Adequacy of the SACCO Deposit Guarantee Cap in Kenya

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ABSTRACT

Savings and credit cooperative societies (SACCOs) regulated by the Sacco Societies Regulatory Authority (SASRA) held KSh 832.8 billion in deposits at the end of 2025, and recent failures have put those savings at risk. The Sacco Societies (Amendment) Bill, 2025 would make the Deposit Guarantee Fund operational but leaves its cap at KSh 100,000 per member, unchanged since 2008. The cap was assessed on two tests: reach, whether it fully protects as many accounts as the bank limit (99 per cent) or the international average (96 per cent), and discipline, whether it leaves a substantial share of deposit value exposed. Drawing on the Diamond–Dybvig theory of bank runs and moral hazard theory, a descriptive and simulation design was applied to SASRA's December 2025 distribution of 18.95 million deposit accounts, with distribution-free bounds, a sensitivity analysis and a check against 2024 data. Coverage figures are upper bounds, because the data count accounts, not members, and are gross of loans. The KSh 100,000 cap fully protects 91.8 per cent of accounts but only 28.8 per cent of deposit value, because 0.81 per cent of accounts hold 38.38 per cent of deposits. Inflation has cut its real value by two-thirds; at 2025 prices the 2008 cap is about KSh 304,000. A KSh 300,000 cap would protect 96.5 per cent of accounts and 52.4 per cent of value, close to the 52.3 per cent observed in 2024 data, and is the lowest cap tested that passes both tests on the international benchmark. The current cap implies a benchmark fund of KSh 1.9 to 3.2 billion, against a proposed seed contribution of KSh 180 million. The study recommends restoring the cap's real value, tying further increases to the Fund's growth and publishing deposits by account size annually.

Keywords: Deposit Guarantee, Deposit Insurance, Market Discipline, SACCOs, Kenya

INTRODUCTION

Deposit insurance is a promise that a depositor's savings, up to a set limit, will be repaid if the institution holding them fails. The limit is the cap, and the share of savings below it is the coverage. This study measures coverage in two ways. Account coverage is the share of accounts whose whole balance falls under the cap, and value coverage is the share of total deposit value that the cap protects. The two can differ widely: a cap can protect almost every saver and still leave most of the money exposed. Deposit insurance is used here for the general arrangement and for schemes in other countries, while deposit guarantee and the Fund refer to the Kenyan scheme established by section 59 of the Sacco Societies Act.

Background to the Study

Savings and credit cooperative societies (SACCOs) are member-owned financial institutions. Each member is at once an owner, a depositor and, in most cases, a borrower. In Kenya, SACCOs regulated by the Sacco Societies Regulatory Authority (SASRA) held KSh 832.8 billion in deposits at the end of 2025, up from KSh 749.4 billion in 2024 (Malack, 2026b). Deposit-taking SACCOs alone held KSh 651.8 billion in member savings in 2024, a rise of 13.6 per cent in a year when savings at commercial banks and microfinance banks fell (Business Daily, 2025). SACCO usage among Kenyan adults rose from 9.6 per cent in 2021 to 11.7 per cent in 2024 (Central

Bank of Kenya et al., 2024). The sector has therefore become a principal store of household savings, especially for salaried workers, farmers and small traders whom banks reach less well.

Deposits in Kenya's SACCOs are protected by law only in a limited sense. Section 59 of the Sacco Societies Act provides for a Deposit Guarantee Fund that protects members' deposits, but not their shares, up to KSh 100,000 per member. The protected amount is the aggregate credit balance of the accounts a member holds in the society, less any liability of the member to it. Section 59(4) extends that offset to loans the member has guaranteed (Republic of Kenya, 2008). The Fund is to be financed mainly by contributions from SACCOs (sections 58 and 60). It is not yet operational, so members of failed SACCOs currently receive no compensation from it (Business Today, 2025).

The Sacco Societies (Amendment) Bill, 2025, published on 30 June 2025 (People Daily, 2026), would make the Fund operational, create a Central Liquidity Fund run by a secondary SACCO and tighten governance (CK Advocates, 2026). It would not change the cap. The KSh 100,000 limit has stood in section 59 since 2008, and the Bill alters how the Fund operates, not how much it protects. The question is whether a limit set in 2008, and never revised, still protects what it was written to protect.

Recent failures give the question urgency. The Kenya Union of Savings and Credit Co-operatives (KUSCCO), the sector's umbrella body, lost more than KSh 13.3 billion, and an audit by PwC found liabilities of about KSh 18 billion against assets of KSh 5.2 billion. KUSCCO's depositors were SACCOs rather than individual members, so its losses reach members indirectly: several SACCOs that had placed funds with it have written them off, which weakens the balance sheets that hold members' savings. Metropolitan National Sacco was declared technically insolvent, and an estimated KSh 7 billion is needed to restore its operations (Capital FM, 2026). In neither case do members have guaranteed compensation, and they may wait years for liquidation to end (Business Today, 2025). Confidence in the sector was fragile even before these failures. In the 2024 FinAccess survey, only 7.2 per cent of respondents named SACCOs as the financial provider they trusted most, against 34.9 per cent for banks (Sacco Societies Regulatory Authority [SASRA], 2025).

Statement of the Problem

A deposit guarantee is meant to do two things. It should protect small savers, who cannot monitor their institution, and it should remove the reason for a run, in which members withdraw because they fear others will withdraw first (Diamond & Dybvig, 1983). A cap that is too low protects few savers and does little to prevent runs. A cap that is too high weakens the incentive for large depositors and managers to watch risk (Calomiris & Kahn, 1991; Demirgüç-Kunt & Detragiache, 2002). International guidance therefore asks that coverage be "limited, credible and cover the large majority of depositors" while leaving "a substantial amount of deposits exposed to market discipline" (International Association of Deposit Insurers [IADI], 2014). The revised Core Principles state the second requirement in terms of value, asking that a substantial proportion of the value of deposits be left exposed to market discipline (IADI, 2025).

The KSh 100,000 cap has not been tested against both parts of this guidance with current data. SASRA defends it on the basis of a World Bank-supported study from 2018 to 2019, which found that it would protect about 92 per cent of SACCO deposit accounts (Sacco World, 2026). That figure answers only the first part, the count of depositors, and it predates six years of deposit growth, over which the number of accounts holding more than KSh 1 million roughly tripled (Alushula, 2026). In June 2026, members of the National Assembly's Departmental Committee on Trade, Industry and Cooperatives argued that the cap would leave members with larger savings exposed (Kenyans.co.ke, 2026). The same limit applied to banks from 1989 until 2020, when the Kenya Deposit Insurance Corporation (KDIC) raised it to KSh 500,000 (Business Daily, 2020), and KDIC has since proposed KSh 1 million (Business Daily, 2026). Coverage limits are under review elsewhere as well. After the 2023 bank failures, the United States Federal Deposit Insurance Corporation weighed limited, unlimited and targeted coverage (Federal Deposit Insurance Corporation [FDIC], 2023). What has not been measured is how much SACCO deposit value the current cap protects, what higher caps would protect, and what each would cost to fund.

Objectives of the Study

The general objective was to assess the adequacy of the statutory KSh 100,000 deposit guarantee cap in protecting the deposits of SACCO members in Kenya. The specific objectives were:

i. To establish the distribution of SACCO deposit accounts and deposit value by account size.

ii. To determine the share of accounts and of deposit value protected under the KSh 100,000 cap and under alternative caps.

iii. To compare the benchmark fund size associated with each cap, using international target ratios, with the funding proposed for the Fund.

Significance of the Study

The study gives Parliament evidence on the cap while the Bill is still before it. The National Assembly's committee had not completed its report by mid-July 2026, and the Bill must also pass the Senate (People Daily, 2026). The study also gives SASRA and the Fund's future Board of Trustees a method for reviewing coverage, which international guidance recommends at least every five years and whenever significant financial or economic changes occur (IADI, 2014, 2025). For the literature, it extends work on deposit insurance design, which has concentrated on banks, to financial cooperatives.

LITERATURE REVIEW

Theoretical Review

The Diamond–Dybvig theory of bank runs explains why deposit protection exists. Diamond and Dybvig (1983) show that an institution which funds long-term loans with deposits payable on demand has two possible outcomes. If depositors trust one another, only those who need their money withdraw, and the institution survives. If depositors fear that others will withdraw first, all of them withdraw, and even a sound institution fails. A credible guarantee removes the reason to run, because each depositor is paid whatever others do. Later work qualifies this result. In a global-games model, Allen et al. (2018) show that guarantees raise welfare by allowing banks to provide more liquidity, but that they can also distort bank behaviour and, depending on their size and form, make runs more likely. For this study, the theory predicts that a guarantee prevents runs only if it covers the depositors whose withdrawals would trigger one. A cap that protects small accounts but leaves large deposits exposed may leave the run motive in place for the members who hold most of the money.

Moral hazard theory sets the opposite limit. A guarantee lowers the incentive of depositors to monitor their institution and of managers to avoid risk, because losses fall on the guarantor (Merton, 1977). Calomiris and Kahn (1991) argue that the threat of withdrawal by informed depositors disciplines managers, and that full protection removes that discipline. Historical evidence supports the mechanism. Studying early twentieth-century United States banks, Calomiris and Jaremski (2019) found that deposit insurance removed market discipline and was followed by greater risk-taking among insured banks. For this study, the theory predicts that the cap should leave large, informed depositors partly exposed, so that they continue to watch risk. Taken together, the two theories define the design problem. The cap should be high enough to protect most savers and to remove the run motive, and low enough to keep large depositors watchful. Dávila and Goldstein (2023) formalise this trade-off: the optimal level of coverage weighs the welfare gain from fewer bank failures against the fiscal cost and distortions that coverage creates.

Empirical Review

International evidence on banks bears mainly on moral hazard. Reviewing this evidence, Anginer and Demirgüç-Kunt (2018) conclude that deposit insurance can reduce runs but also encourages risk-taking, so that its net effect depends on design and on the institutional environment. Using data on 61 countries over 1980 to 1997, Demirgüç-Kunt and Detragiache (2002) found that explicit deposit insurance was associated with a higher

probability of banking crises. The association was stronger where coverage was more extensive and institutions were weak. Anginer et al. (2014) qualified this result. In an international panel of banks, generous deposit insurance was associated with greater bank risk before the global financial crisis but with lower risk during it. The same arrangement can therefore weaken discipline in normal times and prevent runs in a crisis. Demirgüç-Kunt et al. (2015) compiled a database of deposit insurance arrangements around the world and found that coverage levels, funding and administration vary widely, and that design matters as much as the existence of a scheme. All three studies concern banks, not cooperatives.

Evidence on financial cooperatives is thinner and less consistent. Karels and McClatchey (1999) found no evidence that the adoption of federal share insurance increased risk-taking among United States credit unions. Using panel data on credit unions in the Brazilian state of Minas Gerais over 1995 to 2008, Bressan et al. (2012) likewise could not reject the hypothesis that the cooperative system's guarantee fund induced no moral hazard. A more recent study reaches the opposite result, and it is closer to the question Kenya faces: not whether to guarantee deposits, but how far to raise the cap. Treating the 2008 increase in United States coverage as a natural experiment, Nguyen et al. (2022) found that the credit unions most affected expanded total and unsecured lending at the expense of loan quality. The same increase raised risk at commercial banks: those whose insured deposits rose most moved into riskier commercial real estate lending, particularly where capital was low (Lambert et al., 2017). The difference may reflect design as much as setting: the earlier studies examine the introduction of a guarantee, while Nguyen et al. (2022) examine an increase in its limit. Van Dalsem (2017) adds evidence that uninsured members do discipline their cooperatives. United States credit unions with a larger share of deposits above the insurance limit had fewer loan delinquencies, which is consistent with uninsured members monitoring risk. For the present study, these findings suggest that the market discipline that moral hazard theory expects from uninsured depositors is present in cooperatives, and that raising a cap can weaken it.

Evidence on how depositors behave in a run bears more directly on SACCOs. Studying a run on an Indian cooperative bank, Iyer and Puri (2012) found that depositors with balances above the insurance limit were more likely to withdraw. Depositors with long relationships or loans with the bank were less likely to do so. Iyer et al. (2016) found the same ordering after a solvency shock at an Indian bank: uninsured depositors responded most strongly, while insured depositors moved far less. Brown et al. (2020) found that retail depositors withdrew more as their bank's distress deepened, but that an exclusive relationship with the bank removed that withdrawal risk. Using daily account-level data from a failing United States bank, Martin et al. (2026) found that uninsured depositors withdrew after adverse supervisory news. Inflows of insured deposits largely replaced them, which kept the bank funded but weakened depositor discipline.

Studies of United States banks point the same way. In a structural model of the banking sector, Egan et al. (2017) found that uninsured deposits respond to bank distress while insured deposits do not, which leaves banks that rely on uninsured funding open to runs. Uninsured flows are also more sensitive to performance where banks are more transparent (Chen et al., 2022). The failures of 2023 confirmed the role of large uninsured balances. Banks with high uninsured leverage were the most fragile (Jiang et al., 2024), and the runs were driven by relatively few but large depositors (Cipriani et al., 2024). Two lessons follow for Kenyan SACCOs, with the caution that they rest on bank and cooperative-bank cases outside Kenya. Depositors with uninsured balances are the more likely to run, and the member-borrower link that is typical of SACCOs may reduce run risk.

Cooperatives also differ from banks in how they are owned, governed and resolved (McKillop et al., 2020). Cuevas and Fischer (2006) argue that the governance, regulation and supervision of financial cooperatives raise issues distinct from those of banks, so that arrangements designed for banks cannot simply be transferred to them. Drawing on a survey of deposit insurers and resolution authorities and on case studies from its members, IADI (2018b) reached a similar conclusion for resolution: tools designed for banks have to be adapted to the structure of financial cooperatives.

A third body of work concerns how large a guarantee fund should be. IADI (2018a) surveyed deposit insurers and found that target ratios on covered deposits range from 0.25 per cent in Hong Kong to 15 per cent in the Kyrgyz Republic. Most insurers set them by judgement or in law, not from a statistical model of losses. Where models are used, the target follows from each member institution's probability of failure, the loss given failure

and the exposure at failure, combined through simulation into a loss distribution. Kuritzkes et al. (2005) built such a distribution for the FDIC and found it highly skewed, with the tail driven by the failure of a small number of large institutions. Concentration therefore shapes the fund requirement as well as the coverage. This bears directly on Kenyan SACCOs, where large societies hold most deposits (Aluga, 2026).

Kenyan evidence is limited and largely official. KDIC raised the bank limit from KSh 100,000 to KSh 500,000 in 2020, the first increase in 30 years. It reported that the change raised the share of depositors fully covered from about 90 per cent to about 99 per cent (Business Daily, 2020). KDIC states that the KSh 500,000 limit fully covers more than 99 per cent of bank deposit accounts (Kenya Deposit Insurance Corporation [KDIC], n.d.). For SACCOs, the only coverage estimate in the public record is the World Bank-supported finding that KSh 100,000 would protect about 92 per cent of accounts (Sacco World, 2026). Peer-reviewed Kenyan work has asked why SACCOs fail rather than how members are protected when they do. Using panel data on 68 of 176 deposit-taking SACCOs over 2008 to 2014, Mursoi et al. (2021) found that related-party transactions had a significant effect on financial distress. None of these sources reports the share of deposit value protected, and no peer-reviewed study of the SACCO guarantee was found. Taken together, the literature reviewed examines whether deposit insurance changes risk-taking and withdrawals, and how a fund should be sized, but it does not ask how much of a cooperative sector's deposit value a given cap protects. The present study differs from this work in three ways. It measures value coverage alongside account coverage. It bounds coverage from published size bands without assuming a distribution. It also sets the fund requirement of each cap against the money proposed for it.

Research Gaps

Three gaps follow from the review. The first is one of measurement. Coverage of Kenyan SACCO deposits has been reported only as a share of accounts, not as a share of deposit value, so the value left exposed, which the second part of international guidance concerns, has not been assessed. The cooperative studies reviewed measure risk-taking and withdrawals, not coverage. The second gap is one of timing. The only estimate for SACCOs uses data from 2018 to 2019, before six years of rapid deposit growth and before the KUSCCO and Metropolitan failures. The third gap is one of cost. No study has estimated what fund size each cap would require, although the Bill's funding arrangements depend on it. This study addresses all three with SASRA's December 2025 data.

RESEARCH METHODOLOGY

Research Design

The study used a descriptive and simulation design based on secondary data. The descriptive part established how SACCO deposits are distributed across account sizes. The simulation part computed the deposits that each cap would protect, given that distribution. The design suits the question, because coverage is a mechanical function of the deposit distribution and the cap, and needs no assumption about behaviour.

Criterion of Adequacy

Neither the Act nor international guidance defines an adequate cap, so the criterion used here is stated before the results. The IADI Core Principles ask that coverage be limited, credible and sufficient for the large majority of depositors, and that a substantial amount of deposit value remain exposed to market discipline (IADI, 2014, 2025). Two tests follow from this. The first concerns depositor reach: the cap should fully protect at least 99 per cent of accounts, which is the share the bank limit of KSh 500,000 covers (Business Daily, 2020; KDIC, n.d.). Holding SACCO depositors to the domestic bank standard gives a benchmark that needs no foreign comparison. The second concerns market discipline: the share of deposit value above the cap should not fall below a chosen floor. No study sets such a floor, so results are shown for floors of 10, 20 and 30 per cent. Because SACCO deposits are more concentrated than bank deposits, the 99 per cent standard is demanding, so the reach test is also applied at 96 per cent, the average share of depositors fully covered by deposit insurers worldwide in 2024 (IADI, 2026).

A cap is judged adequate if it passes both tests. The first test on its own favours ever higher caps, and the second favours ever lower ones, so a cap that passes both is neither too low to protect savers nor too high to preserve discipline. Where deposits are highly concentrated, however, the two tests can conflict: the cap needed to reach 99 per cent of accounts may leave too little value exposed. The criterion is therefore also used to show whether such a conflict exists and how wide it is. It does not locate an optimum, which would require evidence on how members respond to coverage that the study does not have. Where no cap passes both tests, the choice among caps becomes a trade-off, and the fund requirement estimated under the third objective is used to show what each step would cost.

Data

The study used SASRA's distribution of deposit accounts by size as at 31 December 2025, as presented to the National Assembly's Trade Committee during its consideration of the Bill and reported by The Star (Lawi, 2026) and Sacco World (2026). The data cover 18.95 million deposit accounts in regulated SACCOs, with total deposits of KSh 832.8 billion. SASRA reports four points on the distribution. First, 16.88 million accounts (89.03 per cent) held less than KSh 50,000, with deposits of KSh 45 billion (5.36 per cent of the total). Second, 91.78 per cent of accounts held KSh 100,000 or less. Third, 1.56 million accounts (8.22 per cent) held more than KSh 100,000. Fourth, accounts above KSh 1 million made up 0.81 per cent of accounts and held 38.38 per cent of deposits. Supporting data on total deposits, membership and sector concentration were taken from SASRA's 2025 supervision report as summarised by Aluga (2026) and Malack (2026b) and from the Economic Survey 2026 (Mukunga, 2026).

Two features of this source need stating. The first is its provenance. The distribution was placed before the committee by SASRA and was reported by two outlets independently, first by The Star (Lawi, 2026) on 2 July 2026 and then by Sacco World (2026) on 31 July 2026. Every figure used here appears in both reports and agrees between them. A third report, published two months later, independently puts the number of SACCO accounts above KSh 1 million at about 154,000 at the end of 2025 (Alushula, 2026), against 153,495 implied by SASRA's share of 0.81 per cent. Neither the submission itself nor the committee's record could be obtained. The committee had not tabled its report at the time of writing, and SASRA's published supervision reports give deposits by society and by size of society rather than by size of member account. The figures should therefore be read as SASRA's submission to Parliament, reported at one remove and confirmed by a second report, but not verified against the primary document. Table 1 separates the figures taken from the source from those derived from them and from the assumptions the derivation needs. Should the submission later be published, the computations set out in Appendix A can be run against it unchanged.

Table 1: Source Figures, Derived Quantities and Assumptions

Quantity	Value used	Status	Basis
Total deposit accounts	18.95 million	Reported	SASRA submission (Lawi, 2026; Sacco World, 2026)
Total deposits	KSh 832.8 bn	Reported	SASRA submission; agrees with sector total (Malack, 2026b)
Accounts below KSh 50,000	89.03%	Reported	SASRA submission
Deposits below KSh 50,000	KSh 45.0 bn	Reported	SASRA submission; reported share of 5.36% retained in Table 2
Accounts at or below KSh 100,000	91.78%	Reported	SASRA submission
Accounts above KSh 1 million	0.81%	Reported	SASRA submission
Deposits above KSh 1 million	38.38%	Reported	SASRA submission; KSh 319.6 bn derived
Accounts in each band (n_1 to n_4)	16.871, 0.521, 1.404 and 0.153 million	Derived	Reported shares × 18.95 million, unrounded

Quantity	Value used	Status	Basis
Deposits, KSh 50,000–100,000 (v_2)	KSh 26.1–52.1 bn	Derived	n_2 × assumed band mean
Deposits, KSh 100,000–1 million (v_3)	KSh 416.1–442.1 bn	Derived	Remainder of total deposits
Mean of KSh 50,000–100,000 band (m_2)	KSh 50,000, 75,000 or 100,000	Assumption	Both limits and midpoint of the band
Shape within KSh 100,000–1 million band	Truncated Pareto (central)	Assumption	Tested against three alternatives and distribution-free bounds
Accounts above KSh 1 million, 2025	About 154,000	Corroborating	Alushula (2026)
Distribution, December 2024	16.05 million accounts; KSh 749.43 bn	Reported	SASRA data (Obura, 2026); used as an out-of-sample check

Note. Reported figures are used exactly as submitted. Derived quantities are computed from unrounded reported shares, so the derived count of accounts below KSh 50,000 (16.871 million) differs from the rounded 16.88 million reported. The 5.36 per cent share of deposits below KSh 50,000 is about 0.04 percentage points lower than KSh 45 billion implies against the total; the computations use the KSh value.

The second is the population. The deposits of two kinds of regulated society are combined in the total. At December 2025, deposit-taking SACCOs held KSh 727.05 billion and non-withdrawable deposit-taking SACCOs KSh 104.86 billion (Malack, 2026a), so deposit-taking SACCOs account for about 87 per cent of the deposits analysed here. The two components sum to KSh 831.91 billion, KSh 0.89 billion below the reported total, a difference of 0.1 per cent that probably reflects rounding or classification. The Act does not confine the Fund to either kind. Section 60(1) makes every Sacco society a contributor, and section 59(1) refers to members' deposits without restriction (Republic of Kenya, 2008). The regulated-SACCO population is therefore the wider of the two readings of the Fund's scope. Were the Fund confined in practice to deposit-taking SACCOs, the protected deposits and the benchmark fund sizes reported below would fall by roughly an eighth. The coverage percentages would change only to the extent that the two kinds of society differ in how their deposits are distributed, which SASRA does not report.

An earlier distribution is also available. For December 2024, SASRA data reported by Obura (2026) give 16.05 million accounts and KSh 749.43 billion in deposits. Of these, 89.09 per cent of accounts held less than KSh 50,000, with 5.86 per cent of deposits; accounts between KSh 300,000 and KSh 1 million held KSh 284.79 billion; and about 140,000 accounts above KSh 1 million held KSh 281.25 billion, or 37.53 per cent. About 694,000 accounts, 4.32 per cent of the total, held KSh 566.04 billion. Because that sum equals the two top bands together, these are read as the accounts above KSh 300,000. The 2024 bands differ from those for 2025, but the KSh 300,000 boundary allows coverage at that cap to be computed exactly, without any assumption about the shape of the distribution. The 2024 data therefore serve as an out-of-sample check on the 2025 model.

Computation of Coverage

For a cap C, the deposit value protected is the sum, over all accounts, of the smaller of the account balance and the cap:

$$\text{Protected value}(C) = \Sigma_i \min(d_i, C) \quad (1)$$

where d_i is the balance of account i. The share of accounts fully protected is the share with $d_i \leq C$, and value coverage is protected value divided by total deposits.

SASRA's data fix the number of accounts and the deposit value exactly in two bands, below KSh 50,000 and above KSh 1 million. They fix the number of accounts, but not the value, in the other two bands, KSh 50,000 to

100,000 and KSh 100,000 to 1 million. Writing n_1 to n_4 for the account counts and v_1 to v_4 for the deposit values of the four bands in ascending order, the reported shares give n_1 = 16.871 million, n_2 = 0.521 million, n_3 = 1.404 million and n_4 = 0.153 million. The two reported values are v_1 = KSh 45.0 billion and v_4 = KSh 319.6 billion. The two remaining values satisfy $v_2 + v_3 = V - v_1 - v_4$ = KSh 468.2 billion, but are not reported separately.

They were therefore derived in three scenarios, in which the average balance of the KSh 50,000 to 100,000 band, m_2, was set at its lower bound (KSh 50,000), its midpoint (KSh 75,000) and its upper bound (KSh 100,000). Each choice fixes $v_2 = n_2 m_2$, and v_3 follows as the remainder. The implied average balance of the KSh 100,000 to 1 million band, $m_3 = v_3/n_3$, is then KSh 314,853, KSh 305,575 and KSh 296,297 across the three scenarios. The midpoint scenario is treated as central.

Coverage at the KSh 100,000 and KSh 1 million caps does not depend on how balances are spread within the third band, because every account in it is either wholly below or wholly above those caps. Coverage at the intermediate caps of KSh 250,000, KSh 300,000 and KSh 500,000 does depend on it, and three estimates are reported for each.

The central estimate fits a Pareto distribution to the third band, truncated to the interval $[L, U]$ with L = KSh 100,000 and U = KSh 1 million, with distribution function

$$F(x) = [1 - (L/x)^{\alpha}] / [1 - (L/U)^{\alpha}], \quad L \le x \le U \tag{2}$$

and mean

$$\mathrm{E}[X] = [\alpha/(\alpha - 1)] \cdot L^{\alpha}(L^{1-\alpha} - U^{1-\alpha}) / [1 - (L/U)^{\alpha}] \tag{3}$$

The shape parameter α is chosen so that E[X] equals m_3, which gives α = 0.510, 0.579 and 0.651 in the three scenarios. Because the distribution is truncated at U, its mean is finite for any positive α, so values below one are admissible. The protected value contributed by the band is n_3E[min(X, C)], evaluated as

$$\mathrm{E}[\min(X, C)] = L + \int_L^C [1 - F(x)]\, \mathrm{d}x \tag{4}$$

The Pareto form was chosen because deposit and wealth distributions are typically right-skewed. The bounds reported alongside each central estimate do not depend on it.

The bounds follow from the band mean alone. Among all distributions on $[L, U]$ with mean m_3, the quantity E[min(X, C)] is smallest when the band's accounts sit at its two ends and largest when they all sit at the mean. Writing $w = (m_3 - L)/(U - L)$ for the share that must sit at the upper end to give that mean, the two cases are

$$\mathrm{E}[\min(X, C)]_{\text{lower}} = (1 - w)L + wC \tag{5}$$

$$\mathrm{E}[\min(X, C)]_{\text{upper}} = \min(m_3, C) \tag{6}$$

for any cap C within the band, with w = 0.239, 0.228 and 0.218 in the three scenarios. The ranges reported in Table 3 take the lowest and highest value across both bounds and all three scenarios. Because the scenarios include both limits of the KSh 50,000 to 100,000 band, and protected value moves monotonically between them, the true coverage lies within the reported range whatever shape the distributions within the two middle bands take. The computation is set out in full in Appendix A.

Two further checks were made. The first tests how far the central estimates at the intermediate caps rest on the Pareto form. Coverage was recomputed under three other distributions for the KSh 100,000 to 1 million band, each truncated to $[L, U]$ and fitted to the same band mean m_3. They were an exponential distribution and lognormal distributions with shape parameters of 0.75 and 1.25, which have thinner and thicker upper tails than the Pareto fit. In the second check, the code in Appendix A was rerun with NumPy 2.5 and SciPy 1.18. It reproduces every entry in Tables 3 and 8 from the reported inputs. The appendix also contains the code for the sensitivity and stress results.

Real Value and International Benchmarks

Two further comparisons place the cap in context. The first expresses it in real terms. The cap was set in the Act of 2008, so its value at 2025 prices was obtained by compounding Kenya's annual consumer price inflation from 2009 to 2025, as reported in the World Development Indicators (World Bank, 2026). Using annual inflation avoids splicing the national consumer price index across its 2009 and 2019 rebasings. The second comparison uses the cross-country benchmarks published by IADI (2026) for 2024: the average ratio of the coverage limit to GDP per capita, the average share of depositors fully covered and the average share of deposit value covered. Kenya's GDP per capita at current prices was KSh 329,594 in 2025 (Kenya National Bureau of Statistics [KNBS], 2026). The IADI figures describe deposit insurers that mostly cover banks, so they serve as points of comparison rather than standards for SACCOs. Because the real-value calculation points to a cap of about KSh 300,000, that cap is added to the four simulated.

Fund Requirement

The fund required to support each cap was estimated by applying two international target ratios to the protected deposits. The first is the European Union's target of 0.8 per cent of covered deposits (European Parliament & Council of the European Union, 2014). The second is the minimum reserve ratio of 1.35 per cent of insured deposits set for the United States deposit insurance fund (Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010). These ratios serve as benchmarks, not as recommendations for Kenya, because an appropriate target depends on the risk profile of the insured institutions (IADI, 2018a).

Because the benchmarks say nothing about any particular failure, they were supplemented with three illustrative stress scenarios. Each assumes that SACCOs holding a given share of sector deposits fail at once. The shares are 0.5 per cent, about the size of one medium-sized society, and 2 per cent, or several societies. The third, 10 per cent, represents a correlated shock of the kind the KUSCCO losses illustrate, in which one counterparty's failure reaches many societies together. The Fund's gross payout in each scenario is the deposits of the failed societies multiplied by the central value coverage of the cap. The scenarios assume that failed societies have the sector's distribution of account sizes, and they measure the cash the Fund must pay out before any recovery from liquidation. They are not estimates of failure probabilities, which the data cannot provide.

RESULTS AND DISCUSSION

Distribution of SACCO Deposits by Account Size

SACCO deposits are highly concentrated in a small number of large accounts (Table 2). Accounts holding less than KSh 50,000 make up 89.03 per cent of all accounts but hold only 5.36 per cent of deposit value. At the other end, accounts above KSh 1 million make up 0.81 per cent of accounts, about 153,500 in number, yet hold 38.38 per cent of deposits, about KSh 319.6 billion. The KSh 100,000 to 1 million band holds about half of all deposits in 7.41 per cent of accounts.

Table 2: Distribution of SACCO Deposit Accounts and Deposit Value by Account Size, December 2025

Account size (KSh)	Accounts (million)	Accounts (%)	Deposits (KSh bn)	Deposits (%)
Below 50,000	16.88	89.03	45.0	5.36
50,000–100,000	0.52	2.75	26.1–52.1	3.1–6.3
100,000–1,000,000	1.40	7.41	416.1–442.1	50.0–53.1
Above 1,000,000	0.15	0.81	319.6	38.38
Total	**18.95**	**100.00**	**832.8**	**100.00**

Note. Data from SASRA, as presented to the National Assembly's Trade Committee (Lawi, 2026; Sacco World, 2026). SASRA reports the account shares below KSh 50,000, at or below KSh 100,000 and above KSh 1 million,

the value below KSh 50,000 and the value share above KSh 1 million; the remaining entries are derived from them. Values for the two middle bands are ranges across the three scenarios described in the methodology. Because KSh 45 billion is 5.40 per cent of KSh 832.8 billion, the reported share of 5.36 per cent appears to rest on unrounded figures.

This pattern is consistent with the concentration of deposits across institutions. SACCOs with deposits above KSh 5 billion held 69.95 per cent of industry deposits in 2025, up from 65.83 per cent in 2024, and government-based SACCOs held 64.79 per cent (Aluga, 2026). Although the data do not link account size to institution, this suggests that large balances sit mainly in large SACCOs with salaried members. In this sense, the question of the cap is largely a question about the members of the sector's largest institutions.

Coverage Under the Statutory and Alternative Caps

The KSh 100,000 cap protects most accounts but a minority of deposit value (Table 3 and Figure 1). It fully protects 91.8 per cent of accounts, consistent with the 92 per cent that SASRA reported from the World Bank-supported study (Sacco World, 2026). It protects 28.8 per cent of deposit value in the central scenario, and between 27.2 and 30.4 per cent across all three. Only about 10.1 per cent of deposit value (8.5 to 11.7 per cent) sits in accounts that the cap protects in full. Put differently, about KSh 593 billion of the KSh 832.8 billion in SACCO deposits lies above the cap.

Table 3: Simulated Account-Based Coverage of SACCO Deposits Under Alternative Caps

Cap per account (KSh)	Accounts fully protected (%)	Deposit value protected (%)	Range of value protected (%)	Protected deposits (KSh bn)
100,000	91.8	28.8	27.2–30.4	239.9
250,000	95.9	48.1	36.0–58.4	400.7
300,000	96.5	52.4	39.0–67.1	436.4
500,000	97.9	64.7	50.7–70.8	539.1
1,000,000	99.2	80.1	80.1	666.7

Note. Central estimates use the midpoint scenario for the KSh 50,000 to 100,000 band and, for the KSh 250,000, KSh 300,000 and KSh 500,000 caps, a truncated Pareto distribution within the KSh 100,000 to 1 million band. Ranges cover all three scenarios and the distribution-free bounds. Account shares at the KSh 100,000 and KSh 1 million caps are taken directly from SASRA's data; those at the intermediate caps are model estimates. All entries are account-based upper bounds, not amounts payable to members.

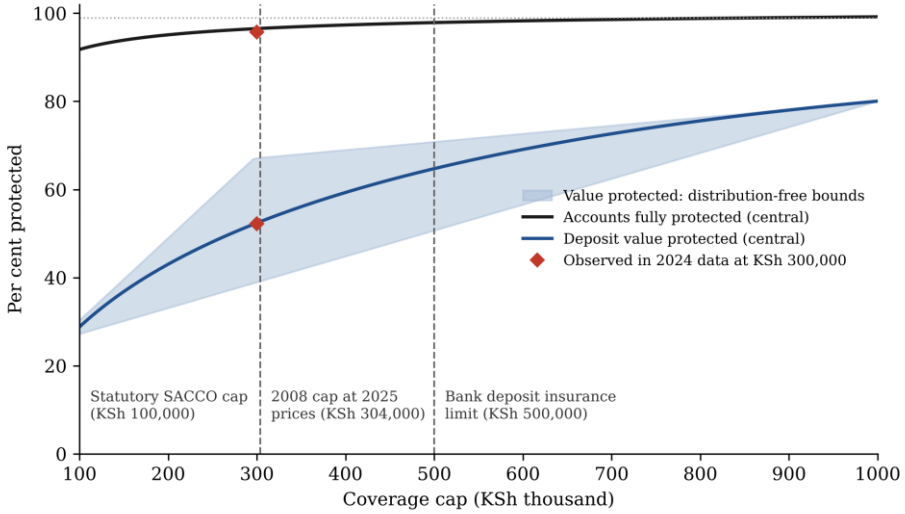

Figure 1: Share of SACCO Accounts and Deposit Value Protected, by Coverage Cap

Note. Lines show central estimates; the shaded band shows the distribution-free bounds for value protected across all three scenarios. Dashed lines mark the statutory SACCO cap, the 2008 cap at 2025 prices and the current bank deposit insurance limit (KDIC, n.d.); the dotted line marks 99 per cent. Diamonds show the account and value shares observed at KSh 300,000 in the 2024 distribution (Obura, 2026). Data from SASRA (Lawi, 2026; Sacco World, 2026); authors' computations.

Raising the cap adds value coverage much faster than account coverage. A KSh 500,000 cap, equal to the current bank limit, would protect about 97.9 per cent of accounts and 64.7 per cent of value (50.7 to 70.8 per cent). A KSh 1 million cap would protect 99.2 per cent of accounts and 80.1 per cent of value. Between the KSh 100,000 and KSh 500,000 caps, account coverage rises by about six percentage points, while value coverage rises by about 36 points.

The width of the ranges at the intermediate caps does not disturb this comparison. The lowest value coverage obtainable at the KSh 500,000 cap, 50.7 per cent, exceeds the highest obtainable at the KSh 100,000 cap, 30.4 per cent, by more than twenty percentage points. What the ranges leave open is how much more value a higher cap would protect, not whether it would protect substantially more.

The sensitivity analysis narrows that question (Table 4). Across the four within-band distributions, value coverage at the KSh 500,000 cap lies between 64.7 and 66.8 per cent in the midpoint scenario, and between 64.2 and 67.2 per cent across all three scenarios. At the KSh 250,000 cap it lies between 48.1 and 50.2 per cent, and between 46.9 and 51.3 per cent across all scenarios. At the KSh 300,000 cap the four forms give 51.4 to 55.8 per cent of value and 96.1 to 96.7 per cent of accounts across all scenarios. Account coverage varies by less than one percentage point at either cap. The Pareto form gives the lowest value coverage of the four, so the central estimates in Table 3 are conservative relative to the alternatives. Only the distribution-free bounds hold whatever the shape. The four shapes tested, however, all place coverage in a much narrower band near the centre of those bounds.

Table 4: Sensitivity of Coverage at the Intermediate Caps to the Within-Band Distribution (%)

Distribution in KSh 100,000–1 million band	Accounts, KSh 250,000	Value, KSh 250,000	Accounts, KSh 500,000	Value, KSh 500,000
Truncated Pareto (central)	95.9	48.1	97.9	64.7
Truncated exponential	95.5	49.8	98.1	66.7
Truncated lognormal, shape 0.75	95.5	50.2	98.1	66.8
Truncated lognormal, shape 1.25	95.8	48.9	98.0	65.5
Range across the four forms, all three scenarios	95.3–96.1	46.9–51.3	97.8–98.2	64.2–67.2
Distribution-free bounds, all three scenarios	–	36.0–58.4	–	50.7–70.8

Note. Rows for individual distributions use the midpoint scenario for the KSh 50,000 to 100,000 band. Each distribution is fitted to the same band mean, so all give the same coverage at the KSh 100,000 and KSh 1 million caps. Account shares under the distribution-free bounds are not defined, because the bounds fix only the band mean. Authors' computations; code in Appendix A.

Stability Over Time and an Out-of-Sample Check

The 2024 distribution allows two checks (Table 5). The first concerns stability. Between 2024 and 2025 the number of accounts rose from 16.05 million to 18.95 million, and deposits from KSh 749.43 billion to KSh 832.8 billion. The share of accounts below KSh 50,000 barely moved, from 89.09 to 89.03 per cent, while their share of value fell from 5.86 to 5.36 per cent. Accounts above KSh 1 million rose by about 10 per cent, and their share

of deposits from 37.53 to 38.38 per cent, so concentration increased slightly. At the KSh 100,000 cap, the 2024 bands bound value coverage between 24.5 and 29.2 per cent, against 27.2 to 30.4 per cent in 2025, so the main finding does not depend on the year. At KSh 1 million, value coverage was 81.2 per cent in 2024 and 80.1 per cent in 2025.

The second check concerns the model. Because KSh 300,000 is a band boundary in the 2024 data, coverage at that cap can be computed exactly: it fully protects 95.7 per cent of accounts and protects 52.3 per cent of deposit value. The 2025 model, which does not use the 2024 data, gives 52.4 per cent of value under the central Pareto form and 53.3 to 55.8 per cent under the other three forms. For accounts, it gives 96.5 per cent against 95.7 per cent observed. The two years differ, so the comparison is not a strict test, but it suggests that the central estimates at the intermediate caps are close, and that the Pareto form fits better than the alternatives. Over a longer period, the number of accounts above KSh 1 million rose from about 50,000 in 2019 to about 154,000 in 2025 (Alushula, 2026), so the 2018–2019 estimate on which the cap is currently defended describes a much less concentrated sector.

Table 5: SACCO Deposit Distribution and Coverage, 2024 and 2025

Indicator	2024	2025
Deposit accounts (million)	16.05	18.95
Total deposits (KSh bn)	749.43	832.8
Accounts below KSh 50,000 (%)	89.09	89.03
Deposits in accounts below KSh 50,000 (%)	5.86	5.36
Accounts above KSh 1 million (number)	About 140,000	About 153,500
Deposits in accounts above KSh 1 million (%)	37.53	38.38
Value protected at KSh 100,000 (%)	24.5–29.2	27.2–30.4
Accounts fully protected at KSh 300,000 (%)	95.7 (exact)	96.5 (model; 96.1–96.7)
Value protected at KSh 300,000 (%)	52.3 (exact)	52.4 (model; 51.4–55.8)
Accounts fully protected at KSh 1 million (%)	99.1	99.2
Value protected at KSh 1 million (%)	81.2	80.1

Note. 2024 data from SASRA as reported by Obura (2026); 2025 data as in Table 2, with the count above KSh 1 million corroborated by Alushula (2026), who reports about 154,000. The 2024 range at KSh 100,000 is a distribution-free range for the KSh 50,000 to 300,000 band, whose mean balance is about KSh 132,000. The 2025 ranges at KSh 300,000 are across the four distributional forms and three scenarios. Authors' computations; code in Appendix A.

The Cap in Real Terms and Against International Benchmarks

Inflation has eroded the cap substantially (Table 6). Consumer prices rose by a factor of about 3.04 between 2008 and 2025, so KSh 100,000 today buys about what KSh 32,900 bought when the Act was passed. Restoring the 2008 cap in real terms would mean a cap of about KSh 304,000. The bank limit has fared better: it was raised five-fold in 2020, although it too has since lost about a quarter of its real value. Measured against income, the SACCO cap is 0.30 times GDP per capita, against an average of 3.2 among deposit insurers worldwide (IADI, 2026). A KSh 500,000 cap would be 1.52 times GDP per capita, and only a KSh 1 million cap, at 3.03 times, would approach the international average.

The coverage comparison points the same way. Deposit insurers worldwide fully covered 96 per cent of depositors on average in 2024, and covered 42 per cent of eligible deposit value as a simple average of

jurisdictions. In the Middle East and Africa the figures were 97 and 17 per cent (IADI, 2026). At 91.8 per cent of accounts and 28.8 per cent of value, the SACCO cap falls below the global average on both measures. It protects a larger share of value than the regional average, but a smaller share of savers. A cap of KSh 300,000 would bring both measures above the global averages, at 96.5 and 52.4 per cent. These comparisons are indicative only, because the IADI figures count depositors, mostly at banks, while the SACCO figures count accounts.

Table 6: The SACCO Cap in Real Terms and Against International Benchmarks

Measure	Value	Basis
Cap set in 2008	KSh 100,000	Sacco Societies Act, s. 59
Consumer price factor, 2008 to 2025	3.04	World Bank (2026)
2008 cap at 2025 prices	About KSh 304,000	100,000 × 3.04
Value of KSh 100,000 today at 2008 prices	About KSh 32,900	100,000 ÷ 3.04
GDP per capita, 2025	KSh 329,594	KNBS (2026)
Cap ÷ GDP per capita at KSh 100,000 / 300,000 / 500,000 / 1 million	0.30 / 0.91 / 1.52 / 3.03	Authors' computations
Average cap ÷ GDP per capita, deposit insurers worldwide, 2024	3.2	IADI (2026)
Depositors fully covered, average worldwide, 2024	96%	IADI (2026)
Deposit value covered, average of jurisdictions, 2024	42%	IADI (2026)
Depositors / value covered, Middle East and Africa, 2024	97% / 17%	IADI (2026)
SACCO accounts / value covered at KSh 100,000, 2025	91.8% / 28.8%	Table 3
SACCO accounts / value covered at KSh 300,000, 2025	96.5% / 52.4%	Table 3

Note. The price factor compounds annual consumer price inflation for 2009 to 2025, so it compares average price levels in 2008 and 2025. IADI figures are for deposit insurers worldwide, which mostly cover banks, and count depositors rather than accounts. Authors' computations; code in Appendix A.

Assessment Against the Criterion of Adequacy

Table 7 applies the criterion set out in the methodology to the five caps. The KSh 100,000 cap falls 7.2 percentage points short of the bank standard of reach and 4.2 points short of the international average. About 8.2 per cent of SACCO accounts hold more than the cap, against roughly 1 per cent of bank accounts above the bank limit, so the share of savers left partly uncovered is about eight times larger. The cap passes the discipline test at every floor, since 71.2 per cent of value lies above it. A KSh 500,000 cap does not close the gap. At that limit SACCO accounts are less fully covered than bank accounts (97.9 per cent against more than 99 per cent), because a larger share of SACCO accounts sits above it.

Table 7: Caps Assessed Against the Criterion of Adequacy

Cap (KSh)	Accounts fully protected (%)	Reach test, 96% (IADI average)	Reach test, 99% (bank limit)	Value above cap (%)	Floor 10%	Floor 20%	Floor 30%
100,000	91.8	Fail	Fail	71.2	Pass	Pass	Pass
250,000	95.9	Fail	Fail	51.9	Pass	Pass	Pass

Cap (KSh)	Accounts fully protected (%)	Reach test, 96% (IADI average)	Reach test, 99% (bank limit)	Value above cap (%)	Floor 10%	Floor 20%	Floor 30%
300,000	96.5	Pass	Fail	47.6	Pass	Pass	Pass
500,000	97.9	Pass	Fail	35.3	Pass	Pass	Pass
1,000,000	99.2	Pass	Pass	19.9	Pass	Fail	Fail

Note. Central estimates from Table 3. Value above the cap is the complement of the deposit value protected. Account shares at the intermediate caps are model estimates. The pass at KSh 300,000 on the 96 per cent test is narrow: the forms tested give 96.1 to 96.7 per cent, and the share observed in 2024 was 95.7 per cent. Authors' computations.

The table shows that the result depends on the reach benchmark. Against the domestic bank standard of 99 per cent, the two tests conflict. Matching that standard would need a cap near KSh 1 million, which leaves 19.9 per cent of value exposed and passes only the 10 per cent floor, so at floors of 20 or 30 per cent no cap passes both tests. The conflict is a consequence of concentration: because a small number of very large accounts hold so much of the money, extending full protection to the last one per cent of accounts also extends protection to most of the value. Against the international average of 96 per cent, the conflict largely disappears. KSh 300,000 is the lowest cap tested that passes both tests at every floor, and KSh 500,000 also does so. The pass at KSh 300,000 is narrow on reach, since the share observed at that cap in 2024 was 95.7 per cent, but wide on discipline, with 47.6 per cent of value above the cap. KSh 300,000 is also, almost exactly, the 2008 cap restored to its real value (Table 6). The recommendation that follows rests on these results and on the fund requirement, not on a single cap that the criterion selects.

The run argument applies only to deposits that members can withdraw on demand. In many SACCOs a large part of member funds is held as non-withdrawable deposits that secure access to loans, and SASRA's submission does not say whether the KSh 832.8 billion includes them. The sector data give a floor. Non-withdrawable deposit-taking SACCOs held KSh 104.86 billion, about 12.6 per cent of the deposits analysed (Malack, 2026a), so at least that share lies outside the run channel by definition. Balances that cannot be drawn down while a member has an outstanding loan may widen the gap. Statements about run motives therefore apply to the withdrawable part of deposits, which is smaller than the totals reported. The coverage calculations are unaffected, because they concern losses on failure rather than withdrawals. The point does weaken the claim that the cap may leave the run motive in place, which holds less firmly for SACCOs than for banks.

Read against international guidance, the KSh 100,000 cap covers "the large majority of depositors" in the general sense of IADI (2014), although it falls short of the bank standard applied in Table 7. It also leaves far more than a substantial amount of deposits exposed. About 71 per cent of value lies above the cap, which also satisfies the revised guidance, since it frames the second requirement in terms of deposit value (IADI, 2025). For withdrawable balances, the Diamond–Dybvig theory predicts that the members who hold that value have the strongest reason to withdraw in a run, because they have most to lose. Evidence from Indian and United States institutions is consistent with that prediction (Iyer & Puri, 2012; Iyer et al., 2016; Martin et al., 2026). The 2023 United States runs add a point that bears directly on concentration: banks whose uninsured deposits sat in fewer, larger accounts were more likely to suffer a run, even after allowing for their overall reliance on uninsured funding (Cipriani et al., 2024). The study does not observe withdrawals, however, so it cannot show that Kenyan SACCO members would behave in this way. What it shows is that the cap leaves most deposit value outside the guarantee. Whether that exposure would start or sustain a run in the large SACCOs where most deposits sit is a theoretical implication that remains to be tested.

Three qualifications apply, and they are set out in full under the limitations. First, the Act protects deposits per member, summed across a member's accounts, so per-member value coverage is likely to be lower than the account-based figures; SASRA's own testimony that about 13.8 million of roughly 15 million members held

KSh 100,000 or less, about 92 per cent, is nonetheless close to the account-based estimate (Sacco World, 2026). Second, the Act protects deposits net of what the member owes the SACCO, so actual payouts would be smaller than the protected values in Table 3. Third, the KUSCCO losses fell on SACCOs as institutional depositors, which a member-level guarantee would not have compensated. That role belongs to the Central Liquidity Fund and to supervision of how SACCOs place their liquidity.

The results are of three kinds, and they carry different weight. Account coverage at the KSh 100,000 and KSh 1 million caps is read directly from SASRA's data. Value coverage at every cap, account coverage at the intermediate caps and the fund benchmarks are simulated from those data under the stated assumptions. Statements about runs, depositor confidence and market discipline are inferences from theory and from evidence outside Kenya. None of them was tested here.

Fund Requirement

The benchmark fund for the KSh 100,000 cap is modest relative to sector deposits but large relative to the money proposed for it (Table 8). At the European Union target of 0.8 per cent of covered deposits, it would be about KSh 1.9 billion; at the United States minimum of 1.35 per cent, about KSh 3.2 billion. The Central Bank of Kenya's proposed seed contribution of KSh 180 million over the Fund's first four years (Business Today, 2025) would meet about 9.4 per cent of the lower target and about 5.6 per cent of the higher one. A KSh 300,000 cap would need KSh 3.5 to 5.9 billion, and a KSh 500,000 cap between KSh 4.3 billion and KSh 7.3 billion.

Table 8: Benchmark-Based Target Fund Size Under Alternative Caps (KSh billion)

Cap per account (KSh)	Protected deposits	Fund at 0.8% target	Fund at 1.35% target
100,000	239.9	1.92	3.24
250,000	400.7	3.21	5.41
300,000	436.4	3.49	5.89
500,000	539.1	4.31	7.28
1,000,000	666.7	5.33	9.00

Note. Protected deposits are central estimates from Table 3. Target ratios from European Parliament and Council of the European Union (2014) and the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010). The proposed seed contribution from the Central Bank of Kenya is KSh 180 million (Business Today, 2025).

These amounts should be read against the sector's capacity to contribute. Regulated SACCOs held capital reserves of KSh 251.8 billion at the end of 2025 (Mukunga, 2026). A fund of KSh 1.9 billion is under one per cent of those reserves, and even KSh 7.3 billion is under three per cent. The cost of funding the existing cap is therefore within the sector's reach if built up over several years, as ex-ante deposit insurance funds commonly are. The concern raised by some SACCO managers, that small, well-run SACCOs would subsidise weaker ones (Business Today, 2025), is a case for risk-based contributions rather than an argument against funding.

These figures are benchmarks, not measures of actuarial adequacy. A target fund ratio states what comparable schemes hold against covered deposits. It does not state what the Fund would need to meet a particular failure. That calculation requires a probability of failure for each SACCO, the loss given failure, the period within which members must be paid, and an allowance for several societies failing together. None of these can be derived from a distribution of account balances. The correlated case matters most here, because the KUSCCO losses reached many SACCOs at once through a single counterparty. The benchmarks are still informative. They show the order of magnitude the Fund would have to reach, and how far the proposed seed contribution falls short of it.

Illustrative Stress Scenarios

The stress scenarios show what the benchmarks mean in practice (Table 9). Because both the payout and the benchmark fund rise in proportion to protected deposits, the ratio between them does not depend on the cap. A fund at 0.8 per cent of covered deposits can meet the gross payout only when the failed SACCOs hold no more than 0.8 per cent of sector deposits, about KSh 6.7 billion. The failure of one medium-sized society would use about three-fifths of such a fund. The failure of several societies holding 2 per cent of deposits would need two and a half times the fund, and a correlated shock reaching 10 per cent of deposits would need twelve and a half times. The proposed seed contribution is smaller still. At the current cap it would meet the protected deposits of a failed SACCO holding about KSh 625 million in deposits, under 0.1 per cent of the sector.

Table 9: Illustrative Gross Payouts Under Stress Scenarios (KSh billion)

Scenario: share of sector deposits in failed SACCOs	Deposits in failed SACCOs	Payout at KSh 100,000 cap	Payout at KSh 500,000 cap	Payout as multiple of 0.8% fund	Payout as multiple of seed (KSh 100,000 cap)
0.5% (one medium-sized SACCO)	4.2	1.20	2.70	0.6	6.7
2% (several SACCOs)	16.7	4.80	10.78	2.5	26.7
10% (correlated shock)	83.3	23.99	53.91	12.5	133.3

Note. Payouts apply the central value coverage in Table 3 to the deposits of the failed societies: 28.8 per cent at KSh 100,000 and 64.7 per cent at KSh 500,000. They are gross of recoveries from liquidation and of the offset of member loans. The multiple of the 0.8 per cent fund is the same at every cap. The scenarios are illustrations, not forecasts. Authors' computations; code in Appendix A.

Three features of these scenarios limit how far they can be pressed. First, they assume failed societies share the sector's distribution of account sizes. Large societies are likely to hold more large accounts, so a smaller share of their deposits would be protected and the payouts in Table 9 would be lower. Second, the payouts are gross. Netting member loans would reduce them, and recoveries from liquidation would reduce the Fund's eventual loss, though not the cash it must find when members are paid. Third, the scenarios carry no probabilities. They show the size of the call on the Fund if a failure of a given size occurs, not how likely that failure is. Allowing for these qualifications, a fund built to either benchmark could absorb the failure of one medium-sized society but not a correlated shock. The second case needs a backstop beyond the Fund's own reserves.

Linking the Cap to the Fund

The findings suggest that the cap and the Fund should rise together, because a higher cap without a larger fund would leave the guarantor unable to pay. Building the benchmark fund for the current cap over five years would need annual contributions of about KSh 0.38 billion at the 0.8 per cent target and KSh 0.65 billion at the 1.35 per cent target. These amounts are about 0.05 and 0.08 per cent of sector deposits a year. A KSh 300,000 cap built over five years would need about KSh 0.70 to 1.18 billion a year, or 0.08 to 0.14 per cent of deposits. A KSh 500,000 cap built over ten years would need about KSh 0.43 to 0.73 billion a year, or 0.05 to 0.09 per cent of deposits. These figures ignore deposit growth, which raises the target, and investment income, which lowers the contributions needed, so they indicate an order of magnitude only.

Table 10 sets out one way of linking each increase in the cap to the Fund's progress. Movement from one phase to the next depends on conditions being met, not on dates, so that coverage never runs ahead of the money to pay for it. The pathway is a proposal derived from the findings. It has not been costed beyond the figures above or tested against the Fund's regulations, which have yet to be made.

Table 10: An Illustrative Pathway for Raising the Cap

Phase	Cap per member	Condition for moving to the next phase	Funding	Supervision and data
1. Operationalisation	KSh 100,000	Fund at its target ratio for the current cap; member-level deposit data published	Ex-ante contributions at a flat rate while risk data are built; target ratio and timetable set in regulations	SASRA publishes deposits per member and net of loans; contingent liquidity arrangement agreed for the Fund
2. Restore real value	KSh 300,000	Fund at its target ratio for KSh 300,000; first five-year coverage review completed	Risk-based contributions using prudential indicators such as capital adequacy, liquidity and non-performing loans	Annual stress test of the Fund, including correlated failures
3. Nominal alignment with banks	KSh 500,000	Ongoing: cap adjusted for inflation and reviewed every five years against value coverage and risk indicators	Risk-based contributions continue; target ratio reviewed against a loss-distribution estimate	Limits on SACCO placements with any single cooperative body; coverage reported by value and by member

Note. Proposed by the authors from the findings. Costs are the benchmark-ratio estimates in Table 8. Reaching the bank standard of depositor reach would need a cap near KSh 1 million, with a benchmark fund of KSh 5.3 to 9.0 billion (Table 8). The conditions draw on IADI (2014) for the five-year review and on IADI (2018a) for the setting of target ratios. KSh 300,000 approximates the 2008 cap at 2025 prices (Table 6). The KSh 500,000 cap equals the current bank limit (KDIC, n.d.).

CONCLUSIONS AND RECOMMENDATIONS

Summary

The study assessed the adequacy of the KSh 100,000 deposit guarantee cap for SACCO members in Kenya using SASRA's December 2025 distribution of 18.95 million deposit accounts. On the first objective, deposits are highly concentrated: 89.03 per cent of accounts hold under KSh 50,000 and 5.36 per cent of value, while 0.81 per cent of accounts hold 38.38 per cent. On the second objective, the KSh 100,000 cap fully protects 91.8 per cent of accounts, short of the 99 per cent reached by the bank limit, but only 28.8 per cent of deposit value (27.2 to 30.4 per cent). The 2024 distribution gives a similar range, 24.5 to 29.2 per cent. Inflation has reduced the cap to about a third of its 2008 value; restored, it would be about KSh 304,000. A KSh 300,000 cap would protect about 96.5 per cent of accounts and 52.4 per cent of value, close to the 52.3 per cent observed directly at that cap in 2024, and would exceed the international averages of 96 and 42 per cent. A KSh 500,000 cap would protect about 97.9 per cent of accounts and 64.7 per cent of value. Only a cap near KSh 1 million reaches 99 per cent of accounts, and it leaves under 20 per cent of value exposed. On the third objective, applying international target ratios to the protected deposits gives a benchmark fund size of KSh 1.9 to 3.2 billion for the existing cap, against a proposed seed contribution of KSh 180 million. A fund at the lower benchmark could meet the gross payouts of failed SACCOs holding up to 0.8 per cent of sector deposits.

Conclusions

The study concludes that the KSh 100,000 cap protects most savers but not most savings. Against the criterion adopted here, it is inadequate on depositor reach, falling 7.2 percentage points short of the bank standard and 4.2 points short of the international average, and ample on market discipline. It leaves about 71 per cent of deposit value unprotected, held mainly by members of large SACCOs. On the Diamond–Dybvig theory, these are the members whose withdrawals would matter most in a run, so the cap may not, on its own, remove the run motive

for withdrawable balances. That is an implication of theory, which the study could not test, since it observes balances and not withdrawals.

The study further concludes that whether a cap can meet both parts of international guidance depends on the reach benchmark. At the domestic bank standard of 99 per cent, no cap does so unless a discipline floor as low as 10 per cent is accepted. At the international average of 96 per cent, a cap of about KSh 300,000 does, and that cap is close to the 2008 limit restored to its real value. In effect, inflation has lowered the cap to a third of its original value without any decision by Parliament.

Three points follow that are not particular to Kenya. The first is that account coverage on its own flatters a guarantee. A scheme can report that it protects nine savers in ten and still leave most of the money it insures exposed, and the two measures diverge further the more concentrated deposits are. The second is that concentration complicates the link between protecting depositors and preventing runs, because the members who would move first are the ones the cap does not reach. The third is that a cap cannot be set in isolation from funding: raising it without raising contributions converts a coverage problem into a solvency problem for the guarantor.

Finally, the Fund's credibility depends on its funding as much as on its cap. A guarantee that cannot be paid promptly protects members in name only. At the proposed seed level, the Fund would hold a small fraction of what international benchmarks suggest even for the existing cap, enough to meet the protected deposits of a society holding about KSh 625 million. Even a fund at either benchmark could not meet a correlated failure across many societies without a backstop, and a member-level guarantee does not address losses like those at KUSCCO, which fell on SACCOs as institutional depositors.

Recommendations

1. Parliament should set the cap with reference to the distribution of member deposits, not only the share of accounts covered, and should first restore its real value. A cap of KSh 300,000, about the 2008 limit at 2025 prices, would raise value coverage from about 29 to about 52 per cent and account coverage to about 96.5 per cent, roughly the international average, while leaving nearly half of deposit value exposed to market discipline. A later step towards KSh 500,000 would raise value coverage to about 65 per cent. Matching the 99 per cent reach of the bank limit would need about KSh 1 million and would leave under 20 per cent of value exposed. Each step should be conditional on the Fund reaching its target ratio for the higher cap, along the lines of Table 10, so that coverage does not run ahead of funding. The cap should be adjusted for inflation at each review, and reviewed at least every five years and sooner when significant financial or economic changes occur (IADI, 2014, 2025).

2. The Fund should be financed ex ante through contributions that rise with each SACCO's risk, so that sound SACCOs do not subsidise weak ones. A target fund ratio and a timetable for reaching it should be set in regulations. The Fund should also have a pre-arranged source of contingent liquidity, because the stress scenarios show that no benchmark fund could meet a correlated failure from its own reserves.

3. SASRA should publish the distribution of deposits by size, per member as well as per account and net of loans, in its annual supervision report, together with the submission on which this study relies. Without these data, coverage cannot be monitored or independently verified.

4. SASRA and the proposed secondary SACCO should set limits on how much of a SACCO's liquidity may be placed with any single cooperative body, because the member-level guarantee does not protect against losses of the KUSCCO type.

Limitations of the Study

The limitations are of four kinds, and they bear on the findings differently. The first concerns the data. Their source is SASRA's submission to Parliament as reported in two press accounts, which agree with each other, and a third report corroborates the count of large accounts (Alushula, 2026). The figures could still not be

checked against the primary document. The 2024 distribution used as a check is also press-reported (Obura, 2026), and its top band is identified from the reported totals rather than labelled in the source. They also count accounts rather than members. Section 59(2) protects the aggregate credit balance of the accounts a member holds in one society, less any liability of that member to it, and section 59(4) extends the offset to loans the member has guaranteed (Republic of Kenya, 2008). Members with several accounts, and members who borrow or stand as guarantors, are therefore protected for less than the account-based figures suggest. Every coverage estimate reported here is an upper bound on what the Fund would pay. How much lower the member-level figures would be cannot be established, because SASRA publishes neither accounts per member nor deposits net of member liabilities.

The second concerns the model. SASRA does not report deposit value for the two middle size bands, so the value in them was derived under three scenarios and, within the KSh 100,000 to 1 million band, from a fitted Pareto distribution. The estimates at the KSh 100,000 and KSh 1 million caps depend on neither choice. Those at KSh 250,000, KSh 300,000 and KSh 500,000 depend on both, which is why their distribution-free ranges are wide. Four plausible distributions place them in a much narrower band (Table 4), but a point estimate at those caps still relies on a distributional form. The real-value comparison compares average price levels in 2008 and 2025, and the international benchmarks describe depositors at mostly bank-based schemes rather than SACCO accounts.

The third concerns scope. The data cover all SASRA-regulated SACCOs, of which deposit-taking SACCOs hold about 87 per cent of deposits (Malack, 2026a). Section 60(1) makes every Sacco society a contributor to the Fund, so the wider population is the one the Act appears to contemplate, but the Fund has never operated and its scope in practice is untested. The membership figures in official sources also differ: SASRA's testimony refers to roughly 15 million members, while the Economic Survey 2026 reports 7.8 million (Mukunga, 2026). With 15 million members, the 18.95 million accounts give about 1.3 accounts each, and with 7.8 million they give about 2.4. On the second reading, summing accounts per member would move more members above the cap than the account-based figures show, and per-member value coverage would fall further.

The fourth concerns what the study did not observe. It measures what a cap would protect, not how members behave. It contains no evidence on withdrawals, depositor confidence or the probability that any SACCO fails, so its statements about runs and market discipline rest on theory and on evidence from other countries. Those statements also apply only to withdrawable balances, and at least 12.6 per cent of the deposits analysed are held in non-withdrawable deposit-taking SACCOs. The fund benchmarks and stress scenarios show orders of magnitude; they are not an actuarial assessment of the Fund.

Areas for Further Research

Further research could take four directions. First, coverage should be recomputed per member and net of loans, using SASRA's member-level records, to give the Fund's actual exposure. Second, a study of withdrawals at SACCOs exposed to KUSCCO, in the manner of Iyer and Puri (2012) and Martin et al. (2026), would show whether uninsured members ran and whether borrowing members stayed. Third, a loss-distribution model of the Fund, of the kind Kuritzkes et al. (2005) built for the United States and IADI (2018a) describes, could be estimated from SASRA's prudential returns, giving failure probabilities for each society and allowing for correlated losses. Fourth, risk-based contribution rates could be estimated from the same returns, to show what each SACCO would pay under different fund targets.

Ethical Considerations

The study used only published, aggregate secondary data from the Sacco Societies Regulatory Authority, the Kenya Deposit Insurance Corporation and public sources. It involved no human participants, animals or individual-level records, so ethical approval was not required.

Conflict Of Interest

The authors declare that they have no conflict of interest.

Data Availability Statement

The deposit distribution data are publicly available as reported by Lawi (2026) and Sacco World (2026), and the sector aggregates are publicly available from the sources listed in the references. The code that reproduces the coverage and fund estimates in Tables 3 and 8 from the four reported SASRA shares, the sensitivity and stress results in Tables 4 and 9, and the 2024 check and real-value comparison in Tables 5 and 6, is given in Appendix A. The derived scenario tables are available from the corresponding author on request.

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Appendix A: Reproduction Code

The first block of code reproduces the coverage and fund estimates in Tables 3 and 8 from the four shares SASRA reported and the sector total. The second block, run after the first, reproduces the sensitivity results in Table 4 and the stress scenarios in Table 9. The third block reproduces the 2024 check in Table 5 and the real-value comparison in Table 6. It requires only NumPy (version 2.0 or later) and SciPy, and was last run with NumPy 2.5 and SciPy 1.18.

```
import numpy as np
from scipy.optimize import brentq
A, V = 18.95e6, 832.8e9          # accounts; total deposits (KSh)
n1, v1 = 0.8903*A, 45e9          # below KSh 50,000
n12    = 0.9178*A                # at or below KSh 100,000
```

```
n2     = n12 - n1              # KSh 50,000 to 100,000
n4, v4 = 0.0081*A, 0.3838*V    # above KSh 1 million
n3     = A - n12 - n4          # KSh 100,000 to 1 million
L, U   = 1e5, 1e6
 def pareto_mean(a):           # equation (3)
   return (a/(a-1))*(L**a)*(L**(1-a)-U**(1-a))/(1-(L/U)**a)
 def pareto_cdf(x, a):         # equation (2)
   return (1-(L/x)**a)/(1-(L/U)**a)
 def pareto_partial(C, a):     # equation (4)
   xs = np.linspace(L, C, 20001)
   return L + np.trapezoid(1-pareto_cdf(xs, a), xs)
 for label, m2 in [('low', 50e3), ('mid', 75e3), ('high', 100e3)]:
   v2 = n2*m2
   v3 = V - v1 - v2 - v4
   m3 = v3/n3
   a  = brentq(lambda a: pareto_mean(a)-m3, 0.01, 20)
   w  = (m3-L)/(U-L)
   for C in (1e5, 2.5e5, 3e5, 5e5, 1e6):
      base    = v1 + v2 + n4*C
      central = base + n3*pareto_partial(C, a)     if C > L else base + n3*L
      lower   = base + n3*((1-w)*L + w*C)          # equation (5)
      upper   = base + n3*min(m3, C)               # equation (6)
      accts   = (n12 + n3*pareto_cdf(C, a))/A      if C > L else n12/A
      print(label, C, 100*accts, 100*central/V, 100*lower/V, 100*upper/V,
            0.008*central/1e9, 0.0135*central/1e9)
```

Note. At $C = L$ the third band contributes n_3L, since every account in it is at or above the cap. The fund columns apply the 0.8 per cent and 1.35 per cent target ratios to the central protected deposits.

```
# Sensitivity to the within-band distribution (run after the first block)

from scipy.stats import norm
xs_all = np.linspace(L, U, 200001)
def fit(sf, lo, hi, m3):       # choose the parameter so the band mean equals m3
   mean = lambda p: L + np.trapezoid(sf(xs_all, p), xs_all)
   return brentq(lambda p: mean(p)-m3, lo, hi)


def sf_exp(x, b):              # truncated exponential survival function
   k = b/1e5
   return (np.exp(-k*(x-L)) - np.exp(-k*(U-L)))/(1 - np.exp(-k*(U-L)))
```

```
def sf_logn(s):                 # truncated lognormal survival function
    def sf(x, mu):
        F = lambda y: norm.cdf((np.log(y)-mu)/s)
        return 1 - (F(x)-F(L))/(F(U)-F(L))
    return sf

pareto_sf = lambda x, a: 1 - pareto_cdf(x, a)
forms = [('Pareto', pareto_sf, 0.01, 20), ('Exponential', sf_exp, 1e-4, 50),
         ('Lognormal 0.75', sf_logn(0.75), 10, 13.8),
         ('Lognormal 1.25', sf_logn(1.25), 10, 13.8)]
for label, m2 in [('low', 50e3), ('mid', 75e3), ('high', 100e3)]:
    v2 = n2*m2; m3 = (V - v1 - v2 - v4)/n3
    for name, sf, lo, hi in forms:
        p = fit(sf, lo, hi, m3)
        for C in (2.5e5, 3e5, 5e5):
            xs = np.linspace(L, C, 20001)
            val = v1 + v2 + n4*C + n3*(L + np.trapezoid(sf(xs, p), xs))
            acc = (n12 + n3*(1 - sf(np.array([C]), p)[0]))/A
            print(label, name, C, round(100*acc, 1), round(100*val/V, 1))

# Illustrative stress scenarios (central value coverage from Table 3)
cover = {1e5: 0.288008, 5e5: 0.647304}
seed, fund = 0.18, 0.008          # KSh bn; EU target ratio
for share in (0.005, 0.02, 0.10):  # share of sector deposits in failed SACCOs
    d = share*V/1e9
    pay = {C: d*c for C, c in cover.items()}
    print(share, round(d, 1), round(pay[1e5], 2), round(pay[5e5], 2),
          round(share/fund, 1), round(pay[1e5]/seed, 1))

# Out-of-sample check against 2024 and real value of the cap (run after the first block)
A4, V4 = 16.05e6, 749.43e9                # 2024 accounts and deposits (Obura, 2026)
a1, d1 = 0.8909*A4, 0.0586*V4             # below KSh 50,000
a300, d300 = 0.694e6, 566.04e9            # above KSh 300,000
a1m, d1m = 0.140e6, 281.25e9              # above KSh 1 million
print('2024 at 300k:', 100*(A4-a300)/A4, 100*(V4-d300+a300*3e5)/V4)
print('2024 at 1m:  ', 100*(A4-a1m)/A4, 100*(V4-d1m+a1m*1e6)/V4)
```

```
am, dm = A4-a1-a300, V4-d1-d300              # KSh 50,000 to 300,000 band
w2 = (dm/am-5e4)/(3e5-5e4)
lo = d1 + am*((1-w2)*5e4 + w2*1e5) + a300*1e5
hi = d1 + am*min(dm/am, 1e5) + a300*1e5
print('2024 at 100k:', 100*lo/V4, 100*hi/V4)
cpi = [9.234, 3.961, 14.022, 9.378, 5.717, 6.878, 6.582, 6.297, 8.006,
       4.690, 5.240, 5.405, 6.108, 7.660, 7.671, 4.490, 4.069]   # 2009-2025, World Bank
f = np.prod([1+p/100 for p in cpi])
print('price factor', f, '2008 cap at 2025 prices', 1e5*f)
for C in (1e5, 3e5, 5e5, 1e6):
    print(C, 'cap / GDP per capita', C/329594)
```