

SACCO MANUAL

2016



Implemented by:
giz German-Zimbabwe
Institute for
Cooperation



AMFIU

The Association of Microfinance Institutions of Uganda

ACKNOWLEDGEMENTS

This publication has been adapted from the Microfinance Opportunity Global Finance Education (GFE) Curriculum's facilitator's manual. We would like to thank Microfinance Opportunity for allowing us to use and adapt their materials.

We would like to thank the following people for their technical and editorial contributions:

Julia Kirya, Johannes Steiner, Gabriel Kamuge, James Ivan Ssettimba, Tilda Nabbanja T, Zainab Asiimwe, Annette Juma Boliba, Julian Kiwuwa, Anna Karolina Lamik, Lucas Menke, Patrick Muhumuza, Joseph Mutuugu, Esther Nanjovu, and Heike Nesner.

AUTHORS / EDITORS

Julia Kirya, Anika Schmidt, Doreen Akech Otedo, Rachel Nakasiita, Joseph Alyai (Association of Microfinance of Uganda), Simon Kronsteiner (GIZ AGRUFIN Programme, Uganda)

Contact: julia.kirya@giz.de / simon.kronsteiner@giz.de / alyaijoe@gmail.com

Lira, July 2016

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ABOUT FINANCIAL LITERACY IN UGANDA: SIMPLIFY MONEY. MAGNIFY LIFE.

The National Financial Literacy Strategy was launched in 2013. The Strategy was developed as a framework to ensure that there is a comprehensive, sustainable and effective range of financial literacy programmes at national level. The vision guiding the implementation of the strategy is that Ugandans have the knowledge, skills and confidence to manage their and their family's personal finances well. Bank of Uganda has led the development of the strategy and is leading the implementation.

The strategy focuses on five strands:

- Schools
- Youth
- Rural Outreach
- Media
- Workplace

ABOUT AGRICULTURE AND FARMING IN UGANDA

More than 85% of Ugandans and as many as 95% of the country's poor live in rural areas. Despite this, agriculture contributes only 22% to Uganda's overall domestic production.

Demand-oriented financial services could make a significant contribution to help rural areas and the agricultural sector tap their full potential. However, only about 16% of rural people so far have access to formal financial products (rural finance). As they possess only a low level of basic financial literacy, people in rural areas are generally unable to demand financial services to suit their needs or to take proper advantage of those that already exist.

ABOUT GIZ

GIZ is implementing the Agricultural and Rural Finance Programme (AGRUFIN) on behalf of the German Ministry for Economic Cooperation and Development. The programme's political partner is the Ministry of Finance, Planning and Economic Development, with the central bank, Bank of Uganda (BoU) as lead implementing partner. Activities in three areas address: (i) the legal framework for financial intermediaries in rural areas, (ii) the capacities of financial institutions in rural and agricultural finance with related product development, and (iii) the financial literacy of the rural population.

ABOUT AMFIU

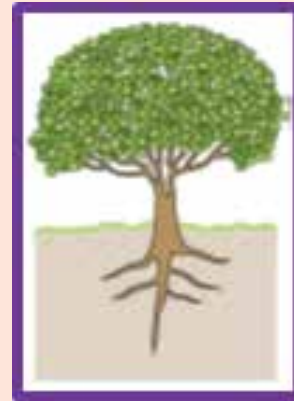
AMFIU is a National network of Microfinance Institutions (MFIs) and related organization spread throughout Uganda. By December 2013 AMFIU had 124 members. The association is an independent institution enjoying full legal status and complete autonomy in administrative and financial matters. AMFIU was created mainly for the purpose of having a common voice to lobby government to provide a favorable policy environment; share information and experience; and to link up and network with both local and international microfinance actors. One of its objectives is to strengthen the capacity of MFIs to deliver appropriate and sustainable financial services to the economically productive poor. In 2015 AMFIU with support from Agricultural and Rural Finance Programme (AGRUFIN) of GIZ Uganda held a training of trainers to 39 staff of 19 Microfinance Institutions in Northern Uganda in financial literacy, who became certified trainers in Financial Literacy by Bank of Uganda in all 7 financial literacy modules.

Choosing the Right Product



Session 2/6: Choosing the Right Product

Teachable Moments:



Learning Outcomes:

- i. Understand and select financial products that suit one's needs
- ii. Understand the terms and conditions of different financial products
- iii. Be able to negotiate for better financial offers

Time: 1 hour (60 minutes)

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

- Welcome the participants to the second training session on Financial Service Providers.
- Summarize content from the previous session:
 - Money kept as cash can be lost or stolen, and is difficult to recover.
 - Banks provide a safe place to store money and they are reliable
 - Banks have the most money to lend.
 - When your money is deposited in the bank, you are less tempted to spend it.
 - Banks offer savings accounts for both short-term and long-term savings goals
 - Banks pay interest on savings
 - Banks offer many convenient services, such as payment of remittances, salaries and pensions; money transfers to relatives; and remote banking through Automated Teller Machines (ATMs).
- Explain that today we shall focus on matching financial needs, financial products in formal financial institutions and negotiations.

STEP 1 INTRODUCTORY REMARKS 5 MINUTES



Explain:

- There are different terms that are used in financial services that we need to understand.
 - Mention each term one by one. For each term, ask participants for their understanding.
 - If necessary, explain the meaning of the term.
- a. **Grace period**
This is the additional time a lender provides for a borrower to make payment on a debt without penalty or cancellation of the contract.
 - b. **Interest rates**
This is the amount of money you are charged for borrowing. It is usually a certain percentage of the actual amount of money borrowed.
 - c. **Financial Card**
A card that holds your details as a borrower from formal financial institutions. Is it required for borrowing from a formal financial institution.
 - d. **Guarantor**
A guarantor is someone who agrees to sign a contract for you that states that states that if you fail to pay back a loan, he /she will make the payments for you.
 - e. **Electronic funds transfer (EFT)**
Refers to the electronic exchange, transfer of money from one account to another across multiple institutions, through computer-based systems.
 - f. **Cheques**
This is a bank- issued document that you can use to make and receive payments. It reduces the risk of moving with large sums of money and allows you to transfer large sums of money. Instead of paying someone with cash, you indicate the amount you wish to pay and sign the cheque. The recipient can go to the bank and receive the money which will be taken from your account.

Please note the following:

- Keep your cheque book safe to minimize the risk of losing money
 - With a cheque you don't get money immediately
 - Make sure your signatures look alike
 - Don't pay with a cheque unless you are sure you have enough money in your account
- g. **Debit Cards**
Debit cards are cards that you can use to withdraw money directly from your account without physically entering a bank branch. Debit cards have a Personal Identification Number (PIN) that you enter at the ATM machine to access your account.
 - It is important that you never share the PIN

STEP 3 MAKING INFORMED DECISIONS 25 MINUTES



Ask participants:

- » How can you inform yourself about the details of a financial product from a bank before you sign a contract or take up a product or service?
- The answers may include
 - Ask bank staff
 - Read information material, brochures, and posters
 - Read the terms and conditions (explanation below)
 - Request a key facts document (KFD) – see explanation below
- Explain to the participants the concept of the 'Key Facts Document', which is a standard two page form which the bank has to give every new client when
 - a) They request for it
 - b) Before the contract is signed for every loan or deposit product they choose to take

Explain:

- » The banks have to explain the key features of the range of products and services in a clear language and inform you about all fees and charges BEFORE any transaction.
- » Since April 2015, you have the right to receive a Key Facts Document for each loan and deposit product. This is a standard two-page summary of the key information on a financial product (e.g. fees, interest rates, benefits and obligations). It provides all information related to the product in an easily understandable way.
- » Key Fact Documents are available in the following languages: English, Luganda, Ateso, Lugbara, Luo, Runyankole/Rukiga, Runyoro/Rutoro, and Swahili.
- » Key Fact Documents enable you to compare different products more easily.
- » The bank has to give you a KFD as part of the contract documents but you can also request for a KFD at the time of inquiry.



Information for the Trainer

Terms and conditions:

In the terms and conditions, the financial institution has to inform you about all fees, charges, penalties and interest rates BEFORE signing the contract. Also, fees and charges have to be displayed and a schedule with fees has to be handed to you.

Account Statements:

The financial service provider has to provide you with deposit and loan accounts statement.

Changes in Terms and Conditions

You have to be informed before any changes to the terms and conditions (30 days in advance), changes to the interest rate (immediately), and in case the financial service provider wants to close your account (14 days in advance)

- If possible, show a sample of the key facts document (KFD) for loans. Explain that there is a similar document for deposit products.
- Take participants through the KFD step by step.
- Explain that the 'total cost of credit' tells us how much money they we to pay overall for a loan, on top of the repayment. This includes interest, charges, and fees over the time period of the loan. If we are not sure from which bank to take a loan, we can easily compare the KFDs and find out which bank offers us the lower total cost of credit.



Information for the Trainer:

Key Facts Documents (KFDs)

The KFD has different sections which each provide you with specific information on your loan or deposit product.

- **Sections 1-2: Type of Loan/Aims and Benefits**

This tells you briefly about the product and what it is for.

- **Section 3: Commitment**

This section includes key information on the loan, such as the loan amount and loan period, the security you have to provide to access the loan, the loan instalments, the grace period, and fees.

The fees table includes all the costs associated with your loan. It helps you to see exactly what you will be required to pay when you take this loan, such as interest rates, administrative fees, insurance, security-related charges, legal fees and others, if applicable.

- **Section 4: Risks**

This section highlights key risks of the product. Please make sure you read this and understand these risks before you sign up for the product.

Important terms

The **interest rate** indicates the amount of interest you have to pay on your loan. The Key Facts Document tells you how the interest rate is calculated and whether it is fixed or variable. Please bear in mind that a variable rate means that the instalments you have to pay could increase (or decrease) at a later time.

Loan Instalments refer to the number and timing of the repayments you will be required to make, (e.g. a regular monthly repayment of your loan). You are also advised to consult the more detailed repayment schedule which you receive from your bank.

Total Cost of Credit is the sum of all the fees and costs. It shows you the full cost of the loan. With this knowledge, you will not be surprised by any hidden fees or charges.

STEP 4 REVIEW AND CONCLUSION 5 MINUTES



Ask:

- » What did you learn from the sessions? What new knowledge did you get?
- » How will you use that knowledge in future?
- Ask for any questions from the participants and make clarifications.

Thank participants and end the session!

Establishing and running a SACCO



Session 4/6: Establishing and running a SACCO

Teachable Moments:



Learning Outcomes:

- i. Know the most important steps when establishing a SACCO
- ii. Know the legal requirements when establishing and running a SACCO
- iii. Know the minimum Standards and Benchmarks when running a SACCO

Time: 1 hour (60 minutes)

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

- Welcome the participants to the fourth session on Financial Service Providers which will focus on Savings and Credit Cooperatives.
- Explain that today we will focus on how to set up a SACCO and the main requirements to do so.

STEP 1 INTRODUCTORY REMARKS 5 MINUTES



Ask:

» What is necessary to set up and run a SACCO in a sustainable and successful way?

Allow participants to share their ideas, make sure the following steps are mentioned:

- Introduce the idea to your community
 - SACCOs can be established out of other community based organisations, religious gatherings and other associations where persons involved have a joint interest increasing their financial livelihood.
 - Members should have joint interests and possibly a similar background (e.g. farmers)
- Choosing suitable location
 - Consider accessibility, security, competition etc.
- Acquiring legal existence (see session below)

- Sensitizing community about the concept of ownership and their roles within the institution
- Concentrating on safety by ensuring the following conditions are in place
 - Strong room, strong doors, locks, security guards and insurance
- Mobilizing shares and savings and helping members to understand their importance
- Offering credit services
- Ensuring profitability



Information for the trainer:

To run a SACCO successfully a well-functioning network of stakeholders (meaning persons who have a vital interest in the economic well-being of the region the SACCO shall be active) is necessary. Stakeholders may be local councillor or business.

Additionally in Uganda exists various Organizations which support SACCOs in various ways, like capacity building initiatives, trainings, and loans.

These Organizations are:

- AMFIU (Association of Microfinance Institutions of Uganda), an Apex Organisation of Microfinance Institutions of Uganda (Members are: SACCOs, Banks, etc.)
- UCA (Ugandan Cooperative Alliance) and UCUSCO Apex Organisations of Cooperatives in Uganda (Members are SACCOs, Agricultural Production and Marketing Cooperatives)
- MSC (Microfinance Support Center)

Benefits of a well-functioning network are:

- Better bargaining power
- Sharing of specialized resources and staffing of technical assistance services
- Members benefit from a wide range of products and services at a reduced costs

Participants may also share with you their negative experiences, such as:

- Discrimination
- Lack of understanding the products
- Complicated terms and conditions
- Fear of losing assets / collateral
- High charges
- Ignorance: None listens when you have a complaint

STEP 3 LEGAL REQUIREMENTS WHEN ESTABLISHING A SACCO 20 MINUTES

Explain: When establishing a SACCO certain legal requirements have to be fulfilled:

- o Registration at Ministry of Trade and Cooperatives
 - Responsible Person: Registrar of Cooperatives
- o Necessary Documents:
 - 4 Copies of the by-laws (ask your Apex Organisation for details)

The by-laws are the constitution of a SACCO

- Minutes/Resolution of Founding Meeting
- Signature of Founding Members
- Audited Accounts and Balance sheet (if SACCO is already active)

The following policies are minimum requirement for establishing a SACCO

- Accounting and Finance Policy
- Board of Director Policy
- Human Resource Policy
- Savings Policy
- Credit Policy and Procedures
- o Responsibility of Policies lies within the Board of Directors. The policies shall be reviewed and if necessary adapted every two years to meet current demand.



Ask:

- » What do you think is the content of each of these policies
- » How may these policies be of help running a SACCO successfully?
- Allow participants to share briefly, help them to remain focused on each policy.

Explain:

- » Policies lead your daily business. Policies are guidelines which every employee shall follow in its daily work. Policies therefore help to run your business in an effective and sustainable way and shall also lead decisions in critical situations.



Information for the trainer:

Below you may find additional information about each policy and the topics it encompass:

- o **Accounting and Finance Policy**
Gives Details on accounting and finance procedures which have to be done by the SACCOS
 - Maximum and minimum amount of cash to be kept at the branch
 - Regular Deposits in the link bank
 - Liquidity policy
 - Expenditure limits
 - Assets management
 - Depreciation procedure
 - Disposal of Assets
 - Loan write offs and provision for loan losses
 - Financial reports
 - Finance committee
- o **Board of Director (BoD) Policy**
Gives details on the responsibilities of the board of directors and internal organization of the board.
 - Roles and responsibilities of the board
 - Powers of the board
 - When and how meetings are held
 - Code of conduct of the BoD members
 - Term of office for BoD members
 - Members of Board are elected for two years, term renewable once

o Human Resource Policy

Gives details on how the SACCO is employing its staff

- Mode of employment
- Terms of employment
- Code of conduct
- Working hours
- Leave

o Savings Policy

Gives details on how savings of the members has to be managed by the SACCO

- Savings products available
- Minimum savings
- Interest on savings

o Credit Policy and Procedures

Gives details on how loans of the members has to be managed by the SACCO

- Loan products and their features
- Loan application procedures
- Appraisal
- Approval/Rejection
- Loan disbursement
- Loan collection
- Collateral/Security for loans
- Loan write offs
- Provision for loan losses
- Loans committee

STEP 4 SACCO MINIMUM STANDARDS

15 MINUTES

Explain that minimum standards help you to run your SACCO in a sustainable matter

- Annual external audit including audit report
- Annual General Meeting (at least 90 days after finalizing the financial year)
- Quarterly PMT reports submitted to AMFIU
- o See box below for details
 - Quarterly supervisory committee report
 - Functional and updated policies
 - Keep your members informed about the SACCOs operation and financial situation
 - Keep within the industry benchmarks
- o Operational Self Sufficiency
 - it indicates whether revenues from operations are sufficient to cover all operating expenses.
 - the benchmark for good performance is at least 100% and above
- o Financial Self Sufficiency
 - It measures how well a MFI can cover all its direct costs through internally generated income
 - The benchmark for good performance is 130% and above

- o Portfolio yield
 - It indicates how much the institution received in interest, fees and other incomes from its clients during the period in relation to the average portfolio
 - the benchmark for good performance is 42% and above
- o Portfolio at Risk (30 days)
 - it reflects the proportion of the loan portfolio with more than 30 days missed payment to the total loan portfolio outstanding,
 - The benchmark for good performance is 3% or less
- o Capital adequacy ratio
 - it refers to the institutions ability to cover expected and unexpected losses, and still survive
 - The benchmark for good performance is 30% and above



Information for the trainer:

PMT (Performance Monitoring Tool)

PMT is a computer-based tool to capture data from an institutions accounting and portfolio system. Based on this data it creates financial reports and key performance indicators (f.e. Portfolio at Risk, operating self-sufficiency etc.) to be used by institutions management.

The purpose of PMT is to enable MFIs to self-monitor, report and receive feedback on their progress against relevant performance standards and peer groups in a coherent and transparent way. PMT therefore improves financial services available to microfinance clients.

Institutions can submit the reports to AMFIU on a monthly or quarterly basis. AMFIU respectively sends a comprehensive report with detailed analysis of the MFIs performance and concrete instructions to increase the MFIs performance.

Benefits are:

- Increased transparency
- Improved risk management
- Promote adherence to minimum standards and good practices within industry
- Facilitates informed management decision making

For further information contact:

AMFIU, AMFIU House
 Plot 679, Wamala Road, Najjanankumbi,
 Kampala
 Tel: 0414-259176
 E-mail: pms@amfiu.org.ug

The PMT 2009 is distributed free of charge to any institution.
 The user manual can be downloaded under:
<http://amfiu.org.ug/images/docs/PMT/pmtmanual.pdf>



STEP 5 REVIEW AND CONCLUSION 5 MINUTES



Ask:

- » What did you learn from the session? What new knowledge did you get?
- » How will you use that knowledge in future?
- Ask for any questions from the participants and make clarifications.

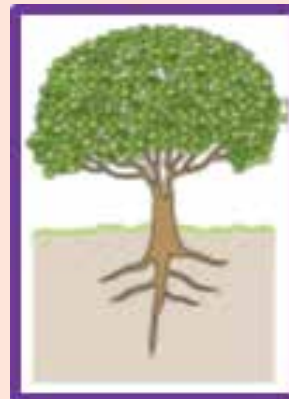
Thank participants and end the session!

Knowing your SACCO



Session 5/6: Knowing your SACCO

Teachable Moments:



Learning Outcomes:

- i. Know how to become a member of a SACCO
- ii. Know what shares of a SACCO are and the rights and responsibilities
- iii. Know the requirements of acquiring a loan

Time: 1 hour (60 minutes)

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

- Welcome the participants to the fifth training session on Financial Service Providers.
- Summarize content from the previous session
- Explain that today we shall focus on how to become a member at your SACCO, how to acquire a loan and your rights and responsibilities as a SACCO member

STEP 2 HOW TO BECOME A MEMBER 10 MINUTES

Explain that the following requirements have to be fulfilled to become a member in a SACCO:

- Fill in membership application for admission
- Present personal documents:
 - o For individuals: Identity Card (ID), Letter of recommendation from LC 1 or employer
 - o For groups: registration certificate from sub county, list of members (including signatures of each member), list of group leaders (including signature of each group leader
 - o For institutions: certificate of registration or of in cooperation, constitution or article and memorandum of association, resolution to open an account
- Pay registration and membership fees applicable
- Buy the minimum number of shares required (usually 1 or 2 shares)
- Deposit minimum savings required (compulsory savings, usually it ranges between UGX 10.000-30.000)

STEP 2 WHAT ARE SHARES? 10 MINUTES

Ask:

- » In the previous session it was stated that one requirement to become a member of a SACCO is to buy a minimum amount of shares. What do you think shares are?
- Allow participants to share their idea.

Explain:

» The definition of shares is as follows:

Share is an amount of money which is paid to be recognized as a member. The capital of a SACCO is divided into shares. Shares are units of ownership of a company. Acquiring shares means that you partly own the SACCO. Being a shareholder therefore entitles you to certain rights and responsibilities, which are explained in the next session.

The value of shares can increase and decrease depending on the financial performance of the SACCO. The better the financial performance is the higher the value of the shares. This means that a shareholder cannot expect that his shares will be worth the same amount of money he paid for them and should monitor the financial performance of the SACCO.

- » The following regulations are contained in the by-law (Constitution of a SACCO)
 - o One share of a SACCO usually costs between 10.000 – 50.000 UGX, depending on the size of a SACCO.
 - o No single member shall have more than one third of the total value of shares to limit influence on ownership and decision making.
 - o Shares in a SACCO are not withdrawable but transferable.

STEP 3 WHAT ARE YOUR RIGHTS AND RESPONSIBILITIES AS A SACCO MEMBER? 20 MINUTES

- » As a member you partially own the SACCO. What do you think your rights and responsibilities are?
- Allow participants to share briefly, afterwards explain:

The following rights and responsibilities as a member of a SACCO shall define the relationship between a SACCO and its members.

Rights:

- A member has the right to receive dividends whenever it is deemed necessary. Dividends are out paid profits which every member of a SACCO receives depending on the amount of shares.
 - o share out of dividends takes place in case the SACCO has earned enough profit and the members decide if to do so shall also be presented by the management
- A member has the right to be elected and also to elect members of board of directors
 - o Election of board of directors takes place every two years at the annual general meeting
- A member has the right to be elected and also to elect members of supervisory committee
 - o Supervisory committee is not part of the Board of Directors. Its responsibilities are the supervision of board of directors and the Saccos operations.
 - o Election of supervisory committee takes place every two years at the annual general meeting
- A member has the right to have access to all the information relevant to the SACCO (accounts, policies & procedures, reports, etc.)

- A member has the right that the SACCO doesn't disclose personal account information of its members unless ordered by court.
- Members has the right to elect the board of directors, which takes place every two years at the annual general meeting

Responsibilities:

- A member is under obligation to participate at the annual general meeting (AGM)
- o See boxed text below
- A member is under obligation to give the correct personal information to the SACCO
- A member is under obligation to save regularly with the SACCO and to ensure that all loans guarantee are repaid.
- A member is under obligation to pay back his/her loan according to the repayment schedule
- A member is under obligation to keep the SACCO informed if financial problems occur and a loan cannot be cleared according to the repayment schedule



Information for the trainer:

As member of a SACCO it is your responsibility to participate at the Annual General Meeting (AGM) plus any other meeting that may be called upon by the SACCO organs (Board of Directors, Management and Supervisory Committee). The Guest of Honour of an AGM is usually the Commissioner of Cooperatives.

At the AGM the following schedule is usually followed:

1. Opening prayer
2. Introduction of members by sub county/parish
3. Welcome remarks by chairperson LC1
4. Introductory remarks/annual report by chairperson of board of directors (BoD)
5. Welcome Remarks/annual report by supervisory committee (SupCo)
6. Presentation of management report
7. Reading of previous minutes
8. Presentation of audited report by auditor
9. Discussion on presented reports
10. Resolution
11. Presentation of annual budget
12. Election of board of directors (BoD) and supervisory committee after every two years
13. Speeches by invited guests and partner organisations (AMFIU, UCUSCO, UCA, MSCL, etc., ...)
14. Closure

STEP 4 HOW TO ACQUIRE A LOAN 10 MINUTES



Ask members: who of you are or have been members of a SACCO. Let them share their experiences when acquiring a loan, which steps they had to go through, which were the requisitions and which information they had to give the loan officer.

- After the discussion explain: After buying shares a member can open an account and can save with their SACCO. Before acquiring a loan the following steps have to be undertaken:
- o Acquiring and filling in a loan application form

Give necessary information:

- Purpose of loan (What do you want to do with the money?)
f.e. constructing a house, buying seeds, etc.
- Source of repayment
- Signature of chairman LC 1
- State collateral or security (f.e. guarantors, land, log book, etc.)
- Income statement if you are an employee
- Balance sheet and income statement if you run a business
- o Having a certain amount of compulsory savings
Usually between 20%-30% of total loan amount
Compulsory savings is a minimum amount of money which has to be at a members SACCO account.
- o Members have to save with the SACCO over a certain amount of time before they can get a loan. (usually between 3 – 6 months)
- o Some SACCOs attach disbursements to a certain number of shares a member should have
After these steps the appraisal of the loan application has to be done by the loan officer. Decision upon approval or disapproval should be communicated to a member after 2 weeks – 1 month.

STEP 4 REVIEW AND CONCLUSION 5 MINUTES

Ask:

- » What did you learn from the sessions? What new knowledge did you get?
- » How will you use that knowledge in future?
- Ask for any questions from the participants and make clarifications.

Thank participants and end the session!

Managing your SACCO



Session 6/6: Managing your SACCO

Teachable Moments:



Learning Outcomes:

- i. Know how to deal with delinquency
- ii. Know what appropriate agricultural loan products a SACCO shall provide
- iii. Know the benefits of a saving mobilization strategy

Time: 1 hour (60 minutes)

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

- Welcome the participants to the sixth training session on Financial Service Providers.
- Summarize content from the previous session.
- Explain that today we shall focus on how a SACCO shall be managed to be successful

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

Ask:

- » How can you motivate clients to save?
- Allow participants to share briefly, help them to remain focused on the benefits of savings

Explain:

- » It is very important to find strategies to mobilize savings. To do so you shall identify reasons why members save and identify incentives which motivates them to save at your SACCO. A Savings Mobilization Strategy can be a vital tool to have a structured savings mobilization approach.
- » A Savings Mobilization Strategy may include the following
 - o Introduction or monetary rewards for saver
 - o Motivate those who encourage others to save
 - o Mobilize new members
 - o Mobilize VSLAs to become members
 - o Ensure and Promote Safety of savings

- o Organize savings-promotion events
- o Produce Radio Spot Messages or Talkshows on Radio
- These Spots increase your outreach
- o Mobilize Teams in Parishes or Sub Counties
- o Involve BoD in savings mobilisation
- BoD has usually good network and outreach



Information for the trainer:

Groups as potential clients

Groups, and thereof especially savings groups provide a vital client base for mobilizing savings and loan disbursement. Providing products for groups is therefore a very important product for a SACCO.

- VSLAs increase savings portfolio, as up to 20 people save together
- Strong group cohesion promotes good savings habit
- Simple Structure of VSLA leads to easy management of group clients
- Reduced bureaucratic processes in acquiring loans
- Repayment of loan is high due to group guarantee and monitoring

STEP 3 MANAGING A SACCO WELL: HOW TO DEAL WITH DELINQUENCY 15 MINUTES



- Ask the participants to share their experience with member’s delinquency. Make sure participants discuss the reasons for delinquency, the costs of delinquency for the SACCO and how they made sure to overcome these challenges.

After the participants shared their experience give a summary and explain:

- Reasons for delinquency
 - Inappropriate loans which not allow the clients to pay their loan back with their generated cash flow
 - Weak loan appraisal, which leads to lenders which are not able or willing to pay back the loans in time
 - Lenders are not aware of their responsibilities or didn’t understand the repayment schedule properly
- Costs of Delinquency to SACCO
 - Delays of collection of interest Income
 - Reduction of institutions viability
 - Reduction of productivity of assets
 - Affects morale and motivation of employees
 - Damage of image of institution
 - Leads to lack of trust in SACCO
 - Causes cash flow instabilities
- How to overcome Delinquency:
 - Appropriate Loan Products

- Detailed Appraisal of Loan Clients
 - Understand the business and repayment capacity of your client
- Increase Professionalism by staff
 - Make sure no bribes or other favours for getting a loan are taken by staff
 - Organize training for staff
- Conduct pre- disbursement training to loan clients
 - Create awareness about details of loan (f.e. repayment schedule)



Information for the trainer:

Delinquency and its influence on SACCOs

Groups, and thereof especially savings groups provide a vital client base for mobilizing savings and loan disbursement. Providing products for groups is therefore a very important product for a SACCO.

- VSLAs increase savings portfolio, as up to 20 people save together
- Strong group cohesion promotes good savings habit
- Simple Structure of VSLA leads to easy management of group clients
- Reduced bureaucratic processes in acquiring loans
- Repayment of loan is high due to group guarantee and monitoring

Insurance of Savings

Having your savings insured is an important way to enforce trust in a SACCO and attracts savings. If applying for a savings insurance, take the following steps into account:

- Identify a suitable Insurance service provider
- Understand clearly terms and conditions
- Negotiate for favourable terms
- Take the insurance cover by paying the premium

STEP 4 MANAGING SACCOs WELL: APPROPRIATE AGRICULTURAL LOAN PRODUCTS 15 MINUTES



Ask:

- » Which agricultural activities do you undertake?
- Allow participants to share briefly, summarize answers in a systematic way, so they relate to the following agricultural loans.
- Explain that each agricultural activity can be financed by an agricultural loan. Therefore a SACCO shall provide these loans to the community.

The following agricultural loans are the most common:

- » Agricultural Production Loan
 - o Applicable to crop production, usually has a grace period of several years
- » Agricultural Processing Loan
 - o Applicable for value addition
- » Asset Loan
 - o Acquisition of Equipment (f.e. tractors, grinding mill, etc.)

- » Leasing
 - o Asset belongs to financier until loan is cleared
 - » Agricultural Marketing Loan
 - o Advertisement, Transportation, Bulking
- Conclude by mentioning that the features of each agricultural loan shall be appropriate for the agricultural activity the clients undertake. This means that the repayment schedule of the loan shall be in line with the cash flow of the agricultural activity.

STEP 4 REVIEW AND CONCLUSION 5 MINUTES



Ask:

- » What did you learn from the sessions? What new knowledge did you get?
- » How will you use that knowledge in future?
- Ask for any questions from the participants and make clarifications.

Thank participants and end the session!

Understanding Needs Assessment



Session 1/1: Understanding Needs Assessment

Teachable Moments:



Learning Outcomes:

- i) Participants understand the concept of a needs assessment
- ii) Participants appreciate the importance of target group related training
- iii) Participants know how to handle the needs assessment interview guideline

Time: 1 hour (60 minutes)

STEP 1 INTRODUCTORY REMARKS 5 MINUTES

- Welcome participants to the session on financial literacy needs assessment.
- Explain that the overall purpose of the session is to introduce the concept of a needs assessment and to create an understanding of why it is important.
- Encourage participants to feel as free as possible and to participate as much as they can as this session heavily influences the successful outcome of a training session.

STEP 2 DEFINITION AND BENEFITS OF A NEEDS ASSESSMENT 15 MINUTES



Ask participants:

» What do you think is a needs assessment?

Allow participants to share their idea, then explain

- Explain that:
 - » Needs Assessment is a tool to identify the training needs and knowledge gaps of a group of people. This group can be for example a savings group or a rural community in a village you visit during savings mobilization.
 - » A needs assessment shall additionally capture the educational and professional background the trainees have. This means you know their educational level (f.e. literate/illiterate, degree and past experience in financial literacy trainings) and the business they are undertaking (f.e.

- » which agricultural activities they undertake or crops they grow).
- » A Needs Assessment is usually conducted before each training. You can either let participants fill out a questionnaire or let them hold a focus group discussion where you as the moderator shall guide the discussion and ask guiding questions so you get a better understanding of the trainees.
- Cluster participants in groups and ask every group to come up with three ideas on why a needs assessment is useful.
- Allow participants to share their idea, then explain
- Explain that:
- » A needs assessment helps you to create a target group related training. Adapt your training content to the outcome of a needs assessment. This increases the efficiency of a training session since the trainees can relate to the training content. Additionally the training content is in line with the experience and knowledge level of the trainees.
- » A needs assessment helps you to get to know your audience better. When training people It is important to take examples from their daily live and talk about things they can relate with.

STEP 3 FINANCIAL LITERACY NEEDS ASSESSMENT INTERVIEW GUIDELINE 35 MINUTES

Below you see guiding questions which relate to the areas discussed above. These questions may lead you in conducting a financial literacy needs assessment with a questionnaire or during a focus group discussion.

- The answers given to these questions shall give you a clear understanding of the level of knowledge, skills and attitude of the participants towards financial literacy.
- The areas of the questions are as follows and shall be described briefly:
 - o Getting to know your community:
 - Identifies participant's income sources and educational levels
 - o Financial planning
 - Gives insight on the financial planning behaviour
 - o Budgeting
 - Identifies if participants budget for their incomes/expenses and if they are able and trying to stay within their budget
 - o Saving
 - Identifies participant saving attitude and their knowledge in basic mathematics
 - o Loans/Borrowing
 - Identifies participants attitude towards Loans and their basic understanding of loans and of responsibilities as a loan client
 - o Investment (Attitude)
 - Identifies basic attitude towards Investment and taking risks
 - o Insurance (Knowledge/Attitude)
 - Identifies if participants are familiar with concept of insurance and their attitude towards insurance

Community	
1.a.	Education level of the community you work with, majority
a.	Completed primary school
b.	Completed secondary school
c.	No school education
d.	Not Sure
2.a.	What are the main income sources of the community members you work with?
a.	Farming
b.	Small business (selling goods, tailoring, etc.)
c.	Employees
d.	Not Sure
Financial Planning	
3.a.	When you receive money, do you plan on how it will be used?
a.	Always
b.	Sometimes
c.	Never
if always or sometimes:	
4.b.	Do you keep to the plan you made for using your money?
a.	Always
b.	Sometimes
c.	Never
4.a.	Do you have a plan as to where you would like to be financially in a few years and how you will get there?
a.	Yes I have a plan and I know how to get there
b.	Yes I have a plan but I don't know how to get there
c.	No I don't have a plan
Budgeting	
5a.	Do you know how much money you spent personally in the last week?
a.	Exactly
b.	A rough idea
c.	No

If exactly or a rough idea:	
6.b.	Do you usually note your income and expenditures somewhere to know how much you earn and spend?
a.	Always
b.	Sometimes
c.	Never
6.a.	Do you and your household ever have any money left over after you have paid for food and other necessary items?
a.	Always
b.	Sometimes
c.	Never
If always or sometimes:	
7.b.	What do you do with any money you have left over (multiple answers possible)? [Probe: What else? Do NOT prompt using the codes below]
a.	Always
b.	Save/keep money for unforeseen things, emergencies, medical fees
c.	Save/keep money to cover fluctuations in income
d.	Save/keep money for food and other necessary items
e.	Save/keep money for a known major expenditure
f.	Invest money in business
g.	Invest money in assets
h.	Spend money on non-essentials (eg. going out, alcohol, cigarettes)
i.	Give/send it to family members
j.	Lend it to others
k.	Repay debts
l.	Other [Please record details below]
8.a.	Over the last 12 months, have you had to borrow money to pay for food or other necessary items?
a.	Often
b.	Sometimes
c.	Never

Saving	
9.a.	Can you name different ways how and where you can save? [Probe: What else? Do NOT prompt using the codes below]
a.	At home
b.	With a commercial bank
c.	With a Microfinance Deposit-taking Institution (MDI)
d.	With a SACCO
e.	With a Microfinance Institution
f.	With a VSLA
g.	By buying animals
h.	By buying other assets
i.	Other [Please record details below]
10.a	If you saved 1,000 UGX every day, after one year, would you have more than 300,000 UGX or less than 300,000 UGX?
a.	More than 300,000 UGX
b.	Less than 300,000 UGX
c.	Not sure
Saving	
11.a.	If, after paying for your food and other necessary items, you had some money left, would you be more likely to
a.	buy something nice even if you don't really need it
b.	put the money aside for the future
Loans/borrowing	
12.a.	If you were offered a loan with 5% monthly interest rate and a loan with 20% annual interest rate, which loan would offer better value?
a.	5% monthly interest rate
b.	20% annual interest rate
c.	Not sure
14.a.	If you take a loan and you don't pay it back, what do you think could happen? [Probe: What else? Do NOT prompt using the codes below]
a.	Nothing
b.	I can get a warning.
c.	The creditor can take away my property.
d.	Not sure.

Loans/borrowing	
15.a.	Imagine: you would really like to buy a new television which costs 200,000 UGX. Would you rather borrow the money to buy right now or wait until you have saved enough money to buy it?
a.	Borrow to buy right now.
b.	Wait until you have saved up enough money to buy it.
c.	Not sure
16.a.	If I was to offer you a loan even if you are not yet sure what to use the money for, would you still take it?
a.	Yes
b.	No
c.	Not sure
Loans/Borrowing	
17.a.	Thinking about the last time you took a loan, did you make sure that you understood all the terms and conditions before you took out the loan?
a.	Yes, I read the contract and understood all the terms and conditions.
b.	Yes, the loan officer explained the terms and conditions and I understood them.
c.	I understood some of the terms and conditions.
d.	I didn't understand the terms and conditions.
e.	I can't remember.
f.	I have never taken a loan.
Investment	
18.a.	Would you rather invest all your money into one project or spread it between different projects?
a.	Invest all money into one project.
b.	Spread it between different projects.
c.	Not sure.
Insurance	
19.a	Have you ever heard of insurance?
a.	Yes.
b.	No.
c.	Not sure.
If yes on question 16:	
19.b.	Have you ever subscribed to an insurance?
a.	Yes.
b.	No.

If yes on question 16.a.:	
19.c.	What do you think you can do if your insurance company does not pay you even though you have filed a legitimate claim?
	[Probe: What else? Do NOT prompt using the codes below]
a.	Nothing.
b.	I can discuss with them.
c.	I can report to the police.
b.	I can complain to the insurance company
e	I can complain to the complaint's bureau of IRA
f	Not sure
g	Other [Please record details below]

www.amfiu.org.ug



FOR FURTHER INFORMATION CONTACT

AMFIU House, Plot 679, Wamala Road, Najjanankumbi (off Entebbe Road)
P.O. Box 26056, Kampala-Uganda
Tel : +256 414 259 176 , +256 312 265540
Email: amfiu@amfu.org.ug