

**CHAIRMAN'S REPORT TO THE MEMBERS OF MZIMA SPRINGS SACCO SOCIETY LTD**  
**DURING THE ANNUAL GENERAL MEETING HELD ON 23<sup>RD</sup> APRIL 2016**

On behalf of the Management Committee (MC), it is my great pleasure to welcome you all to this very important occasion in our society's calendar. As members of Mzima Springs Cooperative Society, we converge on this day in order to review our past and project our future. I wish to thank the officials in the Ministry of Industrialization and Enterprise Development, for being supportive and never getting tired of guiding the MC in the matters of running the Sacco's business.

### **1.1 THE KENYAN ECONOMY OUTLOOK**

The year 2015 was characterized by a turbulent economy. Interest rates on bank loans sky rocketed to a high of 23% on average?. While banks adjusted their interest rates from 12% to 23%, we continued lending our loans at 1% per month reducing balance. The demand for our loans continued growing hence posing cash flow challenge in disbursing these loans on a timely manner.

### **1.2 MEMBERSHIP**

The Sacco membership stood at **659** as at 31st December 2015 up from 477 in 2014. This is a 38% increase membership. We as the MC are on a mission of recruiting more members in order to increase the Sacco's deposits and hence avail more funds to you in terms of innovative products and ultimately improve the financial safety of the society.

During the year under review, 36 members separated with the Sacco for various reasons, which included: retrenchment, retirement, and financial constraints. Two (2) of members; Grace Ochieng and John Njenga Muturi separated with the Sacco through death. Grace, for a long time was a member of Supervisory Committee, May the Almighty God rest their souls in eternal peace.

The MC is seeking your permission to consider including the mature students of institutions under Strathmore Educational Registered Trust and Kianda Foundation such as Strathmore University, Kibondeni College and Eastlands College of Technology. The alumni students and members of staff of these institutions are also interested to be part of Mzima Springs Sacco Ltd. In addition, we have been approached by some smaller organizations which have operations within and are affiliated with Strathmore fraternity. As MC, we deemed it wise to open our doors for such organizations as we widen our membership pool.

I appeal to you members to assist us in recruiting other members in your respective centers and in order to grow our Sacco.

### **1.3 MEMBERS DEPOSITS**

The members' deposits stood at **Ksh 103,462,154.53** as at **31st December 2015** up from **Ksh 82,295,984** in **December 2014**. Although, there was a 25.7% increase in deposits, this is on the lower side for a society

like ours. We appeal to members to reconsider their savings patterns and increase their monthly deposits. This is the only way that we can make sound investments and secure our future financial security.

#### **1.4 SPECIAL SAVINGS**

This is a new product where we encourage members to save for either their holidays or when they want to purchase an item in the future. We congratulate those members who have taken up this innovative product and encouraged others to take it up.

#### **1.5 SHARE CAPITAL**

In order to foster ownership of the SACCO, the Management Committee has proposed to issue shares to members. Each member will be expected to own a minimum of 50 shares in the society at a par value of Kshs. 100 per share. The shares will be non-withdrawable and will not be utilized for borrowing purposes. However, the shares will be transferable to new and also other members. The shares will be used to pay dividends. The existing members will have a period of twelve (12) months to buy shares.

#### **1.6 INTEREST ON MEMBERS' DEPOSITS**

The MC proposed and paid interest on your deposits at the average rate of 8% weighted average. This is the highest rate that we have ever paid on members' interest. Starting from this financial year, the Management Committee is proposing to be paying the interest on deposits once a year after the preparation and auditing of the year-end financial statements.

#### **1.7 LOANS TO MEMBERS**

Mzima Springs Sacco Ltd continues to grant loans to members based on their individual deposit contributions to the Sacco. During the year under review the society advanced a total of **Ksh 111,040,329.30** in terms of loans to members compared to **Ksh 87,702,729** advanced in the previous year, 2014.

As seen from above, the total loans granted increased by **26.6%** from the previous year. Because we rely on members' deposits in order to release loans, we face challenges in some months due to delay in submission of members' deductions from different centers. This leads to delay in disbursement of loans especially the normal loans. However, we are looking into ways of improving our cash flows so that we always serve you better.

Some members have been facing a challenge in obtaining guarantors and especially for loans below their total deposits. In order to help such members, the MC is proposing the following;

1. Members applying for a loan equal or below their total deposits to be allowed to apply for the loan 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,
2. To share the details of loan defaulters with the Credit Reference Bureau (CRB) as a measure of protecting the guarantors,
3. 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. In addition, the member will be required to cater for the insurance of the loan with either KUSCCO or CIC insurance.

## **1.8 MEMBERS EDUCATION**

In our quest to bring the SACCO closer to members, address personal issues and challenges, educate, create awareness and recruit, the MC explored a different approach from the previous educational days. Members were visited and educated at their stations of work and their personal concerns addressed. However, due to limited time and resources, we were not able to visit all the stations. For those we met in your stations, we were able to answer most of your questions. We thank you for contributing and making positive contributions to improve the Sacco. The MC will continue to invest in educating our members to better manage their personal finances to ensure that members make prudent financial and investments decisions while saving for their future.

## **1.9 STRATEGIC PARTNERSHIPS**

In order to serve you better, it is our aim as the MC is to continue 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 service delivery to you. In recognition of this fact, the MC is looking into partnerships with friendly organizations in order to bring on brand new products that add value to you. At the moment, members can access motor vehicle insurance at a negotiated rate with CIC insurance. This is just the beginning and we will be seeing more of these partnerships in the future.

## **1.10 CORPORATE GOVERNANCE**

The Management Committee of Mzima Springs Sacco Ltd is responsible for the governance of the society and is accountable to you as the members of the society. We ensure that the society complies with the Co-operative Societies Act and our By-laws. 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.

To enhance accountability, the MC members are prohibited from guaranteeing loans to members. In addition, they have to seek approval from the other Committee members without guaranteeing each whenever they seek to take a loan and the loan cannot surpass their total contributions to the Sacco.

The Supervisory Committee, being the watchdog of the Sacco, has been mandated to be appointing the internal auditors of the Sacco. This is in effort to ensure that there are sufficient and effective internal controls and that the Sacco is run in the best interest of the members without exposing the members' contributions to uncontrollable risks.

## **1.11 ELECTION OF MANAGEMENT COMMITTEE MEMBERS AND SUPERVISORY COMMITTEE MEMBER**

The one-third rotation rule still applies to the Management Committee members and Supervisory Committee members. Members of the MC retiring this year are;

1. Joshat Manani – Currently the Treasurer of the society,
2. Emma Miriti – Currently in the Marketing Committee

Both of them have expressed their desire and readiness to continue serving you and the society and being eligible, do offer themselves for re-election.

The Management Committee, after the resignation of Mr. Geoffrey Injeni, coopted David Mathuva and he has a member of our Credit Committee. David is offering himself of election,.

Member of Supervisory Committee retiring this year is Rosalia Mwikali whose term expires and she is not seeking re-election. We thank her for dedication and commitment in serving the society.

#### **APPRECIATION AND FUTURE OUTLOOK**

I thank you members for continued support and commitment to the society. Let me also acknowledge and appreciate my predecessor, Mr. Geoffrey Injeni who resigned last year in order to concentrate with his studies, we wish him all the best. Special thanks to the Management Board of Strathmore University, the Ministry of Industrialization And Enterprise Development for their continued support.

#### **CONCLUSION**

Finally my fellow Members I am very grateful for the commitment you have shown to our Sacco through your savings, the taking of loans and the repayment of the same. 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**