

For Review

BASIC FACTS ABOUT SAVINGS AND CREDIT COOPERATIVE ORGANISATIONS (SACCOS)

Meaning of a Saving and Credit Cooperative Organisations

A SACCO is an abbreviation of Savings and Credit Cooperative Organisation or Society.

SACCOS are voluntary associations where by members regularly pool their savings, and subsequently obtain loans which they use for different purposes.

Generally, the idea behind establishment of SACCOS is to promote savings and make credits available to the members.

A cooperative society is a form of a business organisation or a group of people who agree to voluntarily associate on the basis of equality for the promotion of their economic interests.

Just like the consumer, transport, produce, and marketing cooperatives, SACCOS are also cooperatives which are financial in nature.

Cooperatives are both economic and social in their aims but they are primarily economic institutions which must struggle to succeed in business in order to be sustainable.

Why form SACCOS?

- i. To reduce poverty by improving the members' economic and social conditions.
- ii. To reduce exploitation of powerless individuals by other individuals or institutions.

I. The Seven Basic Principles of SACCOS

- I.*** Voluntary and open membership.
- II.*** Democratic member control; one person, one vote in all matters of decision making.
- III. Member economic participation.
- IV. Autonomy and independence.
- V. Promotion of education, training and information.
- VI. Cooperation among cooperatives.
- VII. Concern for economic development.

Characteristics of a Cooperative Organisation

Cooperatives have mainly 4 basic characteristics namely;

- i. Member owned
- ii. Member used
- iii. Member controlled
- iv. Benefits members.

The checklist for any member of a cooperative should at all times be:

- i. Do I own it?
- ii. Do I use it?
- iii. Do I control it?
- iv. Do I benefit from it?

The answer to all the above questions should be **YES** in order for the business organisation or institution to be described as a good cooperative.

Steps in Forming a SACCO

Step 1. People with a common bond come together and identify their problems, discuss and identify how to solve them.

Step 2. Mobilise other interested people to join.

Step 3. Elect from amongst themselves an interim Committee that will [take ideas](#) forward (Chairman, Secretary, and Treasurer and Committee members representing areas to be covered). These hold offices until the first Annual General Meeting at which members elect a new committee.

Step 4. Mobilise other members that are willing to subscribe to the cause.

Step 5. Arrange for more training, public awareness generation and sensitization.

Step 6. Draft by-laws, which are later approved at the first Annual General Meeting.

Step 7. Register the cooperative society with the Registrar of Cooperatives.

Step 8. Call first Annual General Meeting to elect leaders.

In this whole exercise, you should work with the area Cooperative officer or other established Cooperatives in the area.

Important points to note during the formation of a SACCO

- i. Not to force anybody to join. Only sell the idea and convince them about the advantages of joining a SACCO.
- ii. Keep minutes of the discussions and meetings held and document all processes taken, decisions agreed upon and strategies laid out.
- iii. Keep a full list of people (names and addresses) that have enlisted as members.
- iv. Keep an up to date and correct record of money received from any interested person.
- v. Account for all preparatory expenses incurred but try as much as possible by engaging the support of the area [District Commercial Officer](#) in the whole process of formation.

Requirements for the Registration of a Cooperative Society

A set of four model cooperative bye-laws duly filled by the society officials and dully signed by at least 30 fully paid up members of the group intending to register as a cooperative

The set of four bye laws costs the following:

- Ugx15, 000 Savings and Credit society's bye laws ?????
- Ug x 10,000 for multipurpose bye laws ?????

The statutory minimum number of members is 30 people. However, the more the members, the better for the viability of the SACCO

- All the 30 members must be fully paid up at the time of Registration and the application to the registrar of Cooperatives must attach copies of their national identity cards.
 - Obtain a recommendation letter from the District Commercial Officer of your area of operation, for purposes of registration and compile financial statements of the society.
 - Remember to include schedules for entrance fees paid, shares, savings and loans depending on the category of the group to be registered.
 - Buy a copy of the Cooperative societies act, cap 112 and the Cooperative Regulations 1992 for reference in management of the registered Cooperative society.
 - Provide passport photographs of the respective leaders to handle society's bank accounts and transactions.
 - Registration fee required is UGX 50,000 only.?????

FREQUENTLY ASKED QUESTIONS ABOUT SACCOS

Today SACCOS serve more than 1 Million Ugandans around the country. Even if you're already a SACCO member, you may not understand how SACCOS differ from financial institutions like banks. This "frequently asked question" series can help answer your questions.

What is a SACCO?

A Savings and Credit Cooperative Society (SACCO) is a cooperative financial institution, owned and controlled by its members. SACCOS typically serve groups of people who have something in common—where they live, work, or attend church, for example. Becoming a member of a SACCO carries power because SACCOS are not-for-profit, and exist to provide members with a place to save money and get loans at reasonable rates.

Why form/Join SACCOS?

The SACCO movement grew out of an idea that people could work together to create solutions to meet their financial needs. SACCOS are created to enable people to pool their financial resources to help themselves and each other.

What is the SACCO Philosophy?

The Philosophy of SACCOS is that, they are "not for profit, not for charity, but for service," SACCOS must always continue to look out for their members' interests and provide a level of service that generally is not available at other financial institutions. Whether it's providing a loan to help a member cover unexpected medical bills, giving financial counseling to a member whose employer closed its doors, or simply offering a better deal on a used-car loan or mortgage, SACCOS make a difference for their members and the communities they serve. In 1984, the World Council of Credit Unions approved the nine International Credit Union Operating Principles that remain the cornerstone of the SACCO movement. They are:

- Open and voluntary membership
- Democratic control
- Nondiscrimination
- Service to members
- Distribution to members
- Building financial stability

- Ongoing education
- Cooperation among cooperatives
- Social responsibility

These principles are founded in the philosophy of cooperation and its central values of equality, equity, and mutual self-help. They express, around the world, the principles of human development and the brotherhood of man through people working together to achieve a better life for themselves and their communities.

What makes a SACCO different from a bank?

Like banks, SACCOs accept deposits and make loans—but unlike banks, SACCOs are not in business to make a profit. Banks exist to make money for their stockholders, not for their depositors. SACCOs exist solely to serve their member-owners, and benefits are returned in lower loan rates and higher deposit rates. SACCOs are the only democratically controlled financial institutions. Members elect a volunteer board of qualified individuals to oversee the SACCO and the Manager reports to this board. SACCOs are focused on people, not profits. Active members who use many SACCO services often see even greater benefits.

What Is The Difference Between A SACCO And A Community Savings And Credit Group?

SACCO is a formal institution required to register before commencement of business. A group on the other hand is an informal institution which can operate with or without registration as long as it has a constitution to follow.

How is the SACCO Registered?

SACCOs according to the Cooperative Act cap 112 are registered by the Registrar of Cooperatives in the Ministry of Trade Industry and Cooperatives at Farmers House, Parliamentary Avenue in Kampala. At the district level, the registrar is represented by the District Commercial Officer you can work with to register your SACCO.

What Do I Require To Register A SACCO?

The statutory minimum number of members required to register a SACCO is 30 people. However, the more the members, the better for the viability of the SACCO

All the 30 members must be fully paid up at the time of Registration and the application to the Registrar of Cooperatives must attach copies of their National Identity Cards.

On the application include, schedules for entrance fees paid, Shares, Savings and Loans depending on the category of the group to be registered.

Provide a set of four model cooperative bye-laws duly filled by the society officials and dully signed by at least 30 fully paid up members of the group intending to register as a cooperative

Obtain the following set of four bye laws:

- *Savings and Credit Society's bye laws*
- *Multipurpose bye laws*

- *A recommendation letter from the District Commercial Officer of your area of operation, for purposes of registration and compile financial statements of the society.*

- *Buy a copy of the Cooperative societies act, cap 112 and the Cooperative Regulations 1992 for reference in management of the registered Cooperative society.*

- *Provide passport photographs of the respective leaders to handle society's bank accounts and transactions.*

- *Pay the required registration fee.*

Why should I join a SACCO?

1. *SACCOs are focused on people/members, not just profits. SACCOs operate by a “people helping people” philosophy that is hard to find at other financial institutions.*
2. *Financial education is available to all members. SACCOs assist members in becoming better-educated consumers of financial services.*
3. *SACCOs are available in places where banks typically aren't, such as Rural Sub-Countries and Parishes in very Remote Areas.*
4. *As a member of a SACCO, no matter how much money you have on deposit, you have an equal voice in how your SACCO is run.*
5. *Your SACCO can support your economic activity with a loan. And some SACCOs have established relationship with Small Business Suppliers, Agro Processors and other Partners for purposes of increasing member access to: - input supplies; markets and market information; and knowledge acquisition through Capacity Building.*

How can I join a SACCO?

Interested in becoming a SACCO member? The first step is finding the right one. To join a SACCO you can live or work in a “charter area,” or belong to one of its select employee groups. These tips will help you find a SACCO you can join:

- Check with your District Commercial Officer or for employees, check with your employer. Often, you'll find that you're Sub-county and or Organization has access to a SACCO.
- Ask your family and your neighbors – You will be surprised how many SACCOs are operational within your community/locality and are open to serve all those that live within that geographic area.

How does PROFIRA Support SACCOs?

PROFIRA provides Capacity Building Support to SACCOs in form of: (i) Training; (ii) Technical Assistance; and (iii) Management Information Systems (MIS). The Support is geared towards: - Members, Management and Board. PROFIRA mainly seeks to serve SACCOs that have a potential to become sustainable. In order to benefit from PROFIRA Grant Support, the SACCO must fulfill the following criteria: -

1. Be fully Registered
2. Have a functional Business Premises
3. Have an Open Bond i.e. Open to all willing members within the community
4. Should have held an Annual General Meeting (AGM) within the last One Year
5. Have a Duly Elected Board, Supervisory Committee and Staff in Place
6. Have a Minimum of at least 150 Fully Paid Up Members
7. Have a minimum Operational Self Sufficiency Ratio of 50%

How Can a SACCOs Access PROFIRA Support?

PROFIRA Support is delivered through Contracted service providers. If your SACCO meets the criteria Stipulated above, please contact your District Commercial officer (DCO) for more details regarding how to access and benefit from PROFIRA Support.

Does PROFIRA offer Loans to SACCOs?

No. As explained earlier, PROFIRA support is limited to capacity building services not offering credit. Loans and other credit services are offered by the Microfinance Support Centre