A Case for Mandatory Digitisation — and Why SASRA Compliance Is the Key to Unlocking It

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Abstract: Kenya's 22,000+ co-operatives manage over KES 1 trillion in member assets and serve more than 14 million Kenyans. The majority operate manually, below SASRA compliance thresholds, and without the digital infrastructure to grow. This position paper argues that mandatory SACCO digitisation — anchored in SASRA compliance requirements and implemented through the K-RAAF-compliant AI platform framework — is simultaneously Kenya's fastest route to financial inclusion at scale and its most immediate AI deployment opportunity.

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EXECUTIVE SUMMARY

Kenya's SACCO sector is simultaneously one of the country's greatest financial inclusion achievements and one of its most significant governance failures. With KES 1 trillion+ in member assets and 14 million+ members, SACCOs are the primary savings vehicle for millions of Kenyans who cannot access formal banking. Yet the majority of SACCOs operate with manual records, below SASRA compliance thresholds, and without the digital infrastructure to detect fraud, manage liquidity risks, or deliver services efficiently. Members — many of them Kenya's most financially vulnerable — are exposed to operational risks that basic technology would eliminate.

This paper makes the case for mandatory SACCO digitisation: not as a technology imperative, but as a financial protection imperative. It proposes a phased digitisation mandate anchored in SASRA compliance requirements, funded through a combination of member levies, development partner contribution, and government co-investment, and implemented through K-RAAF-compliant AI platforms that provide compliance data to SASRA in real time.

22,000+	KES 1T+	14M+
Registered co-operatives in Kenya	Member assets under co-operative management	Kenyans served by the co-operative sector

1. The State of Kenya's SACCO Sector

Kenya's co-operative movement is the largest in Africa by membership penetration. The SACCO Societies Regulatory Authority (SASRA) oversees approximately 360 Deposit-Taking SACCOs (DT-SACCOs) with a combined membership of over 5 million and asset base exceeding KES 800 billion. Beyond the regulated DT-SACCO tier are an estimated 22,000+ non-deposit-taking SACCOs — church co-operatives, teachers' SACCOs, agricultural co-operatives, chama-evolved savings groups — that operate under the Ministry of Trade and Co-operatives with significantly lighter regulatory oversight.

The compliance picture across both tiers is concerning. A significant proportion of SACCOs — including some regulated DT-SACCOs — fail to meet SASRA's capital adequacy, liquidity, and reporting requirements consistently. Manual record-keeping means that member data is vulnerable to fraud, loss, and manipulation. Loan management is inconsistent. Financial reporting to SASRA is labour-intensive, error-prone, and often late. Members have no real-time visibility into their savings or loan positions.

This is not primarily a technology failure. It is a governance and incentive failure. The technology exists. The business case for digitisation is clear. What is missing is the regulatory mandate that makes digitisation non-optional, the implementation framework that makes it achievable, and the financing mechanism that makes it accessible to smaller SACCOs with limited capital.

2. Why SACCO Digitisation Is an AI Opportunity, Not Just a Software Opportunity

SACCO digitisation at scale is not simply about moving from paper to spreadsheets. Done correctly — with AI-powered platforms — it creates a dataset of extraordinary depth and richness: member savings behaviour, loan repayment patterns, income seasonality, co-operative governance activity, and financial inclusion metrics that no other institution in Kenya can generate at this scale.

Credit Scoring at Scale

Kenya's credit bureaus have significant coverage gaps in the co-operative sector. A digitised SACCO sector provides alternative credit data — savings consistency, loan repayment history, co-operative governance participation — that enables AI-powered credit scoring for millions of Kenyans currently invisible to formal credit systems. This directly advances the National AI Strategy's financial inclusion objective.

Fraud Detection and Prevention

SACCO fraud — through manipulation of member records, fictitious loans, and embezzlement by officers — is a persistent problem that causes material harm to members. AI-powered anomaly detection on digitised transaction data can identify fraud patterns in real time, with detection accuracy that manual auditing cannot approach. Estimated annual losses to SACCO fraud in Kenya exceed KES 3 billion.

Regulatory Reporting Automation

SASRA compliance reporting currently requires significant manual effort from SACCO management. AI-powered platforms can generate SASRA-compliant reports automatically from operational data, reducing the administrative burden on SACCOs, improving reporting accuracy, and enabling SASRA to receive real-time compliance signals rather than periodic snapshots.

3. The Phased Digitisation Mandate

	SCOPE	SASRA REQUIREMENT
	All 360 DT-SACCOs	Digital platform mandatory for SASRA annual licence renewal from January
	Non-DT SACCOs with 1,000+ members (est. 2,000)	Digital registration with Ministry of Trade & Co-ops required from January 20
	All remaining registered co-operatives	Basic digital record-keeping required for ministry renewal from 2030

4. Policy Recommendations

R1

SASRA to Condition Annual Licence Renewal on Digital Platform Compliance

The single most effective lever for SACCO digitisation is regulatory mandate. SASRA should announce that from January 2027, annual DT-SACCO licence renewal requires demonstrated use of a SASRA-compliant digital platform meeting defined data security, reporting, and accessibility standards. This single requirement would drive digitisation of the regulated tier within 18 months.

R2	**Establish a Co-operative Technology Fund** The National Treasury, in partnership with development partners (World Bank IFC, FCDO, USAID), should establish a Kenya Co-operative Technology Fund — an initial capitalisation of KES 2 billion — that provides concessional loans (2% interest, 5-year term) to SACCOs for digital platform adoption. Fund repayment financed from demonstrated efficiency savings on SASRA compliance costs.
R3	**Define Platform Standards Through K-RAAF** SASRA should formally recognise K-RAAF Standard 3 (AI Skills Baseline) and Standard 2 (Data Rights Protection) as the minimum compliance requirements for SACCO digital platforms. This ensures that as SACCOs digitise, they do so in a manner consistent with Kenya's national AI governance framework — protecting member data and building national AI infrastructure rather than creating fragmented, non-interoperable systems.
R4	**Create the SACCO Data Trust** The anonymised, aggregate data generated by a digitised SACCO sector is a national asset. The Ministry of Trade and Co-operatives, in partnership with the ODPC, should establish a SACCO Data Trust — a governance framework for the use of aggregate SACCO data for national financial inclusion research, credit scoring development, and AI model training. Data remains sovereign. Members benefit from the value it generates.

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