



Utafiti Savings and Credit Co-operative Society

P.O. BOX 30709 00100 GPO NAIROBI • TEL 4223228 • Email: utafiti@cgiar.org

Mission: Empowering members build wealth.

Our core values: Customer Focus, Teamwork, Integrity, Professionalism and Equity

Vision: To be the leading and preferred SACCO, providing sound financial services to our members

DIVIDEND AND CAPITALIZATION POLICY

1. TERMS USED

- Interest – earning that results from a member's savings
- Dividend – earnings that result from members shares
- Share – generally equal stake of each member on the SACCO, as determined by the bylaws
- Deposits – members savings

2. OBJECTIVE

The objective of policy is to ensure that as we strive towards the SACCO's growth while remaining competitive in the marketplace. Over the past 30 years, Utafiti has continued to grow from 20 members in 1976 to 675 members in 2019. As a result, its management has become increasingly complex and advanced. In this regard, we believe that maintaining a steady pace of growth, in which uncertainty is minimized, is the key to long-term prosperity for the Sacco. With this in mind the board has put in place a set of policies such as the capitalization, dividend and reserve policies.

3. CAPITALIZATION POLICY

Our strategic objective in building financial stability will involve the following actions:

- a) A separation of shares and deposit savings
- b) Strategic lending rates based on competitive market rates and research.
- c) Annual capitalization of part of earnings.

3.1 Share capital

The minimum share subscription for each member shall be 500 shares, each of 20/= value or as may be determined from time to time. This amount shall not be refundable on cessation of membership but may be transferable under terms and conditions of the policy.

4. CAPITALIZATION PROGRAM TOOLS

To achieve the objective of the policy, we intend to implement immediate application of a series of institutional tools designed to help achieve capitalization.



Utafiti Savings and Credit Co-operative Society

P.O. BOX 30709 00100 GPO NAIROBI • TEL 4223228 • Email: utafiti@cgiar.org

Mission: Empowering members build wealth.

Our core values: Customer Focus, Teamwork, Integrity, Professionalism and Equity

Vision: To be the leading and preferred SACCO, providing sound financial services to our members

4.1 Increasing institutional capital

In order to mitigate against exposure to credit or interest-risk that could negatively affect the solvency of the SACCO and in line with the new SASRA regulations, we shall endeavor to:

- On an annual basis, the board shall review the institutional capital ratio (a measure of the accumulated equity generated by the Sacco and its relationship to total assets) for adequacy.

4.2 Capital adequacy

Determining the adequacy of our institutional capitalization will be through a process of qualitative evaluation of critical variables that directly bear on the Sacco's overall financial condition. These are:

- Maintaining core capital of not less than 10 million
- Maintaining core capital of not less 10% of total asset
- Maintaining institutional capital of not less 8% of total assets
- Maintaining core capital of not less 8% of total deposits

5. DIVIDEND POLICY

The dividend policy is aimed at guiding the Sacco in dividend payments to members at the end of the financial year. It is the intension of the Board that this policy explicitly states the mechanisms by which these payments are arrived at. It is hoped that this form of arrangement will help in managing expectations, both from the members as well as the management board and as such, all stakeholders would understand that dividends/Interest on deposit would be paid based on the Society's performance and prevailing market conditions as opposed to what has been paid out in the past. It would also make it easy for the society to project the amount of payouts expected for the period under review and make provisions for the same in time. Some of the rules proposed include the following:

5.1 Distinguishing between dividend and interest on deposits

Utafiti shall distinguish between dividend payment and interest on deposits; and therefore to determine the annual dividend and interest on members' deposits respectively, we shall adopt the performance standards and break even analysis tools to factor in the financing costs for both dividends and interest on members deposits.

5.2 Payment of dividends

Dividends shall be paid as a **fixed percentage** of members shares as at close of Financial year or **fixed number of shares**.

- Where dividend is paid in cash, the amount shall be subjected to the regulatory taxation as necessary



Utafiti Savings and Credit Co-operative Society

P.O. BOX 30709 00100 GPO NAIROBI • TEL 4223228 • Email: utafiti@cgiar.org

Mission: Empowering members build wealth.

Our core values: Customer Focus, Teamwork, Integrity, Professionalism and Equity

Vision: To be the leading and preferred SACCO, providing sound financial services to our members

- Payment/allocations should be done within 45-days of the approval of the AGM

5.3 Pro-rata calculation of interest on deposits

Utafiti profits shall be paid out on pro-rata basis, meaning that the interest paid would be subjected to different interest rates depending on the duration. This basically means that for the same amount of money, the interest paid out could be different based on what time of the year the money was received. The rationale here is that money has to be in the society and has to generate some income before it can qualify to attract interest.

The formula for calculating interest of deposits shall be as follows:

1. Determine only those members at the register as at 31-Dec of the year in review
2. Determine the amount of total interest on deposits payable (x)
3. Determine the amount of members total deposits every month from January to December of the financial year in Review. The monthly deposits per member shall include the members own deposits, and those of 'Childrens accounts'
4. Determine the prior year's end of December total deposits of each member
5. Distribute the interest payable (x) to the 12 months of the year on pro-rata basis i.e. end of Dec. deposits being allocated 12% (assuming interest on deposit for the given year is 12%), end of Jan. 11% etc.
6. Distribute the monthly interest payable to the members who made deposits that month, based on the weight of their deposits compared to all deposits of the month
7. Sum the monthly distributions for the twelve months as the interest payable on the members deposits.
8. Subject the payment to any regulatory taxation as necessary
9. Pay out the balance as interest on deposits to the member
10. Payment should be done within 45-days of the approval of the AGM.

6. CAPITAL RESERVE POLICY

We recognize that the continued stability of the society is dependent on its ability to earn an appropriate return on its assets. This will enable us to fund our expansion of business operations, remain competitive, and replenish and/or increase capital. In this regard, our policy is to:

- On an annual basis, analyze our revenues and expenses, including the operational efficiency, interest rate policy, and the overall results as measured in return on assets

The emphasis on return on assets is based on the general understanding that for us to grow reserves, we shall need to be profitable and post a higher return on our overall assets than the prevailing rate of annual inflation.



Utafiti Savings and Credit Co-operative Society

P.O. BOX 30709 00100 GPO NAIROBI • TEL 4223228 • Email: utafiti@cgiar.org

Mission: Empowering members build wealth.

Our core values: Customer Focus, Teamwork, Integrity, Professionalism and Equity

Vision: To be the leading and preferred SACCO, providing sound financial services to our members

- We shall adhere to the statutory reserve regulation of 20% of net surplus after tax. We have for example converted a grant of Ksh.4.9M extended to Utafiti by ILRI to this account. We acknowledge that this type of reserve is only available to the Society for use in the event of liquidation as per the provisions of the Co-operative Societies Act.
- We shall also implement a capital reserve policy for revaluation of our assets as well as any potential bonus issues on our shares investments with other cooperative organizations and /or secondary equity investments.

7. APPROVAL

This policy is approved for SACCO use by:

BOARD REPRESENTATIVES:

Chairman:

Name Lucy Mutitu Sign [Signature] Date 18/9/2019

Secretary :

Name MONICA K. KANSIMO Sign [Signature] Date 18/9/2019

Treasurer :

Name Sydney K. Chebor Sign [Signature] Date 18/9/19