

## **Chairman`s Report**

*Mr. John Njane*



On behalf of the Management Committee (MC) of Mzima Springs SACCO Ltd, I take this opportunity to welcome you to this important occasion in our society`s calendar. We are here to review our past performance and project the future of our Society. I would also like to thank the officials of the Ministry of Industrialization and Enterprise Development and the members for the trust you have bestowed upon the Management Committee and your continued support. I assure you that the SACCO is in the right path and with your unrelenting support, we will have a powerful financial institution ready to partner with members to achieve financial freedom.

### ***General overview***

In August 2016, the president assented to law the bill capping the banks interest rates. This came as a surprise to many and it was speculated that this will affect the SACCOS. However, the capping of the interest has not affected our lending policy nor any of our operations. We still continue lending at a very competitive interest rate of 1% per month on reducing balance.

### ***2016 performance***

The Society`s performance in 2016 was good as illustrated below;

#### ***i) Membership***

The Sacco membership increased to 789 as at 31st December 2016 up from 659 in 2015. In addition, we also saw an increase in the number of centers to 40 from 35 in 2015. We will continue with the mission of engaging with the members and also recruiting more members so as to increase the Sacco`s funds as a way of availing more funds to you and also come up with innovative products and ultimately improve the financial safety of the Society.

In the same spirit of recruiting new members of the SACCO, the MC saw it wise to start inculcating the saving culture with the University students. To this end, we held financial management sessions with the University students focusing on personal financial planning. In addition, we held a marketing recruitment drive for Strathmore University students. As a result of this effort, we have managed to recruit 70 students as at 31st December 2016. The students are allowed to save with the SACCO and to borrow against their savings.

I appeal to you members to assist us in recruiting your colleagues from your respective centers. I also encourage you to recommend Mzima Springs SACCO to your spouses and children as this will give you more lending power.

**ii) *Members' deposits***

As at 31st December 2016, the members' deposits increased by 29% from Kshs 103,462,155 to Kshs 133,037,561.8. We continue appealing to you to reconsider your savings patterns by increasing your monthly deposits. This is the only way that we can make sound investments and secure our financial security

**iii) *Loans to members***

This continues to be our main business. For the period January to 31st December 2016, we managed to advance loans worth Kshs 143,021,257.19 an increase of 28% from Kshs 111,940,329 as at December 2015.

This increase in loans intake indicates the demand for our loan products. Currently, we rely entirely on members deposits for funds to advance the various loans. As such, and since the deposits are lower than the loan, we have been facing a challenge of disbursing loans on a timely manner due to cash flow challenges. I would like to take this opportunity to thank you members for standing with us and understanding when we are not able to disburse your loans in a time and subject you to waiting. The MC is considering borrowing short-term loan facilities with low interest rates in order to bridge the shortfall. The model we will adopt is to borrow short-term and lend long term.

I would also like to bring to your attention of the various loan products that we have availed to you. This information can be obtained from our website.

**iv) *Non-performing loans portfolio***

At the beginning of the year 2016, the non-performing loans portfolio stood at Kshs. 2,493,000. Of this amount Kshs. 594,000 was converted to performing status leaving a balance of about Kshs 1,899,000 at the end of the year 2016. It is worth noting that the MC is making efforts to ensure that these defaulted loans are recovered by engaging with the loan defaulters and their guarantors to pay their dues. We continue appealing to you members, especially the guarantors to these defaulters, to assist us in tracing the defaulters.

***Protecting guarantors:***

This issue has been an ongoing plea from the members to the MC. In addition, some members are not able to obtain guarantors. The MC has been evaluating the different ways of ensuring that members will not be able to apply for loans as a result of lack of guarantors. We would like to make the following proposals:



a) Members to be allowed to apply for a loan equal or below their total deposits without guarantors provided that they have not guaranteed any other loan. In this case, their deposits become their security, subject to the number of other guaranteed loans by the member,

b) To start considering other forms of collateral as security for loans borrowed by members for amounts above members' deposits instead of guarantors. In this case, members will be charged loan processing fee to cater for the cost of charging the collateral,

c) The MC is of the opinion that members to be charged 1.5% of the amount of the loan applied. This amount is to go towards insuring the loans taken in case of death or disability of that member. We have negotiated with our insurance provider to have a last expense rider of Kshs. 50,000 (money to be paid to their dependents towards funeral expenses).

**v) *Share capital***

As was passed during last year's AGM, all members of Mzima Springs SACCO are required by law to be owners of the SACCO through share capital. As at 31st December 2016, the share capital stood at Kshs 1,557,000. As we had given a grace period of one year for the existing members to buy the minimum amount of shares valued at Kshs. 5,000, we appeal to you to honor this request. From May 2017, we will convert members' deposits to shares, for those who will not have bought the minimum shares.

**vi) *Interest on members' deposits***

I would like to clarify an issue which was raised during last year's AGM concerning the budgeted amount of interest to members worth Kshs. 6,000,000.00. This was the amount which was provided for interest and deposits for the Financial year 2015. The interest has already been paid in 2016 (i.e January 2016 and June 2016).

For the year ended 2016, the MC is proposing interest on deposits at an average rate of 8% weighted average and dividends for shares, as at 31st December, at 10%. However, the treasurer will take us through the financial statements.

**vii) *Saving products***

Apart from members' deposits, we continue encouraging you to consider our savings products. Our savings products are as follows;

**a) *Smart savers***

This is a fixed deposit account which allows members to deposit amounts as low as Ksh. 20,000 for a fixed period of time, minimum of 6 months. Members earn a competitive interest rate with this product.

**b) *Mzima Junior product***

This product is aimed for our members' children who are below 18 years. The aim of this product is encourage our members to save for their children's school fees. The savings can be used as security for members' loans but not used to compute the upper loan limit. The good news is that



the savings earn interest as members' deposits. Withdrawal is easy and does not require to have guarantors.

**c) *Special savings***

This product is to encourage members to save for their irregular expenses such as Easter and December holidays, car insurance, wedding budget or unique purchases. The savings are accessible to members on demand.

**viii) *Members education***

The MC continues investing in educating our members to better manage their personal finances and encourage prudent financial and investments decisions while saving for their future. We held our education day in October 2016 but the turnout was not encouraging, however, those who came were challenged to continue saving while investing in different investment vehicles.

The members of the MC and our staff also attended various trainings that were organized for people in leadership positions in SACCOs by the Ministry as well as by other partners such as Strathmore Business School (SBS) and KUSSCO. Additionally, the MC had a training session conducted by the officers of the Ministry and SASRA on pertinent issues in leading SACCOs.

**ix) *Corporate governance***

The MC is committed in setting up internal controls to safeguard members' deposits and in ensuring the sustainability of the SACCO's business. We work through committees; Executive, Credit and Finance and Nomination and Education committees. All of these committees are headed by different individuals and they report to the main management committee on a monthly basis. We attach great importance to the need to conduct the Sacco's business with integrity and in accordance with generally adopted principles of good governance. The society adopts the best principles of good corporate culture that requires that all MC members and employees maintain the highest personal and ethical standards and to act in good faith and in the interest of the society.

**x) *Strategic partnerships***

As was announced, I am glad to inform you that we were able to partner with Jubilee Insurance for Motor vehicle Insurance where the members of Mzima Springs SACCO pay a negotiated rate of premium at 3.5%. In addition, we are also in partnership with Toyotsu Auto Mart and Toyota Kenya for negotiated car prices. We would like to hear from you in case of any partnership that you would like us to negotiate on your behalf.

Members can now be able to pay directly to our bank account using our Paybill number: 400222 and Account number: 17029#member no.



### ***Strategic Plans***

In order to grow our Society to be a powerful financial institution, we are dedicated in exploring the potential of expanding our operations by seeking and introducing new and innovative products and services in order to broaden our revenue base and also improve our service delivery. Our strategic objective is to offer Front Office Services like banking hall. It is in recognition of this fact that the MC is seeking your permission to register with the SACCO Societies Regulatory Authority (SASRA). This will help us benchmark with other institutions and it will give us additional regulations and hence better reasons of serving you better and also aiming at achieving our objective.

Additionally, I will encourage all of us to start thinking of a time when we will have our own banking hall with full products as those in the banks. This is not a farfetched dream, with the way the SACCO is growing, we are in the right trajectory.

We are also rolling out other communication mediums that we find necessary and effective in disseminating information. Please be our friend on Facebook, follow us on twitter but most importantly keep checking our emails.

### ***Appreciation and conclusion***

I would like to take this opportunity to sincerely thank each and every one of you for your unrelenting support and commitment to the society. Special thanks to the Management of the various centers and institutions, the Ministry of Industrialization And Enterprise Development for their continued support and our strategic partners.

Our Sacco is becoming a great force for good in our Society and will achieve heights with your support and co-operation.

Remember to always Save Regularly, Borrow Wisely and Repay Promptly.

Yours Faithfully,

John Njane  
Chairman, Mzima Springs Sacco Ltd