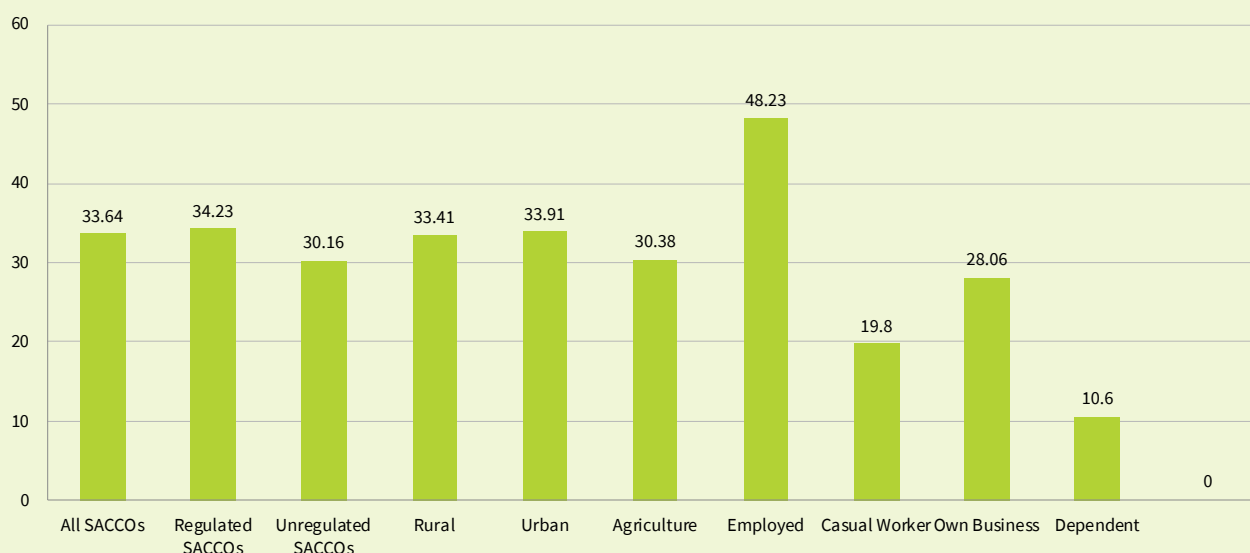
4.6. Use of Guarantors

A guarantor is an individual who promises to repay a loan if the primary borrower fails to do so. Within the SACCO industry, guarantors use their own savings as security for another member's loan, providing a safety net for the SACCO if the borrower defaults. This system helps keep loan defaults lower than in traditional banks, promoting a sense of trust and shared responsibility among members.

4.6.1. Use of Guarantors in Regulated Vs Unregulated SACCOs

With regulated SACCOs having a bigger coverage than the unregulated SACCOs despite their low numbers, it is noted that members in regulated SACCOs lost funds through guarantors more than those in unregulated SACCOs by 4.07 percent, as shown in the figure below.

Figure 33: Use of guarantors in Regulated Vs. Unregulated SACCOs

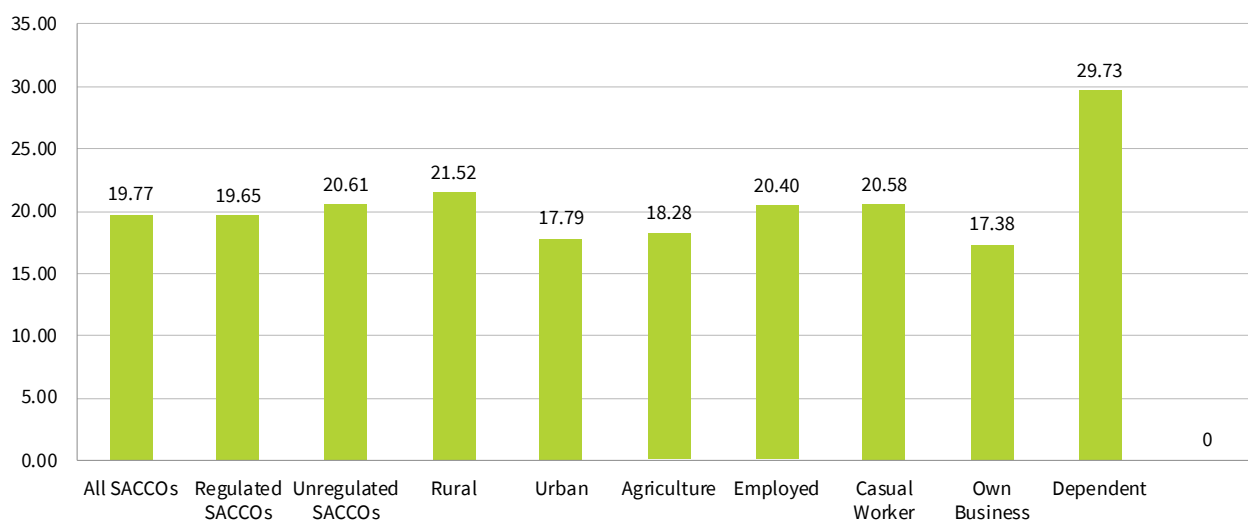


4.6.2. Loss of Money as Guarantor

Unregulated SACCOs experience higher loss rates, at 20.6 percent, compared to regulated ones, which report 19.65 percent. Similarly, SACCOs in rural areas face greater losses at 21.52 percent than those in urban areas which stood at 17.79 percent. This suggests that both regulatory oversight and geographic location

play a role in how much financial risk SACCOs are exposed to. Interestingly, dependents reported the highest loss rates as guarantors at 29.73%. They were followed by casual workers at 20.58% and employed individuals at 20.40%. Business owners reported the lowest loss rates.

Figure 34: Loss of money as a guarantor

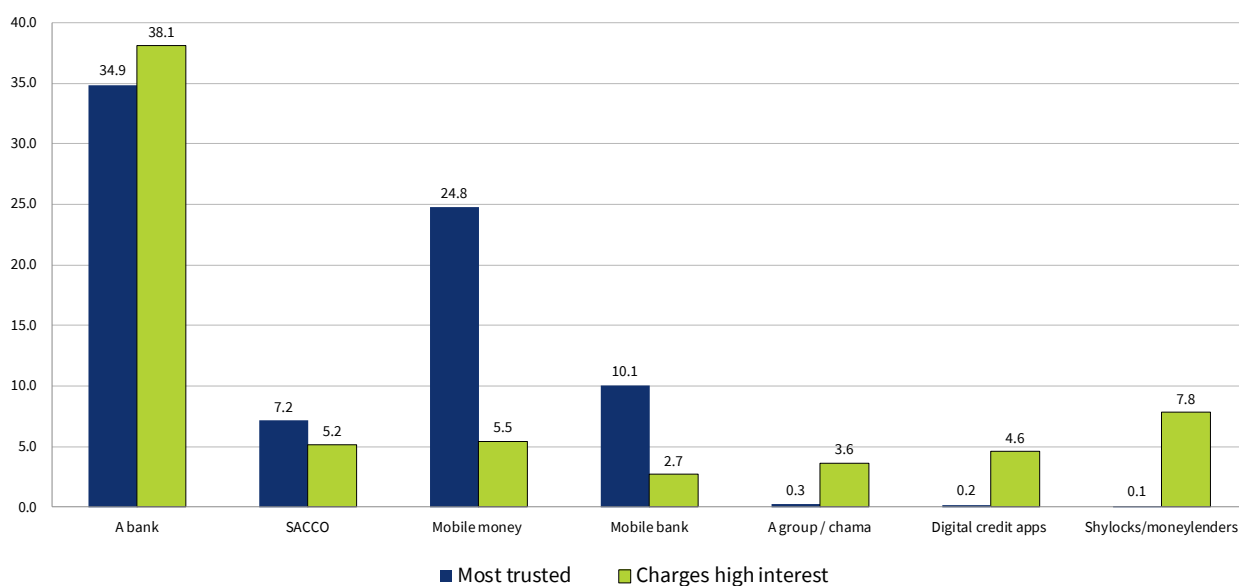


4.6.3. Consumer Perceptions Towards SACCOs

When asked which financial provider they trusted most, only 7.2 percent of respondents chose SACCOs, a significantly lower percentage compared to banks at 34.9 percent

and mobile money services which was at 24.8 percent. However, SACCOs were perceived as having the lowest interest rates, with only 5.2 percent associating high rates with them. In contrast, banks were viewed as charging the highest rates, at 38.1 percent.

Figure 35: Consumer perceptions towards SACCOs



5.0. IMPACT OF FINANCIAL PRODUCTS AND SERVICES

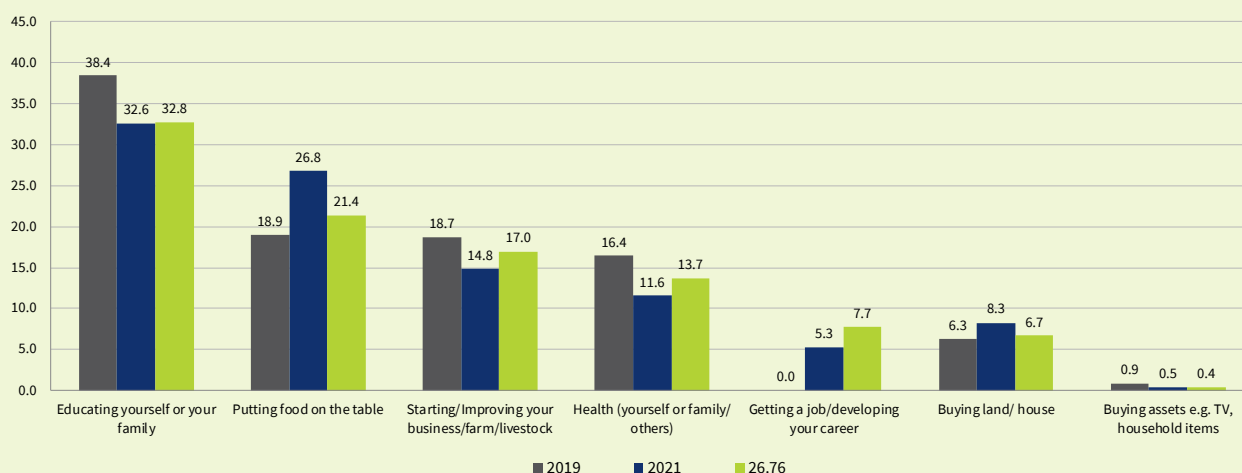
5.1. Life Priority for Sacco Members

SACCO members prioritize education for themselves or their family members above all else, with 32.8 percent ranking it as their top life priority. This is followed by basic subsistence, such as providing food, at 21.4 percent. Acquiring household items was the least prioritized, at a mere 0.4 percent. This prioritization suggests that SACCO members may be wealthier than the average person. This aligns with the Kenya Demographic and

Health Survey 2022, which found that over half (54 percent) of the urban population falls into the highest wealth category, compared to only 3% in rural households.

This emphasis on long-term human development over immediate material goods indicates that SACCOs, by promoting financial inclusion, are meeting both essential and aspirational needs. This insight highlights the value of offering financial products specifically tied to education.

Figure 36: Life priority for SACCO members



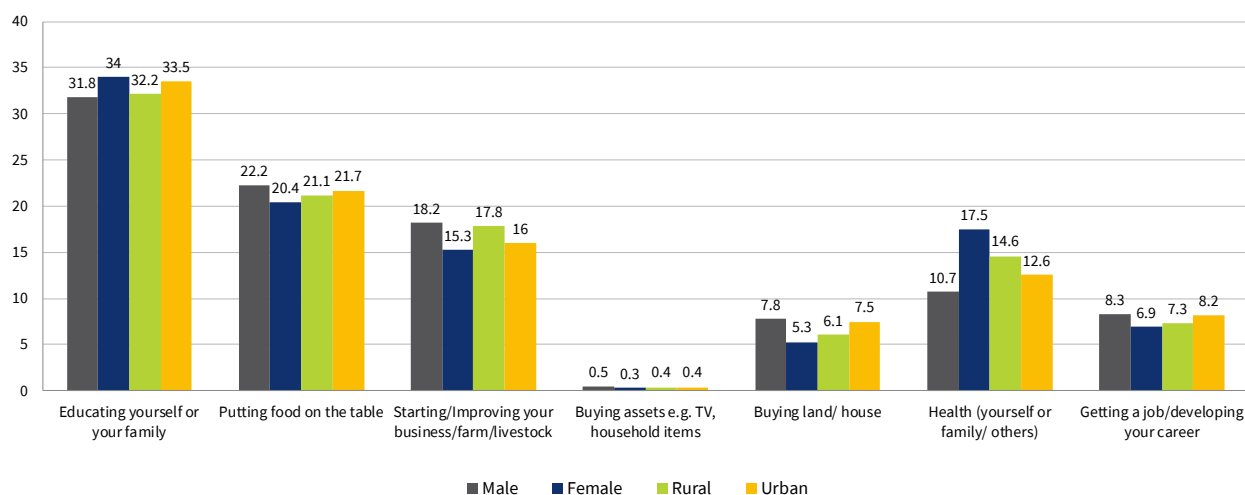
5.2. Financial Priorities: Urban vs. Rural, Men vs. Women

When it comes to financial priorities, urban residents slightly prioritize education more than those in rural areas (33.5 percent versus 32.2 percent). Across all regions, women consistently value education higher than men.

In contrast, men tend to focus more on securing basic needs, such as food and land

purchases, regardless of whether they live in urban or rural areas. This difference reflects traditional gender roles within households, where men are often seen as the primary providers. These trends suggest that while factors like living in a city and gender play a role in shaping financial priorities, established social norms continue to influence how economic decisions are made.

Figure 37: Life priority by residence and gender



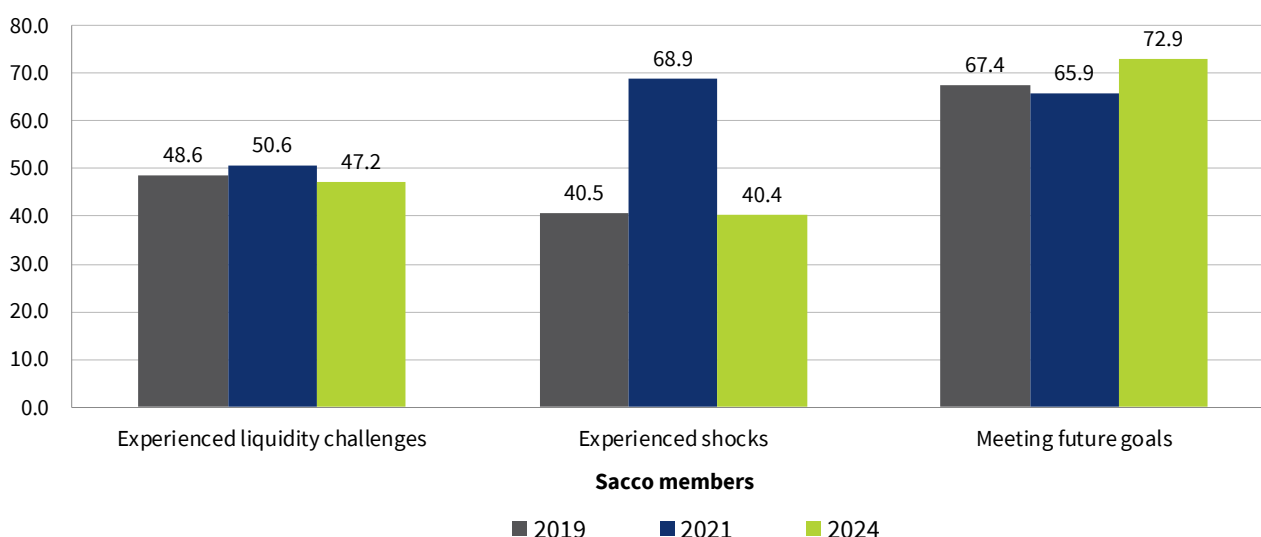
5.3. Social Impact

5.3.1. Dealing with various financial needs

The 2024 data indicates a positive shift for SACCO members, as they experienced fewer immediate financial difficulties and unexpected hardships, returning to levels seen before the COVID-19 pandemic. Specifically, liquidity challenges dropped to 47.2%, and

experiences of financial shocks decreased to 40.4%. At the same time, there was a significant increase in members focusing on future goals, rising to 72.9%. This suggests that as economic conditions stabilized, SACCO members moved their financial attention from dealing with immediate problems to planning for long-term objectives and investments.

Figure 38: Dealing with various financial needs



5.3.2. Vulnerability Patterns experienced by SACCO Members

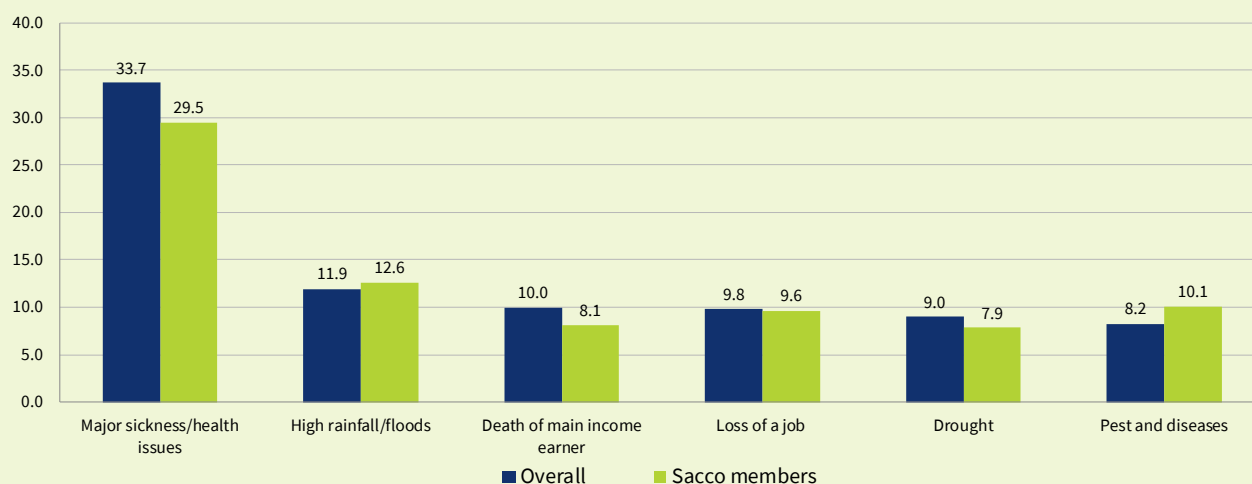
When comparing SACCO members to the general population, some interesting patterns emerge regarding financial vulnerability. While major sickness or health issues affect 33.67 percent of the overall population, this figure drops to 29.49% among SACCO members. This suggests that being part of a SACCO, and potentially benefiting from collective financial protection, may offer some health-related advantages.

Conversely, SACCO members appear to face higher exposure to agricultural risks. 10.08 percent of members were affected by pests

or diseases compared to 8.21 percent of the overall population. In addition, 12.59 percent were impacted by high rainfall or floods compared to 11.9% of the overall population. This likely reflects the significant number of farmers within SACCO membership.

Notably, SACCO members show greater resilience to income shocks, with a lower rate of death of main income earners at 8.1 percent compared to 9.8 percent in the general population. These findings collectively highlight how joining a financial cooperative like a SACCO can both reduce and redistribute socioeconomic vulnerabilities among its members.

Figure 39: Vulnerability patterns experienced by SACCO members

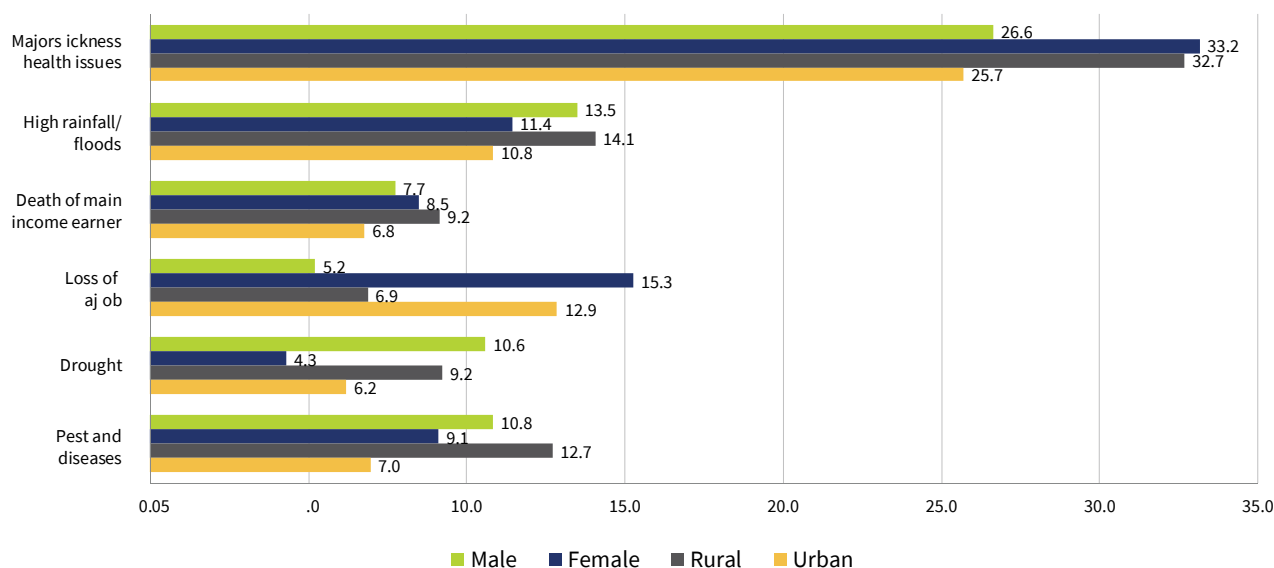


5.3.3. Shocks Experienced by Sex and Residency

Female SACCO members experience a higher rate of health-related challenges at 33.2 percent compared to male members at 26.6 percent, with women in rural areas being particularly affected. In contrast, job loss impacts urban residents more severely at

12.9 percent than rural residents which was at 6.9 percent, highlighting different economic vulnerabilities based on location. Additionally, men are more frequently exposed to climate-related issues like drought and heavy rainfall in both rural and urban settings, likely due to the types of jobs they typically hold.

Figure 40: Shocks experienced by gender and residence



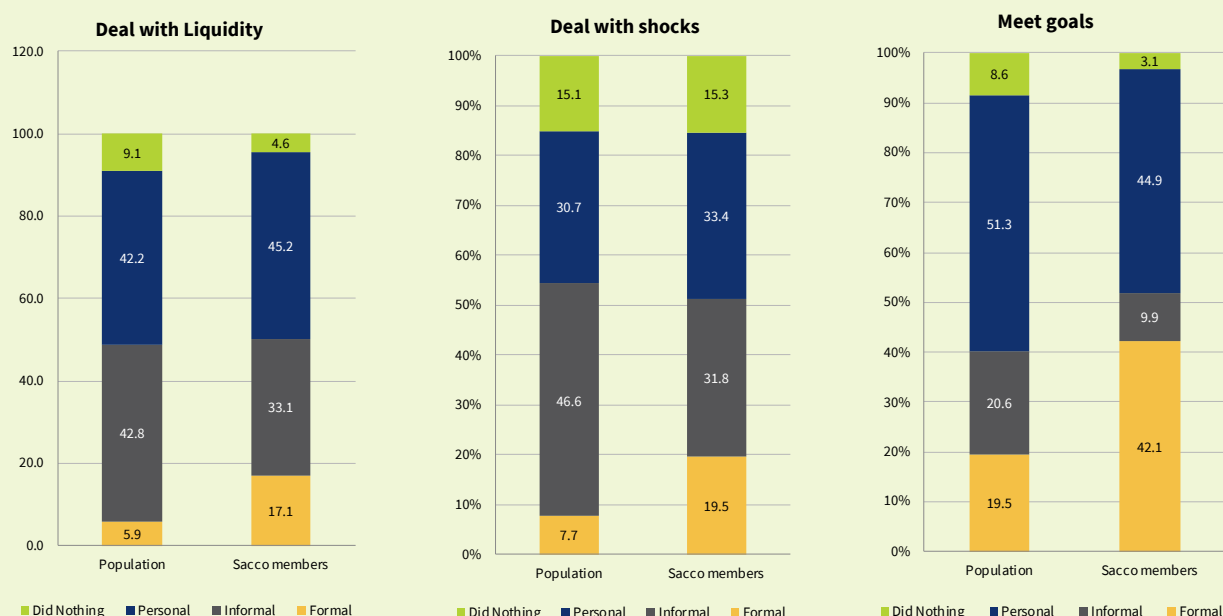
5.3.4. How SACCO Members manage financial challenges

SACCO members demonstrate distinct financial behaviors when facing challenges and working towards goals, often showing a greater reliance on formal financial services compared to the general population. For instance, when faced with immediate cash flow problems, SACCO members are significantly more likely to turn to formal financial mechanisms at 17.1 percent than the general population which was at 5.9 percent. They also rely more on personal networks (45.2 percent vs. 42.2 percent) and are much less likely to take no action at all (4.6 percent vs. 9.1 percent).

In response to unexpected financial shocks, SACCO members are more than twice as likely to use formal financial services at 19.5 percent vs. 7.7 percent of the general population. They also show less dependence on informal methods at 31.8 percent vs. 46.6 percent of the general population.

When working towards financial goals, SACCO members are substantially more engaged with formal financial tools (42.1 percent vs. 19.5 percent of the general population). They are also less likely to use informal financial methods (9.9 percent vs. 20.6 percent). Overall, these findings highlight that SACCO members consistently exhibit a higher engagement with and reliance on formal financial services compared to the broader population.

Figure 41: How SACCO members manage financial challenges



5.3.5. Use of SACCOs to deal with financial needs

SACCOs play a crucial role in helping members address different financial challenges. For liquidity needs, SACCOs are a significant formal solution, with 39.5 percent of those using formal loans using SACCO loans and 40.1 percent utilizing their SACCO savings when facing cash flow issues. When dealing with financial shocks, SACCOs become even more important, with 61.3 percent of those using formal loans turning to SACCO loans to address unexpected expenses or emergencies. For instance, Regulated SACCOs disbursed Kshs. 48.90 billion to fund consumption and social activities or ventures of their members, such as payment of utilities, consumer durables and social expenses which translated to 9.01

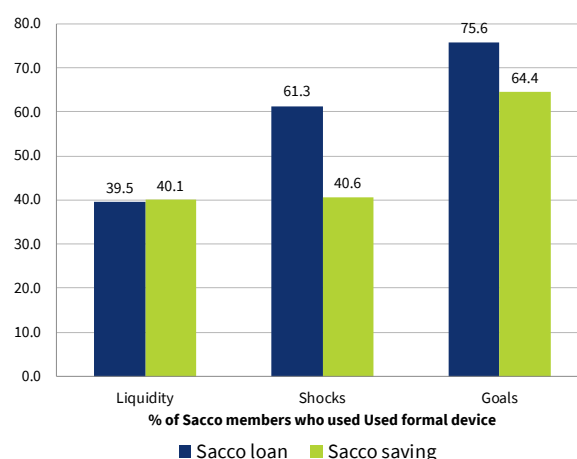
percent of the total credit during the year 2024.

It is also observed that 40.6 percent of SACCO members used their SACCO savings to cushion themselves against shocks, highlighting the relevant role played by SACCOs in enabling members to build a financial war chest to enhance their financial resilience through accumulated savings. Accumulated savings are composed of fixed term and withdrawable savings deposits which are easily accessible to a member's disposal on short notice. For instance, Regulated SACCOs mobilized an accumulated savings deposits amounting to Kshs. 126.83 billion in 2024 from 115.17 billion in 2023 which constituted 17 percent respectively of the total deposit liabilities mobilized by all Regulated SACCOs. This is

indeed an affirmation that such savings do exist and are readily available at the SACCOs for members to use against any unforeseen financial shocks.

The most pronounced impact of SACCOs appears in helping members achieve their goals, where 75.6 percent of members who use formal loans rely on SACCO loans for goal attainment. This indicates that SACCOs provide critical financing for education, major investments, business expansion, and asset acquisition. Similarly, 64.4 percent utilize their SACCO savings for meeting goals, demonstrating how SACCOs facilitate long-term financial planning and goal achievement.

Figure 42: Usage of SACCOs to deal with financial needs



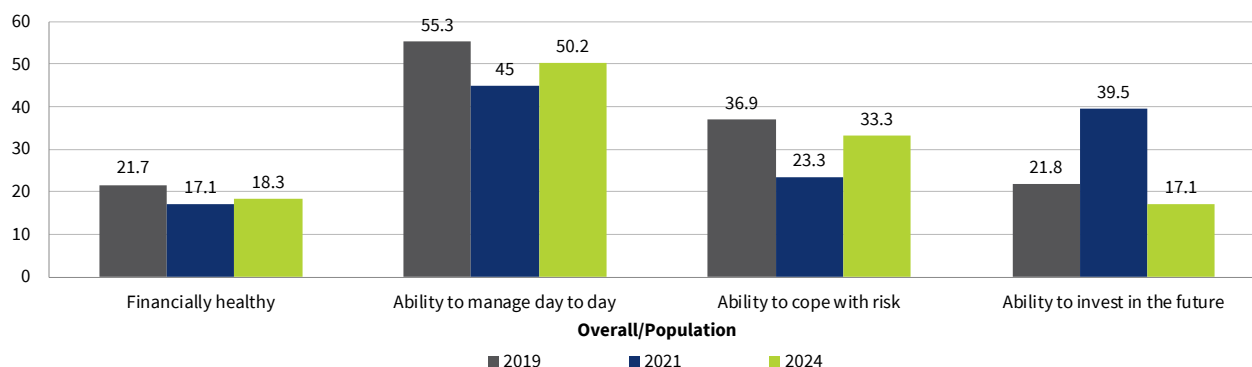
5.4. Financial Health

5.4.1. Overall Financial Health

In 2019, 21.7 percent of the respondents considered themselves financially healthy, but this figure dropped to 17.1 percent in 2021 before slightly recovering to 18.3 percent in 2024. Similarly, the ability to manage day-to-day expenses declined from 55.3 percent in 2019 to 45 percent in 2021, then improved to 50.2 percent in 2024, suggesting the advent of an economic pressure followed by partial recovery. The ability to cope with financial

risks saw a sharp decrease from 36.9 percent in 2019 to 23.3 percent in 2021, likely due to economic instability, before rebounding to 33.3 percent in 2024. Interestingly, the ability to invest in the future surged from 21.8 percent in 2019 to 39.5 percent in 2021—possibly reflecting post-pandemic optimism—but then dropped sharply to 17.1 percent in 2024, indicating renewed financial constraints. Overall, while some aspects show resilience, long-term financial security remains a challenge for many.

Figure 43: Overall financial health



5.4.2. Financial Health in SACCOs

The financial well-being of SACCO members in Kenya has varied over recent years, but consistently appears stronger than that of the general population. In 2019, nearly half (49.82 percent) of SACCO members considered themselves financially healthy, significantly higher than the 22% reported for all Kenyans. This trend continued in 2021, with 44.2% of SACCO members reporting good financial health, compared to just 15% of the wider Kenyan population (Heyer & Gubbins, 2022, p. 1). This sustained difference suggests that SACCO members generally experience better financial stability, which may be linked to their employment status and the resulting increase in their personal wealth. Additionally, SACCOs themselves have seen substantial growth in their assets, largely fueled by members' savings, further contributing to the improved welfare of their members.

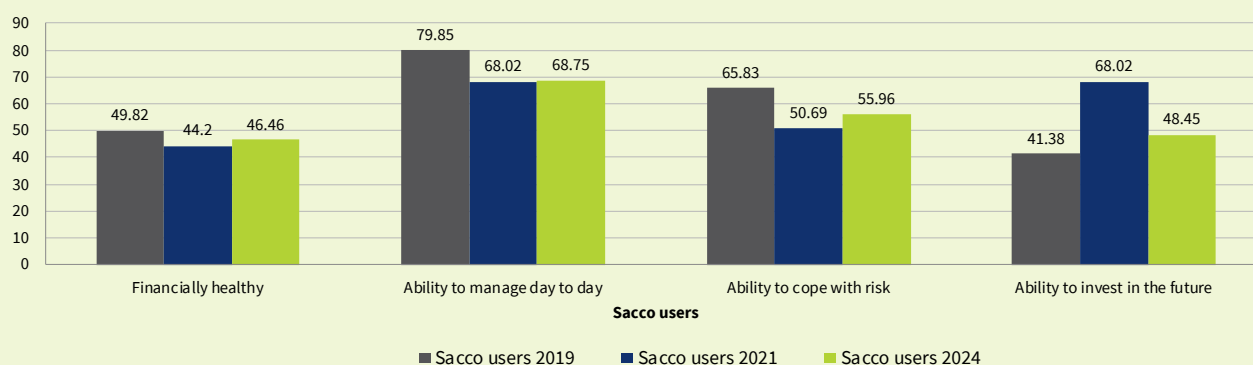
Regulated SACCOs have shown consistent growth in both assets and deposits. In 2024, their total assets increased by 7.40 percent reaching Kshs 1,076.15 billion, a dip decrease from the 9.11 percent growth rate in 2023. However, the growth in total deposits was even stronger decreasing by 9.86% in 2024 (down from 9.95% in 2023), with the total amount rising from Kshs. 682.19 billion to

Kshs. 749 billion. The fact that deposits grew at a faster rate than assets indicate strong and continued confidence from members in the SACCO industry. This increased deposit base is likely to enhance SACCOs' ability to provide more loans and advances, which in turn should further boost their overall asset growth.

It is clear that SACCOs have developed a range of financial products and services designed to help members cope with unexpected financial difficulties. However, members' ability to manage their day-to-day expenses significantly declined from 79.85% in 2019 to 68.02% in 2021, and remained largely unchanged at 68.75% in 2024, indicating ongoing financial pressure. Similarly, members' capacity to cope with financial risks dropped from 65.83% in 2019 to 50.69% in 2021, before a slight recovery to 55.96% in 2024, showing a slow but not full rebound.

Interestingly, the ability to invest in the future saw a notable increase from 41.38% in 2019 to 68.02% in 2021. This surge might be linked to post-pandemic optimism or financial empowerment initiatives by SACCOs. However, this figure then decreased to 48.45% in 2024, suggesting new financial limitations, even though members have shown resilience.

Figure 44: Financial health in SACCOs



6.0. EMERGING ISSUES

To ensure they meet the needs of all its members, SACCOs must offer a combination of services that cater to the varying preferences of their members. This means providing digital options for younger individuals in urban areas who are comfortable with technology, while also maintaining traditional access points for older members in rural communities.

Significant differences exist in how much credit SACCO members access, depending on their location. Members in urban areas typically take out loans that are, on average, 87.5 percent larger than those accessed by rural borrowers. SACCOs are also changing how they secure loans. There's been a noticeable decline in the use of traditional forms of security like land or houses, which decreased from 3.47 percent to 1.34 percent. Similarly, using household assets as collateral has become less common, dropping from 2.41 percent to 0.87 percent.

Despite the increasing popularity of mobile technology, loan repayments through mobile channels are still not widely used by SACCO members, accounting for only 6.76% of repayments. The main obstacle preventing people from using SACCOs more is affordability. Additionally, young adults aged 18 to 25 and their dependents often mention eligibility requirements as a reason for not

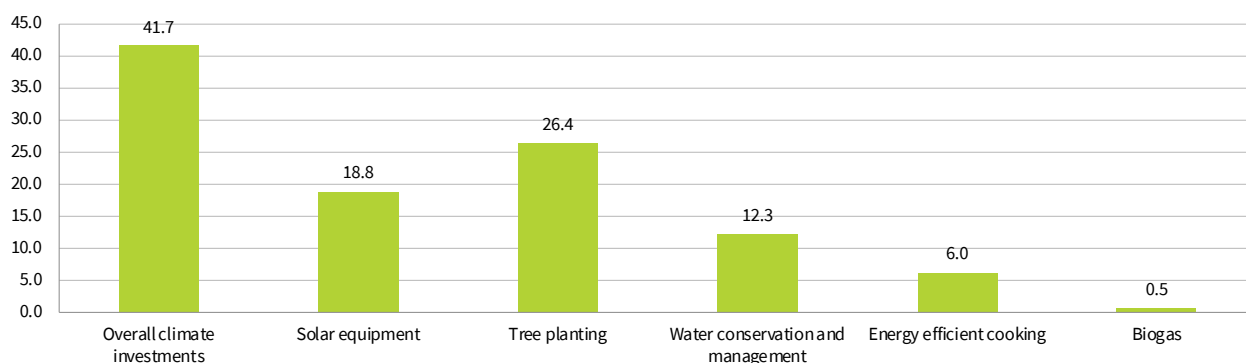
participating in SACCO activities. This could be due to the traditional structure of SACCOs, which frequently require regular monthly savings contributions. Finally, there is a higher proportion of individuals who are not literate in rural areas (1.7 percent) compared to urban areas (0.3 percent).

6.1. Climate Investments made by SACCO members

Over 41percent of SACCO members have invested in solutions that address climate change, including things like solar equipment, planting trees, conserving water, using energy-efficient cooking methods, and investing in biogas.

Tree planting is the most popular choice, with 26.4 percent of members participating. Solar equipment comes in second at 18.8%, followed by water conservation and management at 12.3 percent. Energy-efficient cooking solutions account for 6.0 percent of investments, while biogas projects are a smaller but emerging area at 0.5 percent. This trend shows SACCO members' strong dedication to protecting the environment, especially through reforestation and adopting renewable energy. It also highlights potential areas for future growth, such as increasing investment in biogas production.

Figure 45: Climate investments by SACCO members



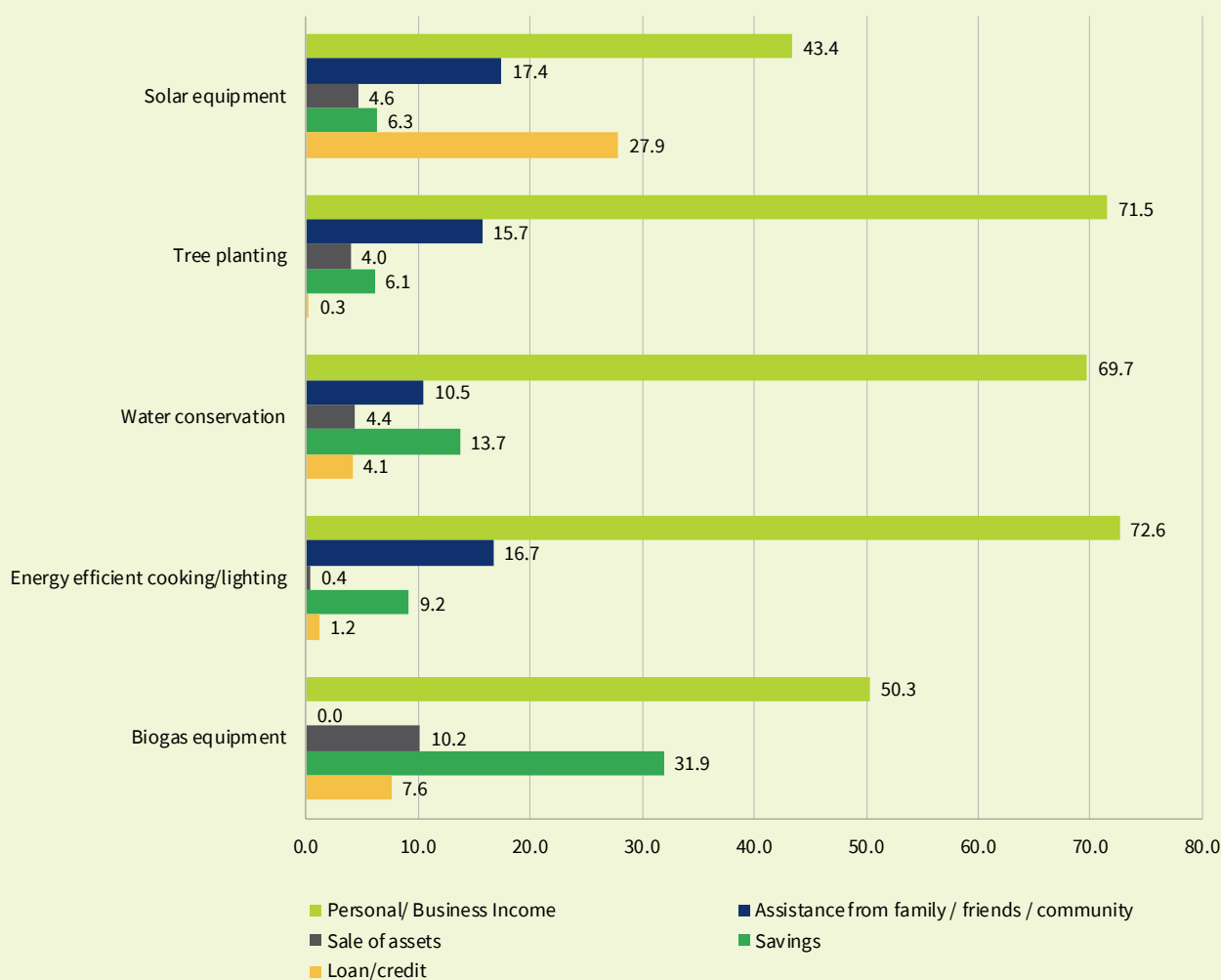
6.2. How they financed climate investments

SACCO members largely use their personal or business income to pay for their climate-related investments. This source accounts for 72.6 percent of energy-efficient cooking/lighting solutions, 71.5 percent of tree planting initiatives, 69.7 percent of water conservation efforts, 50.3 percent of biogas equipment and 43.4 percent of solar equipment.

While personal income is the main driver, other funding methods play a role depending

on the specific investment. For instance, Loans and credit are a notable source for solar equipment (27.9 percent) but are used minimally for other climate solutions while Savings are particularly important for financing biogas equipment (31.9 percent) and water conservation (13.7 percent). In addition, Family and community support contribute significantly to investments in solar equipment (17.4 percent) and energy-efficient cooking (16.7 percent). Finally, selling assets helps fund biogas equipment (10.2 percent) and plays a smaller part in other areas.

Figure 46: Financing of climate investments by SACCO members



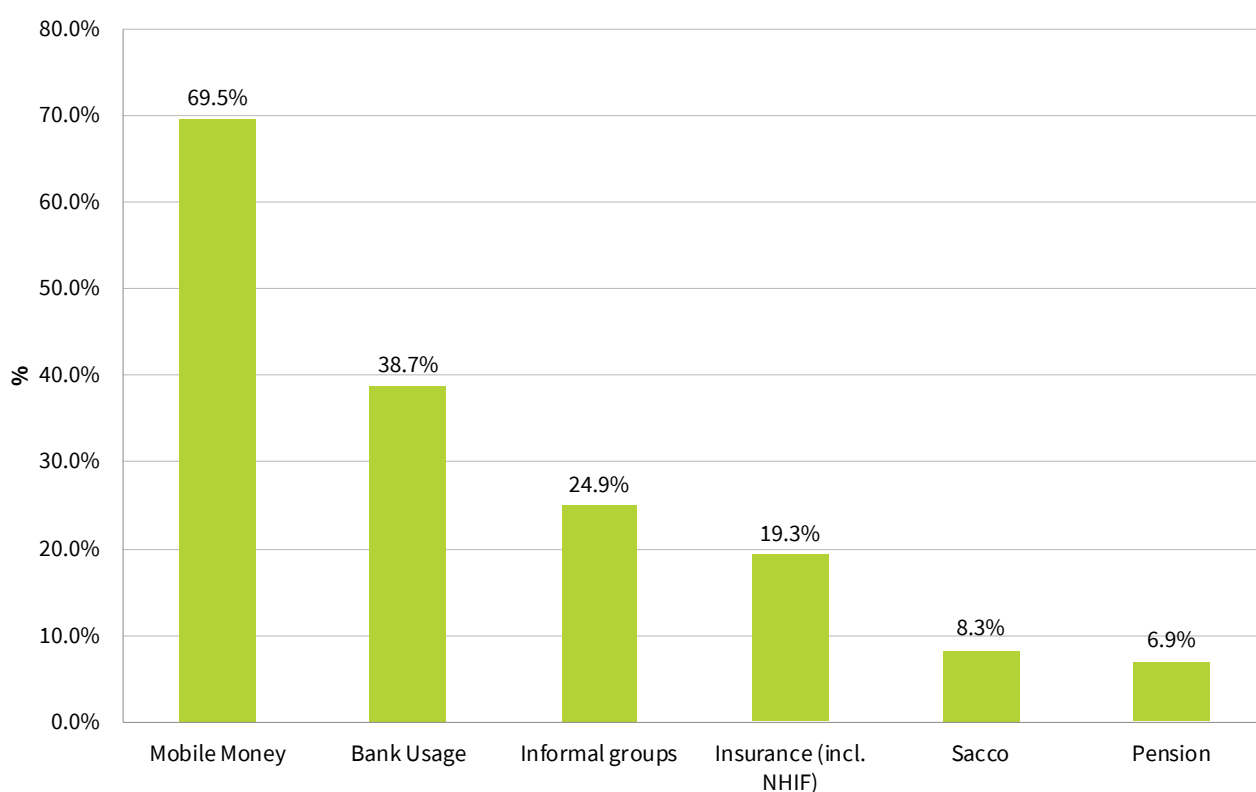
6.3. People Living with Disabilities (PWDs) usage of Saccos

Mobile money services are by far the most popular financial tool for People with Disabilities (PWDs), with 69.5 percent using them. This is followed by traditional banking services at 38.7 percent while participation in informal financial groups stands at 24.9 percent. Other financial services see lower usage among PWDs including Insurance

services are used by 19.3 percent, SACCOs are utilized by only 8.3 percent and Pension plans are the least accessed, at 6.9 percent.

These figures highlight a significant opportunity for SACCOs to improve their accessibility, raise awareness, and develop services specifically designed to better serve the financial needs of this often-overlooked group.

Figure 47: PWDs usage of SACCOs



7.0. Conclusion

In conclusion, the average health of a SACCO member was higher than the ordinary Kenyan which may be due to employment of SACCO members leading to an increased wealth of the members. Younger people (18-25) are the least involved in financial services, suggesting they need more help understanding digital tools and managing money. While physical branches are still used, people are increasingly moving to mobile banking, which jumped from 19 percent in 2021 to 55 percent in 2024. This is likely because it's easier than going to a branch.

There's a clear difference in how people use these services based on where they live and their age. The people who reside in urban areas prefer mobile banking at 86 percent, while rural residents stick to traditional methods at 75 percent. The Younger adults (26-35) mostly use mobile at 83 percent, but older individuals (over 55) largely prefer traditional ways at 80 percent. This means SACCOs need to offer both digital and traditional options to reach the diverse population.

Most regulated SACCOs are tied to employers at 62 percent and handle the majority of assets at 76 percent. This means most member activities are linked to monthly paychecks. Participation among people who rely on others for income (dependents) has been very unstable, dropping significantly from 23 percent in 2021 to 12 percent in 2024, possibly due to economic challenges. However, employed people are rejoining SACCOs, suggesting they are a good financial option for those with steady incomes.

Despite the rise of mobile banking, direct salary deductions are still the main way people repay loans, with mobile repayments being rarely used at only 6.76 percent. The biggest reason people don't fully use financial

services is affordability at 54.5 percent, far outweighing concerns about trust or eligibility. For young people and dependents, not being eligible (often due to requirements for regular savings) is the main barrier. Poor customer service is a growing problem, especially in rural areas, highlighting a need for better staff training there.

SACCO members are generally more knowledgeable about money than the average person, with 52.6 percent being highly financially literate compared to 41.9 percent of the general public. Men in SACCOs also tend to be more financially literate than women. There's a particular need for financial education in rural areas, where more people lack basic literacy. Higher education also strongly links to better financial habits. SACCO members also show a better understanding of bigger economic concepts like interest rates, inflation, and diversification.

Mobile banking has the highest loan default rate at 32.7 percent, much higher than regular banks at 11 percent, possibly due to easier access to credit or less strict rules. Unexpected fees initially decreased but then slightly rose again by 2024. Incidents of members losing money improved significantly but then partially worsened. More effort is needed to be clear about costs and protect members' money online, for example, by requiring strong passwords.

Interestingly, people in unregulated SACCOs are more likely to complain to the regulator. However, regulated SACCOs are much better at resolving complaints at 47.3 percent success rate compared to unregulated ones at 16.7 percent, showing that supervision helps in dealing with grievances.

8.0. Policy Recommendations

The following policy recommendations speak to the core of the challenges being experienced by the SACCOs. These include but are not limited to:

Promotion of the collateral registry as a form of collateral in SACCO lending practices.

Promote use of alternative channel for loan repayments to accommodate the Micro, Small and Medium Enterprises and the youth who may not be salaried.

Promote affordable and transparent pricing mechanisms among the SACCOs

Promote new flexible approaches for savings mobilization apart from the traditional monthly savings to increase uptake of SACCO financial products to attract the youth and unemployed individuals.

SACCOs should enhance targeted financial education initiatives in less urbanized areas and targeted digital and financial literacy initiatives for the youth.

Enhance compliance with business conduct regulations to enable transparent cost disclosures and address consumer protection concerns to maintain member trust and ensure continued success of SACCOs.

Promote stronger oversight and greater transparency within SACCOs to safeguard members' interests.

SACCOs should maintain hybrid service models that accommodate both digital adoption among younger, urban demographics and traditional access for older, rural populations.

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