



## **UKULIMA SACCO SOCIETY LTD**

**SPEECH BY THE NATIONAL CHAIRMAN DR. P.K. CHERONO TO THE 46<sup>TH</sup> ANNUAL DELEGATES' MEETING (ADM) OF UKULIMA SACCO SOCIETY LIMITED ON FRIDAY, 15<sup>TH</sup> MARCH 2024 AT SERENA HOTEL, NAIROBI AT 9.00 AM**

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**Our Chief Guest, Mr. Patrick Kiburi Kilemi, Principal Secretary (PS), State Department for Co-operatives.**

**Mr. David Obonyo, Commissioner for Co-operative Development;**

**The County Director of Co-operatives - Ms. Dolphin Aremo;**

**Sub-County Co-operative Officer, Starehe, Ms. Rosaline Mwithiga;**

**Invited Guests;**

**Distinguished Delegates;**

**Ladies and Gentlemen,**

**Good Morning!**

**It is my great honour and pleasure, on behalf of the Board of Directors, to welcome you all to our 46<sup>th</sup> Annual Delegates Meeting.**

**Our Chief Guest, I wish to express our sincere appreciation to you for honouring us with your presence here today despite your busy schedule. The fact that you have spared your valuable time to grace this occasion as our Chief Guest is a clear**

**indication of your commitment and interest not only in the co-operative movement but also to our SACCO.**

**Our Chief Guest, Let me take this opportunity to introduce the leadership of this Sacco. Ours being a countrywide Sacco, we have representation through branches in all forty-seven (47) counties.**

**I start with delegates from:-**

- 1. North Eastern Region,**
- 2. Coast Region,**
- 3. Eastern Region,**
- 4. Nyanza Region,**
- 5. Rift Valley Region,**
- 6. Western Region,**
- 7. Central Region,**
- 8. Nairobi Region**

**I now present to you the Senior Management team of the SACCO, the Supervisory Committee, and the Board of Directors.**

**Ladies and Gentlemen, Annual Delegates' Meeting is a very important event in the calendar of a SACCO. It is at this forum that we review the performance of the Society during the past year and make some of the key decisions that will guide its operations and performance in the ensuing year for the maximum benefit of our members. Delegates gathered here have the mandate to undertake the business of the day among them to consider and adopt the final accounts for the year ending 31<sup>st</sup> December 2023, to consider and approve the operating budget for the year 2025, to appoint the External Auditors for the year 2024, to approve the Society's maximum borrowing powers, elect 1/3 of the Board of Directors and the**

Supervisory Committee who are retiring on rotation but are eligible for re-election among other decisions of the day.

Our Guest of Honour, allow me now to give highlights to this meeting on the performance of the SACCO for the year under review;

## FINANCIAL PERFORMANCE

For the year 2023, the Society recorded moderately good performance in most aspects despite performance draw-backs in some as highlighted below;

	<b>Stastical Parameter</b>	<b>Year 2022</b>	<b>Year 2023</b>	<b>% Change</b>
1	<b>Membership</b>	<b>51,864</b>	<b>61,085</b>	<b>17.78%</b>
2	<b>Gross Loans &amp; Advances</b>	<b>12,088,264,855</b>	<b>12,432,240,707</b>	<b>2.85%</b>
3	<b>Net Loans &amp; Advances</b>	<b>11,675,088,202</b>	<b>11,944,142,861</b>	<b>2.30%</b>
4	<b>Disbursents during the Year</b>	<b>7,246,501,170</b>	<b>6,742,149,967</b>	<b>-6.96%</b>
5	<b>Total Assets</b>	<b>14,658,567,429</b>	<b>15,175,882,119</b>	<b>3.53%</b>
6	<b>Member Deposits</b>	<b>10,247,007,878</b>	<b>10,777,996,704</b>	<b>5.18%</b>
7	<b>Share Capital</b>	<b>938,139,185</b>	<b>1,007,700,402</b>	<b>7.41%</b>
8	<b>Core Capital</b>	<b>2,152,679,596</b>	<b>2,302,215,766</b>	<b>6.95%</b>
9	<b>Institutional Capital</b>	<b>1,214,540,411</b>	<b>1,162,372,495</b>	<b>-4.30%</b>
10	<b>Interest from Loans &amp; Advances</b>	<b>1,717,203,020</b>	<b>1,771,799,501</b>	<b>3.18%</b>
11	<b>Total Revenues</b>	<b>1,905,813,208</b>	<b>2,019,825,575</b>	<b>5.98%</b>
12	<b>Total Expenses</b>	<b>846,642,407</b>	<b>888,027,750</b>	<b>4.89%</b>

**From the above tabulation, we notice that the SACCO recorded improved performance.**

- 1) Membership - The growth of 17.78% was impressive as it met our strategic plan's projection of 18.0%.**
- 2) Gross Loans and Advances - This is the aggregate loan book size of the SACCO before factoring in the non-performing loans' risk. The marginal growth was due to the fact that there was downward trend of loan uptake during the year as shown in the disbursements figures. It is the key determinant of interest generation capacity of the SACCO as a lending institution.**
- 3) Net Loans & Advances - This represents the loan book size of the SACCO after factoring in the loan loss provisions of the SACCO in accordance with the laws and regulations governing loan delinquencies.**
- 4) Disbursements during the Year - The Society witnessed a worrying trend of loan uptake informed by reduced borrowing power for most members. This was largely due to statutory deductions like the new 1.5% housing levy, increased NSSF rates and the Social Health Insurance Fund (SHIF) contributions. While not all of these deductions have been implemented to-date, the SACCO started exercising caution as early as July 2023 by providing for the same during new long-term loan appraisals just in case the deductions are actualized. As you are aware, the housing levy was suspended by the court of law but currently there is a Bill in the National Assembly revisiting the same. NSSF has been implemented**

while the SHIF deductions are to be implemented in June 2024. In December 2023, the Board of Directors made some significant reviews on selected loan products so as to stimulate continuous loan uptake. We will continue evaluating various options of how to approach the issue of stimulating loan uptake in light of the shrinking borrowing power of members as it becomes appropriate in the coming months.

- 5) **Total Assets** - The marginal growth of 3.53% is informed by the fact that the main asset of the SACCO is the loan book and that the loan book too had a marginal growth.
- 6) **Member Deposits** - The growth of 5.18% is impressive noting that members are increasingly giving more and more attention to servicing their loan obligations as compared to making savings. As leaders let us encourage members to save more as the savings in turn enable them to access more credit facilities for their socio-economic development.
- 7) **Share Capital** - The growth of 7.41% was impressive despite the SACCO not having yet enforced the need for all members to step up their minimum share capital from the current Kshs 20,000/- to Kshs 30,000/- as at close of the year.
- 8) **Core Capital** - This is largely influenced by the growth in share capital hence the growth of 6.95%
- 9) **Institutional Capital** - This is the main area that should concern all of us us leaders of this SACCO. The drop of this figure implies that the Society is not doing well in terms of accumulation of reserves and retained earnings. As you

will see below, this caused a non-compliance to the SACCO in terms of the Institutional Capital Adequacy (ICA).

- 10) **Interest from Loans & Advances** - The marginal growth of 3.18 mirrored the marginal growth of 2.85% of Gross Loans and Advances. This is because, the income generation capacity of the SACCO largely depends on the size of its loan book as key factor in addition to the loan interest rates and the timeliness of remittances by the members and/or employers.
- 11) **Total Revenues** - As one can deduce from the table above, about 90% of the total revenues is actually the interest income. Hence lending remains the core business of the Society with supplementary incomes raised from parking services, rental incomes and from financial investments.
- 12) **Total Expenses** - The Society has continued to invest prudently through both capital and operational expenditures in pursuance of its activities as per the current Strategic Plan. We believe that a lot of investments done will lead to gradual growth in the Society's efficiencies and effectiveness hence more incomes in the coming periods. These includes the many one time huge investments in programs like rebranding, call center operationalization, new Branch opening, staff VER compensations, ICT infrastructures amongst others.

## **COMPLIANCE WITH SASRA REQUIREMENTS**

During the year under review, the SACCO was able to comply with most of the key prudential ratios as required by the SACCO Societies Regulatory Authority

(SASRA) except for the two ratios on Institutional Capital and the Loan Portfolio at Risk (PAR) .

	<b>Compliance Ratio</b>	<b>Prudential Standard</b>	<b>2022</b>	<b>2023</b>
<b>1</b>	<b>Core Capital / Total Assets</b>	$\geq 10\%$	<b>15%</b>	<b>15%</b>
<b>2</b>	<b>Core Capital / Members Deposits</b>	$\geq 8\%$	<b>21%</b>	<b>21%</b>
<b>3</b>	<b>Institutional Capital / Total Assets</b>	$\geq 8\%$	<b>8.29%</b>	<b>7.66%</b>
<b>4</b>	<b>Investments / Deposits</b>	$\leq 5\%$	<b>4%</b>	<b>4%</b>
<b>5</b>	<b>Liquidity Ratio</b>	$\geq 15\%$	<b>31%</b>	<b>29%</b>
<b>6</b>	<b>Total Delinquent Loans / Gross Loan Portfolio (PAR)</b>	$\leq 5\%$	<b>5.11%</b>	<b>5.89%</b>

**Institutional Capital Adequacy (ICA) - The reason for the ICA not complying is because the Society has not set aside more reserves and retained more of the earnings to cushion the Society for the future. This happened because the Board was trying to afford a decent return to members in form of rebates instead of withholding part of the same in form of retained earnings. This situation may attract sanctions from the regulator if not reversed during the current year of operations. The Board of Directors gave assurances to the regulator about our resolve to comply on the same. I therefore request that we all cooperate towards achieving this ratio.**

**Portfolio at Risk (PAR) - The increase was largely as a result of late remittances by some employers whereby Kshs 129,302,549/- is still owed to the SACCO to-date for the period ending 31<sup>st</sup> December 2023. The amount was much higher as at the time of closing the books of accounts on 15<sup>th</sup> January 2024. Another major cause was the introduction of government levies and other increased deductions explained above that caused underpayments on the otherwise previously performing loans.**

**The Society will strive to ensure that the above ratios are maintained and improved further. This will be achieved through concerted efforts to increase the minimum share capital per member and retaining more earnings to build reserves. The Society is also continuously enhancing its efforts on institutional collections and debt recoveries.**

#### **INTEREST PAYMENT AND DISTRIBUTION OF SURPLUS**

**Ladies and Gentlemen, The Society proposes payment of interest on deposits at a rate of 9.3%% amounting to Kshs 858,083,348/- compared to Kshs 817,497,626/- paid in the previous year at a similar rate of 9.3%. In addition, members will receive dividend on share capital held as at 31<sup>st</sup> December 2023 at a rate of 12.0% amounting to Kshs 113,214,068/- and 10.0% on Ukulima Headquarters Investment Shares amounting to Kshs 5,536,589/-. The Board further proposes payment of Kshs 5,700,000/- honorarium to the Board of Directors, Supervisory Committee and Branch Officials who served during the year under review as a token of appreciation for the good results.**



## **PARTNERSHIP WITH THE KENYA MORTGAGE REFINANCE COMPANY (KMRC)**

**Under its Mortgage lending partnership with KMRC, Ukulima SACCO had as at 31<sup>st</sup> December 2023 disbursed Kshs 235,130,000/- as mortgage loans and accessed refinancing bulk loans to the tune of Kshs 142.5 Million. Additional refinancing is currently under KMRC's consideration.**

**Borrowing beyond KMRC - It s worth noting that the Society is desirous of seeking further financing and refinancing partnerships beyond the KMRC program that will enable it raise the much required funds to inject into its lending activities.**

**The Board has previously endeavored not to fully utilize these borrowing powers so as to minimize on the associated financial costs. It is our considered view as a Board that for us to pursue and maintain the projected growth trajectory of the SACCO, as we mobilize internal sources of funds and urge our members to step up their savings, we MUST be ready to supplement the same with adequate but cheaper external funding. The SACCO is already pursuing some leads towards this end with some local and international financiers.**

**The Board of Directors therefore seeks the authority of this ADM to allow it process the required legal charges as and when the need arises when seeking funding from KMRC or from any other viable sources as may be approved by the Cpmmisiner of Co-operative Development from time to time. We wish to clarify to delegates that our borrowing from KMRC is done within the usual borrowing powers obtained**

from the ADM on annual basis. To facilitate this, the Board seeks two broad resolutions as below;

a) **Authority to Create Legal Charges With Respect To Borrowings - Authority to create legal charges as may be necessary is with respect to credit facilities from KMRC or other acceptable financiers including commercial banks, micro finance banks, microfinance institutions, SACCOs, other local and international financiers as appropriate from time to time.**

b) **Fixing of the Maximum Borrowing Powers of Kshs 2.0 Billion**

i) **Source of Borrowings - The Society's borrowing powers apply to borrowing from commercial banks, micro finance banks, microfinance institutions, SACCOs, other local and international financiers as appropriate and as may be approved by the Commissioner of Co-operative Development from time to time.**

ii) **Purpose of Borrowings - The SACCO may borrow for purposes of enhancing lending capital, business expansion, asset finance, promotion of SMEs, on-lending to agricultural or green investments amongst other purposes from time to time in line with its mandate.**

## **BANKING SERVICES ACTIVITY**

**Dear Delegates, Despite the hard-economic times experienced in the country during most of the year 2023 as evidenced by the severe droughts, high inflation and rising interest rates, our banking services have continued to perform well and contributed**

to the liquidity and profitability of the Sacco. Members have continued to demonstrate loyalty in embracing our new technology based products. As a listening partner the Sacco has innovatively and gradually adopted the concept of one-stop shop financial institution offering affordable digital and diversified services as one of the key strategic priorities. Therefore, it's upon all of us as leaders to carry out aggressive marketing campaign to position FOSA as a cheaper option in the market.

### Fosa Performance Trend Analysis

Item	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Growth
Description	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%
Savings Deposits	1,180,872,580	1,337,386,424	1,442,989,462	1,456,590,104	1,551,294,036	31%
Loans	3,345,214,329	3,749,859,629	3,978,113,433	4,019,134,888	4,008,781,133	20%
Income	559,828,369	653,020,268	711,916,195	744,900,345	757,942,833	35%
Salary Accounts	9,883	10,930	11,346	11,064	11,443	16%

### Branch Performance on Loans Interest Incomes

PERIOD	YEAR 2022			YEAR 2023			GROWTH
	FOSA(Kshs.)	BOSA(Kshs)	TOTAL(Kshs)	FOSA(Kshs.)	BOSA(Kshs.)	TOTAL(Kshs.)	
KAKAMEGA	10,568,360	29,597,026	40,165,386	25,175,161	57,941,061	83,116,222	42,950,836
EMBU	69,263,669	72,852,853	142,116,522	69,764,407	96,123,683	165,888,090	23,771,568
KISII	27,871,190	33,923,056	61,794,246	31,688,997	51,769,686	83,458,683	21,664,437
NAKURU	36,732,465	33,923,056	70,655,521	39,815,152	46,454,219	86,269,371	15,613,850
ELDORET	74,784,717	46,311,768	121,096,485	81,782,062	51,320,985	133,103,047	12,006,562
KISUMU	45,645,398	43,139,308	88,784,706	41,418,994	54,464,103	95,883,097	7,098,391
MOMBASA	44,356,155	40,032,146	84,388,301	44,361,048	44,671,255	89,032,303	4,644,002
NAIROBI	386,776,986	-	386,776,986	363,946,428		363,946,428	(22,830,558)

**Nairobi Branch has continued to contribute the largest proportion of FOSA income as shown in the table above. There was great achievement for Kakamega Branch which continued soaring during the year as one of the responsive services given to the members from the region. This has been attributed to bringing services closer to Members. With this growth, the Society has opened anew branch at Meru region and will continue to respond to members' needs as they arise.**

### **ALTERNATIVE E- BANKING CHANNELS**

**The Sacco continues to work in collaboration with commercial banks, payment service providers, and other third parties to establish alternate financial services delivery channels in an effort to boost members' access to their Sacco accounts and overcome the intense competition from Fintechs and other financial institutions. The main channels utilized in these collaborations consist of:**

- 1) Bank to Bank Money Transfer and PESALINK Services - Enables Member to transfer money from his/her FOSA account to another Bank Account**
- 2) Utility Payments - Pay for DSTV, ZUKU, Water Bills, KPLC bills and Star Times**
- 3) Mobile Loan Repayments and deposit payments (Both USSD & UKash App)**
- 4) Instant ATM Card production available to walk in members at all our branches**
- 5) Mobile Loan application (Mahitaji loan) up to a maximum of Kshs 50,000/=**
- 6) Cardless ATM Cash withdrawal services available at Family bank only**

- 7) POS Services available at Coop bank and Coop kwa Jirani maximum Kshs.300,000/= per day
- 8) Personal Cheque books - Enables members to make payments from FOSA accounts with ease without limit
- 9) Sacco Paybill 953400 - Deposit funds to FOSA account for free.

### **PAY TO FOSA SALARIES SERVICE**

The SACCO in partnership with Co-operative Bank has introduced a salary payment system which enables members whose employers are not able to remit their salaries directly to FOSA account to get their salaries channeled through Co-op Bank by adding Code 9154 to members' savings account to make it accepted at the Co-operative Bank as follows:

**Member Name: xxxxxxxx xxxxxxxx**

**Bank: Cooperative Bank**

**Bank Branch: Ukulima house**

**Bank Account: 9154 50000123000**

**Branch Code: 011**

### **REPLACEMENT OF ATM CARDS AFTER REBRANDING**

Members are called upon to continue using the already distributed ATM cards until they expire. We shall progressively issue new ATM cards after a period of 4 (Four) months after the launch of the new brand. However, Delegates are hereby instructed not to issue out any communications or SACCO Stationery or merchandise

**including Forms, envelopes, letterheads etc bearing the old identity. New ones will be available immediately upon the launch of the Brand Identity tomorrow.**

## **TECHNOLOGY BASED TRANSFORMATIONS**

**Ladies and Gentlemen, In recent years, the landscape of the financial industry has experienced profound transformation, largely fueled by advancements in technology. Our SACCO has endeavoured to adopt to the changes whereby our innovative ICT solutions have transformed the way we conduct our operations, serve our members, and manage risks. Some of the ways in which ICT has facilitated our business in the recent past include;**

- 1) Enhanced Customer Experience: Through the adoption of digital channels and platforms, we have significantly enhanced the customer experience. Our clients can now access a wide array of banking services conveniently from their fingertips, whether it's through the mobile banking apps, virtual assistance (in our case, we call it Suluhu) and soon to come online portals. This has not only improved customer satisfaction but has also expanded our reach to a broader audience.**
- 2) Efficient Operations: ICT has enabled us to streamline our internal processes and optimize operational efficiency. From automated transaction processing to virtual assistance, technology has enabled us to execute tasks faster, with greater accuracy, and at a reduced cost. This has translated into improved productivity and cost reduction for our institution.**

- 3) Data Analytics and Insights:** With the vast amount of data generated in today's digital age, harnessing the power of data analytics has become imperative. Through sophisticated analytics tools and techniques, we can extract actionable insights from our data, enabling us to make more informed decisions, anticipate market trends, and personalize our offerings to meet the unique needs of our members.
- 4) Risk Management:** In an increasingly complex and dynamic regulatory environment, and increased vulnerability arising from cyber activities, effective risk management is paramount. ICT has empowered us with advanced risk management capabilities, real-time monitoring systems, and predictive analytics to identify, assess, and mitigate risks proactively. This has strengthened our resilience and safeguarded the interests of our members.
- 5) Innovative Products and Services:** Leveraging ICT, we have been able to introduce innovative products and services that cater to the evolving needs of our members. Whether it's artificial intelligence, or peer-to-peer lending platforms, technology has been the driving force behind our ability to stay ahead of the curve and remain competitive in the market.

## **Conclusion**

**In conclusion, Sir, I wish to take this opportunity once more to thank you most sincerely for accepting our invitation to be our Chief Guest during this year's**

**Annual Delegates' Meeting. Your presence here today is a source of great encouragement and inspiration.**

**Ladies and Gentlemen, I call upon all of you to continue supporting the SACCO fully so as to ensure individual and collective success in our cooperative endeavors.**

**“United in Creating Wealth” for unity is strength.**

**Long live Ukulima SACCO, Long live the Co-operative Movement.**

**Thank you very much and May God Bless you.**

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

**DR. P.K. CHERONO (HSC)**

**NATIONAL CHAIRMAN**

**15<sup>th</sup> March 2024**