

**GOOD FAITH  
SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD.**



**SACCO BY-LAWS  
REVISED MARCH 2016**

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Motto : In Faith We Grow

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## **i. Introduction**

Good Faith SACCO was initially started as a self help group by some 8 Christian brothers and sisters from Full Gospel Churches of Kenya Githirioni on 10<sup>th</sup> Oct. 1996. The pioneers were drawn together by a common vision of developing a Christian institution where Christians could pool their resources together in order to save and eventually alleviate poverty so as to improve the quality of life for the members. They saw the need of coming together and supporting each other financially based on mutual Christian trust. The condition for membership was Christian commitment, a personal testimony of salvation through Jesus Christ and active membership in a Pentecostal Church. They identified the need for Christian entrepreneurship where members could save regularly and eventually have access to credit and pay back so that others could also have access to credit. Their vision was guided by Christian integrity, trust and honesty and believe that Christians can do business in a Christian way. The self-help was also going to be a means of witness and evangelization to the members and others about the saving power of Jesus Christ. They held their meetings in the house of one of the members for a period of six months as they went through the process of establishing the organization. The list of the founding members is attached in appendix 1. Eventually many new members have applied for membership and the SACCO has grown rapidly.

In 2001 the AGM approved a decision to transform the self help group to a Savings and Credit Co-operative Society (SACCO) in order to meet the needs of the growing membership better. On 21<sup>st</sup> November 2001, the certificate of registration No 9709 was presented to the newly registered SACCO – **Good Faith SACCO** by the District Co-operative Officer, Kiambu, in a ceremony held at F.G.C.K. Githirioni church.

By 31<sup>st</sup> Dec. 2015 the membership had grown from the original 8 members to over three thousand (3000) committed members while the capital base had grown from Kshs. 17,000 to over 50 million shillings.

## **ii. Acknowledgement**

The Board of Directors of Good Faith Sacco would like to express their gratitude to the pioneers of the Sacco. Eight visionary men and one visionary woman sat down in 1996 and dreamt about an organization which would economically empower the local community in order to transform their lives. Their dream was realized through the establishment of Good Faith Sacco. Without their visionary role and efforts to establish this organization we would not be where we are today. We therefore take this opportunity to express our gratitude to them and that the organization shall always be grateful for their great contribution. We also thank every member of Good Faith Sacco for entrusting us with the management of their resources. The Board commits to ensure the highest quality of management of the Sacco guided by our faith in God and total compliance with the by-laws, Co-operative Act and rules. May God bless you all abundantly.

The Board's recognition goes to the following founder members of the Sacco;

- i. Josephat Njagi Mbugua
- ii. Pastor John Kabiru Kairu
- iii. George Mwangi Macharia
- iv. James Ndung'u Kabatha
- v. Pastor James Munyua Macharia
- vi. Paul Gachie Kamau
- vii. George Kanyora Mwangi
- viii. Peter Kimani Mbugua
- ix. Alice W. Gathu

The Board also acknowledges the hard work of reviewing the by-laws of the Sacco which has been accomplished by the By-laws Committee which comprised of Geoffrey Ndungu, Pastor James Macharia, Josphat Njagi and Peter Ngure. We would also like to thank the Board members who supported the process in different ways. We trust that this important document shall guide the Board in discharging its duties as well as enhancing the members' participation in the Sacco.

The Sacco By-laws policy document was revised in March 2016 in order to allign it with the SASRA recommended By-laws.

## **1.0 NAME AND AREA OF OPERATION**

The society shall be called **Good Faith Savings and Credit Co-operative Society** Limited here in after referred to in these By-laws as “the society’ and its area of operation shall be within the Republic of Kenya.

## **1.2 REGISTERED OFFICE AND POSTAL ADDRESS**

The registered office of this society shall be at **Kiwa House, Nyambari**, plot **Number LR Kiambu /Lari 96, Ground Floor, Room Number 1** and its Postal Address is 224-00222 Uplands. Notice of any change shall be given to the commissioner for co-operatives development and to all members of the society.

## **1.3 OPENING AND RELOCATION OF SACCO SOCIETY’S BRANCHES**

Currently the Sacco has one branch at Kitengela. The Sacco Society shall seek a written approval from the Authority to open other new branches, relocate or close a place of business.

## **1.4 ABBREVIATIONS**

AGM	-	Annual General Meeting
BOSA	-	Back Office Services Activity
CEO	-	Chief Executive Officer
FGCK	-	Full Gospel Churches of Kenya
FOSA	-	Front Office Services Activity
KSHs.	-	Kenya Shillings
LTD	-	Limited
NGO	-	Non Governmental Organization
SACCO	-	Savings and Credit Co-operative
SASRA	-	Sacco Society Regulatory Authority
CMC	-	

## **1.5 DEFINITIONS AND INTERPRETATIONS**

1.5.1 In these by-laws, unless the context otherwise suggests words or phrases shall be interpreted in accordance with the Sacco Societies Act, 2008 and Regulations herein after referred to as the “Act” and “Regulations” respectively, the Co-operative Societies Act Cap 490 Laws of Kenya and the Rules made there under herein after referred to as the “Co-operative Act” and “Rules” respectively.

1.5.2 In these by-laws where the masculine gender is referred to, it will be construed to include the feminine gender.

1.5.3 In these by-laws save as otherwise expressly stated:

(i) Audit Committee- Committee of the Board established as per the Regulations

- (ii) "Authority" shall mean the Sacco Societies Regulatory Authority
- (iii) "A nominee" means a person appointed by the member to inherit the shares, deposits and other interests in the society upon the death of that member.
- (iv) "Applicable Law" shall mean any other relevant law other than the Sacco Societies Act, 2008 and the Regulations, Co-operative Societies Act cap 490, Rules, and these by-laws.
- (v) "Board of Directors" shall refer to the persons elected in a duly convened General Meeting to govern the Business of the Sacco society as per these by-laws hereinafter referred to as the "board".
- (vi) "Commissioner" shall mean "the Commissioner for Co- operative Development as provided for in the Co-operative Act."
- (vii) "Core Capital" shall mean fully paid up members" shares, capital issued, disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the Sacco society
- (viii) "Dividend" shall mean members share of the surplus of the Sacco society which is divided amongst its members based on shareholding.
- (ix) "Deposit" means a sum of money received or paid on terms under which it shall be repaid with or without interest or premium and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it
- (x) "General Meeting" shall be a meeting (either "annual" or "special") for all members duly convened by the Sacco society to conduct its business.
- (xi) "Member" includes a person or a co-operative society joining in the application for the registration of a Sacco society, and a person or co-operative society admitted to membership after registration in accordance with the by-laws.
- (xii) "Returning officer" is a person appointed to oversee or conduct the elections of a co-operative society at a general meeting.
- (xiii) "SACCO Society" means a savings and credit co-operative society registered under the Co-operative Act and licensed under the Sacco Societies Act, 2008.
- (xiv) "Share Capital" shall mean members" equity in the form of issued and fully paid up shares of common stock
- (xv) "Tribunal" shall mean the Co-operative Tribunal established under the Co-operative Act to hear and determine disputes.



**xvi. “Equity”** – Is the difference between assets and liabilities, or the total institutional capital and other accounts.

**xvii. “Deposits capital”** means the amount represented by a member’s portion in the equity of the society as a co-owner.

**xviii. “Institutional Capital”** means and is comprised of statutory reserves, entrance fees, appropriation accumulated account and other reserves established by the Society for which there is no claim.

**xix. “Immediate family member”** – Is a spouse or other family member living in the same household or under the direct influence of the officer, member or employee of the Sacco.

**xx. “Officer”** - Means a Director or any other person by whatever name or title may be called or described who carries out or may be empowered to carry out functions related to the overall direction of the Sacco or takes part in the general management thereof.

**xxi. “Savings”** – Means deposits payable on demand

**xxii. “Supervisory Committee”** means the oversight Committee elected by a General Meeting of the Society.

xxiii. **“Member in good standing”** means a member who is up to date on making the required contributions of deposits, deposits, loan payment and other agreed contributions to the Society and has not in any way acted in a manner which is potentially damaging to the Society and has fully complied with the By-laws, policies and rules set by the Society.

xxiv. Delinquent loan – Means any loan which the principal and/or interest remain unpaid after the due date.

Any questions concerning interpretation of these by-laws or any matters not provided for therein, errors and omissions shall be referred to the Authority or Commissioner as is applicable.

## **2.0 VISION STATEMENT**

To be a leading Faith-Based SACCO with a strong financial base, offering innovative and diversified products and services in Kenya.

## **2.1 MISSION STATEMENT**

To promote mobilization of savings, giving financial services at competitive rates and ensuring surplus results to improve the social economic status of members and the community at large.

## **2.2 CORE VALUES**

- Honesty
- Professionalism
- Team-work
- Respect
- Integrity
- Transparency and accountability
- Effectiveness and efficiency
- Diligence
- Community social responsibility

The above core values shall set the norm that will guide this SACCO's operations and reflect its culture and values in relation to all the stakeholders.

## **3.0 OBJECTS**

3.1 The objects for which the Sacco society is established are to organize and promote the quality of life of the members by providing quality financial products and services.

3.2 In particular, the Sacco society shall undertake:

(i) To promote thrift among its members by affording them an opportunity for accumulating their savings and deposits and providing them with credit exclusively for provident and productive purposes, at fair and reasonable rate of interest; thereby enabling them to use and control their money for their mutual benefit.

(ii) To ensure personal growth through the introduction of new products and services that will promote the economic base of the members.

(iii) To ensure progress of members and Sacco society through continuous education programs on savings and proper use of credit, reduction of poverty, human dignity and co-operation.

(iv) To apply the co-operative principle of co-operation among co-operatives in order to promote members' interests. In furtherance to its objects, the society may affiliate to the relevant National Co-operative Union and the Apex society.

(v) To offer complimentary savings and credit services in the form of Front Office Services Activity (FOSA) and other savings and credit products as shall be required by the members from time to time.

3.3 For the attainment of the above objects, the Sacco society may do acts and things that are permissible under the Act and Regulations, Co-operative Act and Rules and these By-laws and all such other things as are incidental or consequential to the economic enhancement of its members interests provided such act is approved by the members in a general meeting.

#### **4.0 CO-OPERATIVE PRINCIPLES AND VALUES**

In order to achieve its objects the Sacco society shall act in accordance with the following Co-operative principles and relevant values.

##### **4.1 CO-OPERATIVE PRINCIPLES**

In order to achieve its objects the Sacco society shall act in accordance with the following Co-operative principles and relevant values.

###### **i. Voluntary and Open Membership**

The primary purpose of the society shall be to serve its members and as applicable non-members in a prudent and effective manner. Membership of the society shall be open on a voluntary basis, without political, religious, ethnic, gender or social discrimination to all who qualify and can contribute to and benefit from its activities.

###### **ii. Democratic Member Control**

The society shall be a democratic and participatory organization actively controlled by its members who shall enjoy equal voting rights on a “one member one –vote” basis.

###### **iii. Economic Participation by Members**

Members shall contribute equitably to the capital of the society and deposits in the results of its operations. The society shall endeavor to pay a competitive rate of dividend/interest on capital, and to **compensate employees fairly according to prevailing standards**. Members may allocate surpluses for any of the following purposes:-

(a) Developing the business of the society

(b) Benefiting members in proportion to their involvement with the society

- (c) Encouraging further development of the co-operative movement
- (d) Contributing to community or charitable purposes.

**iv. Autonomy and Independence**

The society shall be an autonomous, mutual-help organization controlled by its members. If the society enters into any agreement with the Government or Non-Governmental Organizations it shall do so freely on mutually acceptable terms that will ensure its continued autonomy.

**vii. Education, Training and Information**

The society shall foster reciprocal, ongoing education programmes for its members, committee employees and the general public, so that they can teach – and learn from each other in understanding and carrying out their irrespctive roles. The society shall endeavor to inform the general public particularly young people and opinion leaders about the nature and benefits of the Co-operative Movement.

**viii. Co-operation among Co-operatives**

In order to best serve the interests of its members and the community at large, the society shall actively co-operate in every practical way with other co-operative societies and organizations locally, nationally and internationally.

**ix. Concern for Community in General**

The society shall keep itself abreast with the concerns of the community it serves. While focusing on members needs it shall also strive towards suitable development of the community through policies that are respectful of the environment and acceptable to the membership.

**x. Affiliation to Co-Operative Organizations**

The Society may become a member of or seek affiliation to other relevant organizations by a resolution of the members in a General Meeting.

**4.2 CO-OPERATIVE VALUES**

The Society shall be based on the values of self-help, mutual responsibility, equality and equity. It shall practice honesty, openness and social responsibility in all its activities.

## 5.0 MEMBERSHIP

### 5.1 QUALIFICATION FOR MEMBERSHIP

A person of either sex shall be eligible for membership to the society and shall possess all the following qualifications;

A person who possesses the following qualifications shall be eligible for membership:-

- i. Has attained the age of 18 years.
- ii. Is of good character and sound mind
- iii. Pays the entrance fee and share capital as prescribed in these by-laws.
- iv. Provided that no member shall belong to more than two Sacco societies serving similar purpose.
- v. Submit a copy of the national identification card, two passport size photographs

### 5.2 APPLICATION AND ADMISSION TO MEMBERSHIP

For one to be admitted as a member one shall;

Fill in a membership application form. (Refer to appendix xy – Membership Application Form.)

- i.
- ii. \*The fee for application for membership shall be as fixed by the Board and approved by a General Meeting. (Pay a non refundable **membership entrance fee** of Kshs. 600.00.)
- iii. Pay the current agreed minimum deposit for the month of admission.
- iv. Buy a minimum **non-refundable share capital** of Kshs. 1,000.00. A member may transfer the shares to other members on leaving the membership of the Sacco Society but the Sacco Society shall not refund the shares. The share capital may earn dividend at a rate to be determined by the Board of Directors subject to the SACCO's performance.
- v. Pay the minimum monthly **non-withdrawable deposit** of five hundred shillings (Ksh. 500.00) which shall be used as collateral against borrowings and shall be refunded when membership is withdrawn. The non-withdraw able deposit may earn interest at a rate to be determined by the Board of Directors subject to performance of the SACCO.

### **5:3 REFUSAL OF MEMBERSHIP**

The Board of Directors may refuse Membership to any applicant, giving him/her reasons for refusal in writing.

### **5:4 MEMBERSHIP RIGHTS**

Subject to these By-laws, policies, standards, values and procedures, all members shall have the right to enjoy the Society's services and exercise the rights established by the Act, the Rules and these By-laws. Members are entitled but not limited to:-

- i. Receive periodically and regularly, or upon request and at least quarterly, a statement of the Members Account.
- ii. Attend and participate in all General Meetings of members. Each member shall have one vote irrespective of the deposits holding.
- iii. Elect or be elected as an officer of the Society, unless otherwise prohibited by any other law or where specifically disqualified by these By-laws or by the **Electoral Committee**.
- iv. Use the Society services according to the policies and procedures approved by the Board of Directors
- v. Submit proposals or recommendations to the Board, for the improvement of the Society's services.
- vi. Other rights as prescribed by the Act and Rules.
- vii. Provided that a member who qualified for Membership into the Society by virtue of his or her employment with the Society shall not be eligible for election to any organ, Committee or office of the Society save that of his or her employment.

### **5:5 MEMBERSHIP OBLIGATIONS**

In complement to the Act and Rules, members of the Society are obliged to:-

- i. Pay monthly deposits (Minimum monthly deposit is Ksh. 500.00).
- ii. Service loans faithfully
- iii. Attend all General Meetings
- iv. Show a good co-operative spirit
- v. Inform non-members and encourage them to join the Sacco
- vi. Bring out problems affecting the Society and look for solutions
- vii. Participate in the Society's projects both physically and financially
- viii. Attend Educational Meetings and seminars organized by the Society or other organizations approved by the Board of Directors
- ix. Make use of the services of the Society as stated in the objects of the Society.
- x. Comply with these By-laws, the Co-operative Societies Act, Rules and Resolutions of General Meetings.

## **5:6 MEMBER'S PERSONAL ACCOUNT**

The member's personal account shall show the following:-

- i. Membership number
- ii. All correspondences
- iii. Registration details

## **5:7 CEASATION OF MEMBERSHIP**

Membership of the society shall cease with effect from the date of a member's:-

- i. Death
- ii. Withdrawal
- iii. Expulsion from society
- iv. Becoming certifiably insane
- v. Transfer of deposits
- vi. Being declared bankrupt in a court of law
- vii. Loss of qualification of membership under By-Law No.3.1

## **5:8 MEMBERSHIP WITHDRAWAL**

- (a) Where a member wishes to withdraw from the Society the member will be required to give the Society written notice of up to 60 days of the intention to withdraw.
- (b) No member shall be allowed to withdraw from the Society membership unless the member's loan is repaid in full, and provided such a member satisfies the Society that all loans guaranteed have been fully recovered, or the balance does not exceed the deposits and deposits of the members whose loans were guaranteed.
- (c) A member who is an official/staff who withdraws due to resignation s/he shall be required to clear all outstanding loans and provide alternative guarantors in case of loans guaranteed before resignation.

## **5.9 SUSPENSION AND EXPULSION**

5.9.1 The board may suspend a member, subject to the decision of the general meeting to expel, who;

(i) fails to fulfill his/her obligations to the Sacco society whether stated in these by-laws, general internal regulations, a resolution of the general meeting or in contravention of any other legal document, provided such a member has been called upon to do so but has failed,

(ii) Is convicted in a court of law for a criminal offence involving dishonesty or fraud or is, imprisoned for a period of three months or more,

(iii) Is a member of another Sacco society serving similar purpose,

(iv) Acts in any manner prejudicial to the interests of the Sacco society provided that, no member shall remain in suspension for a period of more than 12 months.

### **5.10 PROCEDURE OF SUSPENSION AND EXPULSION**

5.10.1 Upon formal and written proof that a member has committed a violation punishable by expulsion, the board shall serve a thirty (30) days written notice to the member stating the reason(s) for the proposed expulsion and requiring him/her to file a defense.

5.10.2 Upon the expiry of the 30 days and taking into consideration the member's defense if any, the board shall initiate administrative inquiry and make a decision on its findings within 15 days. The Board may;-

a) Suspend the member pending expulsion by the General Meeting or

b) Impose any other punishment as may be in this By Law or as may be directed by the general meeting from time to time.

5.10.3 The suspended member may appeal to the supervisory committee if not satisfied with the decision of the Board

5.10.4 Where a suspended member does not prefer an appeal to the supervisory committee, the board shall present its finding to the next General meeting which may either lift the suspension or expel the member.

5.10.5 The Supervisory Committee shall and determine the appeal and present their findings to the next General meeting which may either lift the suspension or expel the member.

5.10.6 A member who is expelled from the Sacco society shall have the right to appeal to the tribunal.

### **5.11 APPEALS AGAINST EXPULSION**

A member so expelled by the Board of Directors shall have the right to appeal to the General Meeting provided the notice and grounds for such appeal shall be filed with the Honorary Secretary or the CEO. The decision of the General Meeting on such expulsion shall be final provided such a member shall have the right to refer the issue to the tribunal.

### **5.12 PAYMENT ON CESSATION OF MEMBERSHIP**

On cessation of membership, a person shall be paid the following less any outstanding obligations;-

(i) The deposits (both withdrawable and non-withdrawable).



(ii) Any dividends and interests due prior to the cessation date.

(iii) Any other funds other than shares held by the Sacco society on his/her behalf.

## **6.0 NOMINEE**

### **6.1 APPOINTMENT**

- i. Each member shall nominate one or more persons in writing as his/her nominee(s) to whom on his/her death, deposits, deposits, or other interest shall be vested and such appointment shall be in writing and attested by two witnesses who are members of the Society. Provided that a member shall have the right to change his/her nominee(s) in writing and signed by the member in the presence of two attesting witnesses who are members of the Society.
- ii. The particulars of nominee(s) shall be recorded on Form VII set out in the schedule to the Rules and kept in a sealed envelope in the custody of the Manager or Secretary and whose reference shall be entered in the register of members.
- iii. Where more than one nominee is appointed by any member, the number or proportion of deposits, deposits or other interests to be transferred to each nominee shall be specified at the time of appointment. Provided, however, that where no amount is specified the nominees shall receive equal deposits.

### **6.2 ADMISSION OF NOMINEE**

A nominee may be admitted to membership of the Sacco society if qualified. The shares, deposits, interest and dividends due to the deceased member shall be transferred to the account of that nominee.

### **6.3 PAYMENT TO NOMINEE**

In the event of death of a member, the society after satisfying itself and after obtaining such documentary proof of the death of a member as it may consider necessary, shall pay to the nominee(s) the value of the deceased member's deposits, deposits, interest and dividend after deducting such sums as may be due by the member to the Society, if he/she does not qualify for admission or declines Sacco membership.

After paying the nominee(s) the value of deceased member deposits, or interest, less any sums due to the Society ; the nominee(s) obligations by the Society shall be discharged; incase the nominee is a member of this society he/she is at liberty to convert the benefits to deposits/shares.

## **7.0 FUNDS OF THE SACCO SOCIETY**

The funds of the Sacco Society shall consist of:

## 7.1 CORE CAPITAL

- (i) Paid up members shares
- (ii) Retained Earnings
- (iii) Disclosed Reserves
- (iv) Grants and Donations

## 7.2 INCOME

- (i) Interest, fees and charges, penalties, and commissions
- (ii) Entrance fee
- (iii) Any donations, grants or gifts from other bodies, organizations or individuals
- (iv) Funds obtained from other lawful miscellaneous sources **a) Liabilities**, which include deposits from members and borrowings from other sources as may be prescribed by the Authority. **b) Funds obtained from lawful miscellaneous sources.**

## 7.3 CAPITAL ADEQUACY

The Sacco Society shall at all times maintain:- (i) Core Capital of not less than 10million shillings (ii) Core capital of not less than 10% of total assets (iii) Core capital of not less than 8% of total deposits (iv) Institutional capital of not less than 8% of total assets The funds of the Sacco society shall only be applied for the promotion of the Stated objects of the Sacco society as set forth in these by laws, and shall be invested in: (i) Securities issued or guaranteed by the government or any agency of the government. (ii) Deposits obligations or other accounts of deposit taking institutions under the banking Act (iii) Shares, stocks, deposits in, loans to or other obligations to any Sacco Society or Co-operative Society. (iv) Loans to members. (v) Properties and Equipment for purposes of Sacco business

Investments under 7.3 above shall not in the aggregate, exceed such proportion of total assets, core capital and deposits of the Sacco Society as prescribed in the Regulations. **Other sources of Sacco funds include the following;** Membership entrance fee shall be regulated by the Board and approved by the General Meeting. A reserve fund of 20% of the net surplus and such other reserves as may be established with the approval of the General Meeting. Any surplus resulting from operations of the Society Donations, grants and / or gifts from other bodies or individuals Funds obtained from lawful miscellaneous sources.

## 7.5 DEPOSITS

**“Deposit”** means a sum of money paid to the Society by a member on terms under which it is withdrawable at a time or in circumstances as agreed. Deposits shall be a minimum of Ksh. 500.00 payable per month. No member shall be allowed to hold more than a fifth (20%) of the total deposits.

## **8.0 SHARE CAPITAL**

Every member shall hold at least 100 shares of Kshs 20/= each as shall be fixed by the General Meeting. However, no member shall hold more than one-fifth of the total shares of the Sacco Society.

8.1 Transfer of Shares With the approval of the board, a member may at any time transfer shares to another member but not to any other person. Such transfers must be in writing and at nominal value.

8.2 All transfers of shares shall be registered with the Sacco society CEO and no transfer shall be valid unless so registered. A transfer fee shall be determined by the Board of Directors from time to time. (A fee of Kshs 100/= for 50 shares shall be payable by the transferee *for each such transfer.*) The share capital shall be a minimum of non-refundable Kshs. 2000 and is subject to review. The society shall not grant a loan or credit facility against a member's shares.

## **8.3 PURCHASE OF SHARES**

Any amount may be accepted towards the purchase of shares, provided however, that the Board of Directors may fix a minimum amount that may be paid by the member at any one time subject to approval by the General Meeting.

## **8.4 CASH RESERVE/LIQUIDITY**

Except as otherwise authorized by the Commissioner, a cash reserve shall be maintained of not less than 15% of the total deposits capital and deposits for the specific purpose of meeting requests for deposits or deposits withdrawal and other emergency pay-outs. The cash reserve may consist of cash in hand, the current account, the society's savings account, fixed deposits and other investments with a maturity period not exceeding 90 days.

## **9:0 LIABILITIES OF MEMBERS**

- (a) The liability of a member shall be limited to the nominal value of deposits held by him/her.
- (b) In the event of liquidation, where available funds are insufficient to pay the full nominal value of the deposits held by the members, the funds shall be distributed pro-rata among the deposits holders according to the amount of deposits held by each.

## **10:0 BORROWING POWER**

10.1 Loans may be obtained from non-members subject to the maximum amount and terms approved by the General Meeting provided the total external borrowing by the Sacco Society does not exceed the limit prescribed in the Regulations.

10.2 For the security of any loans accepted by the Society, under paragraph 10.1 above, the Society may grant a charge over its assets. The authority to grant a charge shall be reserved to the General meeting.

10.3 The rate of interest on loans shall not exceed the current market rate.

**11.0 RECEIPTING OF MONEY**

10.1 Money received on account of shares, deposits, Loans, interest’s fees or fines shall be recorded and evidenced as provided in the approved policies and procedures manuals.

**12.0 PAYMENT AND DISBURSEMENT**

Payments made by the Sacco society shall be recorded and evidenced as provided for in the approved policy and procedure manual.

**13.0 LOANS**

**13.1 TYPES OF LOANS**

The society shall mainly grant the following types of loans:-

**a) DEVELOPMENT LOANS**

This shall be considered in the order with which applications are received. Preference will be given as follows:-

- i. Members who have never been granted any loan
- ii. New members who have qualified for loans
- iii. Members who have cleared their loans and have applied for fresh loans.

Repayment period for development loans shall be governed by the Credit Policy

**b) EMERGENCY LOANS**

This will include sudden hospitalization, funeral expenses, court fines and other unforeseen calamities but shall not include **rent, bank loans and credit cards**.

- i. No member shall qualify for an emergency loan while still serving a previously granted emergency loan.
- ii. Emergency loan applications must be supported by relevant documents relating to the nature of the emergency as and where applicable.
- iii. The repayment period for an emergency loan shall not exceed 12 months.

**c) EDUCATION LOANS**

This will include fees for pre-primary, primary, secondary, colleges and both local and overseas universities.

- i. The total outstanding loans, including school fees must not exceed the limit of deposits and deposits as provided for in the “Loans Policy’.
- ii. Only one educational loan may be granted in one year.
- iii. Educational loans must be repaid within 12 months.

#### **d) SPECIAL LOANS**

- i. The Board of Directors shall introduce “Special Loans” for periods not exceeding twelve
- ii. e months to assist members meet their short term financial needs.
- iii. Terms and conditions for “Special Loans” shall be formulated by the Board of Directors and approved by the General Meeting including the rate of interest which may be different from that normally charged on other loans.
- iv. Special loans shall cover Business Loans and other short term financial needs of members.

#### **e) HOSPITALITY LOAN/INSTANT**

If a member has visitors who are to bring financial support to the family and the member requires some money to host them, a loan not exceeding Ksh. 20,000.00 repayable within one week at an interest of 5% may be provided.

#### **f. OTHER TYPES OF LOAN PRODUCTS**

- i. Produce Payment
- ii. Salary Advance
- iii. Dividends advance
- iv. Soft Loans

### **13.2 MEMBERS' LOAN ENTITLEMENT**

The maximum amount of total loans payable to a member at any one time shall not exceed three times a members total deposits or exceed 5% of the Society's total deposits, capital, and reserves unless an exemption is given by a General Meeting.

### **13.3 LOANS TO BOARD MEMBERS AND STAFF**

Loans may be granted to the members of the Board of Directors and employees of the society who are members only if:-

- i. The loans are approved or ratified by the Board of Directors, and where the applicants attend Board meetings or staff, they shall not be present in the meeting considering their loan applications.
- ii. All the loan applications are in accordance with the By-laws and not on terms more favorable than those extended to other borrowers.
- iii. The loan is approved by the Credit Committee, and thereafter by the Board of Directors.

The Sacco shall notify SASRA of every approval given within fourteen days of such approval (Refer to SASRA Rules Section 36 paragraph 4).

### **13.4 INTEREST ON LOANS**

The rate of interest on loans shall be recommended by the Board of Directors, provided it does not exceed prevailing market rates, subject to approval of the General Meeting.

### **13.5 LOAN APPLICATION**

- i. Application for loans shall be initiated by members through filing in a loan application form whose cost shall be fixed by the Board and approved a General Meeting.  
Refer to appendix xy – Loan Application Form.
- ii. A completed loan application forms shall be submitted to the Society’s office.
- iii. It shall be an offence for any applicant, Society employee or members of the Board of Directors or Supervisory Committee to give false information regarding deposits, deposits, loans and guarantees.
- iv. When a loan application is rejected, the Sacco Society shall communicate to the applicant in writing the reasons for the rejection within fourteen days.

### **13.6 LOANS GRANTING**

- i. Loan applications shall be considered in the order in which application is made, unless the loan is deemed by the Credit Committee to be ‘An Emergency Loan’. Whenever there are more applications for loans pending than there are funds available, preference shall be given in all cases to applicants with small loans, need and credit standing of the applicant.
- ii. Loans shall be given only for worthy purposes that will benefit the borrower.
- iii. The Credit Committee may require an applicant to appear before it personally to be interviewed in respect for his/her application for a loan.
- iv. No loan shall be made to a member in excess of 5% of the society’s total deposits capital, deposits and reserves nor for a period exceeding three years provided, however, that loans for capital expenditure may be granted for a period not exceeding four years.
- v. The loan application form shall clearly state the amount of the loan, the rate of interest, the terms of repayment and security.

### **13.7 SECURITY ON LOANS**

- i. The security for loans shall be the member’s deposits or collateral.
- ii. Loan guarantorship shall be based on, “One uncommitted deposit shilling guaranteeing one shilling on the loan”. An applicant’s loan shall be calculated on the basis of deposits not used to guarantee any other existing loan.
- iii. In the event of a willful default for **two months**, the committee may recall the whole loan.

- iv. Where there is after ninety days, continued delinquency, the Committee may offset the loan balance from the member's deposits.
- v. A borrower or guarantor may apply to the Credit Committee for a change of guarantor provided the Credit Committee may for good cause demand a change or increase of guarantee.
- vi. No Board member or Supervisory Committee member shall act as an endorser or guarantor for borrowers from the Society.
- vii. Once the loan has been approved by the Credit Committee and authorised by the Chairman it shall be paid off.
- viii. Loan application by Board members and staff shall be approved by the Credit Committee and thereafter by the Board of Directors.

### **13.8 LOAN PAYMENT**

- i. A borrower may, on any day on which the Sacco society is open for business, repay his/her loan in whole or in part prior to maturity.
- ii. At every regular meeting of the Board of Directors, the item "Loans", shall appear on the agenda. At the meeting, the Credit Committee shall present an up-do –date listing of delinquent borrowers showing:-
  - a) Name of borrower
  - b) Account number
  - c) Date of loan
  - d) Date of last payment
  - e) Number of months delinquent
  - f) Total loan amount defaulted to date
  - g) Unpaid balance of loan
  - h) Borrower's deposits and deposits balance
  - i) Security, or guarantors, if any.

The Board of Directors shall thereupon take action to collect the overdue loan balances. Any loan three months overdue may be referred to the guarantor/s to make good.

### **13.9 LOAN RE-FINANCING**

- i. EXTENSION OF TIME; The refinancing of a loan balance or any request for an extension of time in which to pay shall be agreed by the Board of Directors only in the most exceptional circumstances.

However, the re-financing shall require urgent consideration for insurance implications due to changes in the loan's timeline.

**iii. LOAN TOP-UP:**

The Sacco provides for top-up on loans in very exceptional circumstances in situations where the members has already;

- a. Re-paid 25% of the current loan.
- b. There has been no report on default.

**13.10 LOAN DEFAULTS**

- i. In case a loan is not repaid for a month, the Society shall inform the loanee immediately in writing with a copy to each guarantor. If no repayment is effected during the second month, the guarantors shall be called upon to honor their obligations during the third consecutive month. However, the Society will still maintain its right of set off to recover the defaulted loan from the loanee where it is practicable to do so.
- ii. No member will be allowed to withdraw part of his/her deposits or deposits or offset part of the deposits against an outstanding loan unless s/he ceases to be a member of the society.
- iii. Where a member changes the Common Bond s/he may transfer his/her deposits to the Society of the new Common Bond if any. A member must clear any outstanding loan with the society which shall transfer deposits directly to the new Society by drawing a cheque in the name of the Society if the member so requests.

**14.0 RESERVE FUND**

- i. The society shall pay into the reserve fund, maintained in pursuance of the provision of the Act, 20% of the surplus resulting from the operations of the Society during a financial year.
- ii. The reserve fund of the Society shall be invested in the manner provided for in section 45 of the Act.
- iii. No withdrawals shall be made from the reserve fund of the Society without the consent in writing of the Commissioner and any such withdrawals shall be made good from the net available funds accruing to the Society if the Annual General Meeting so direct.
- iv. The reserve fund shall be indivisible and no member shall be entitled to claim a specific deposit of it.



## **15:0 GENERAL MEETINGS**

There shall be three sets of meetings:-

- i. Annual General Meeting (AGM)
- ii. General Meeting
- iii. Special General Meeting

## **15:1 ANNUAL GENERAL MEETING (AGM)**

The Annual General Meetings (AGM) shall be convened by the Board. The supreme authority of the society shall be vested in the General meetings.

- i. The Annual General Meeting shall be held **within four months** after the end of each financial year. The Annual General Meeting shall hold elections and undertake such other business as is laid down in these By-laws.
- ii. Any business not completed at the Annual General Meeting may be taken up by a subsequent Special General Meeting or at the next Annual General Meeting.

## **15.2 GENERAL MEETING**

The General meetings shall be convened by the Board. The purpose of the General Meetings shall be to build the capacity of the Sacco members in special areas of the members' interests. This includes meetings such as the Education Day.

## **15.3 SPECIAL GENERAL MEETING**

A special general meeting of the Sacco society may be held when convened by the:-

- i. **Board**
- ii. **Commissioner of Co-operatives**
- iii. **Board** within days of receipt of a written request by at least 25% of the membership, provided the request is deposited by registered mail at the Sacco society's address or delivered to the Chief Executive Officer at the Sacco society's offices within normal working hours.
- iv. **Members** in (14.3 iii) above, if the Committee fails to convene a meeting within fifteen days of receiving notice under the Co-operative Act, the members shall give notice to the other members of the Sacco society, stating the object and reasons for the meeting and the fact that the Committee has failed to convene the meeting.

## **15.4 NOTICE OF MEETINGS**

At least **21 days** notice shall be given in the case of an Annual, General Meeting or Special General Meeting. The CEO shall take all possible and usual steps, such as announcements in the Churches, posting a notice on the Society's notice board or boards, an advertisement in the local media to inform all members of the date, venue and main business of the meeting. All written notices shall include a statement of the business to be dealt with.

## **16.0 QUORUM**

Except when convened by the Commissioner, the presence of at least 25% of the total membership, shall constitute a quorum for the conduct of business at the General Meeting. When a quorum is not attained the chairman shall adjourn the meeting and fix a date for another meeting within one month, which shall be advertised as prescribed in these by-laws. If a quorum is again not attained, the chairman shall declare the meeting open with those present one hour after the advertised time of the meeting.

## **17.0 MINUTES OF A GENERAL MEETING**

All business discussed or decided at the General Meeting shall be recorded in a minute book which within one month of the meeting shall be verified by the Board that in their opinion the minutes are true and complete record of the previous AGM.

## **18.0 DUTIES OF GENERAL MEETINGS**

**The General Meeting shall have the powers and duties prescribed in the Act, Regulations, Co-operative Act, Rules and these by-laws. It shall:**

- i. Consider and confirm the minutes of the previous General Meeting.
- ii. Consider reports of committees, the Commissioner or his/her representative and the audited accounts on the Sacco society's activities during the past financial year.
- iii. Consider and resolve on the manner in which any available surplus shall be distributed or invested, subject to the Act, Regulations, Co-operative Act and Rules.
- iv. Elect or remove members of the board and the Supervisory Committee, subject to the Act, Regulations and these by-laws.
- v. Fix the indemnity for the elected committee members and management staff.
- vi. Consider recommendations on expulsion of members and refusal of membership by the Board.
- vii. Fix the maximum liability which the Sacco society may incur in loans and deposits from members and non-members.
- viii. Approve the estimates of income and expenditure for the financial year following the General Meeting.
- ix. Fix the honoraria, if any, for officers or employees of the Sacco society.
- x. Decide on the management structure, including the establishment of branches to facilitate efficient and cost effective delivery of services to members.
- xi. Appoint bankers, auditors and advocates of the Sacco society for the ensuing year.
- xii. Approve affiliation to National Co-operative Organizations for SACCO societies and the Apex society.
- xiii. Transact any other business of the Sacco society for which notice has been given to members in the manner prescribed in these by-laws.

- xiv. All members have a right to attend the General Meeting and participate in its deliberations, however they may be required to identify themselves.

### **18.1 EFFECTS OF GENERAL MEETINGS**

A decision taken by the General Meeting shall be binding to all members present, absent and objecting. A decision taken by the General Meeting shall be binding to all members present, absent and objecting.

### **19.0 BOARD OF DIRECTORS**

The board shall be the governing body of the Sacco society elected from the general membership and shall consist of nine members who are non executive.

### **20.0 ELIGIBILITY FOR MEMBERSHIP TO THE BOARD OF DIRECTORS**

No person shall be eligible as a member of Board of Director if he/she;-

- i. Has not been a member of the Sacco Society for at least one year prior to the Annual General Meeting.
- ii. Has been adversely named by the Commissioner or his/her representative in an inquiry report endorsed by an Annual or Special General Meeting for mismanagement or corrupt practices whilst still a member of the Board of a co-operative society or union in the last ten years, or named in any other national inquiries where he/ she has been shown to be engaging in dishonest activities,
- iii. Has been adversely named by the Authority in an inspection report for mismanagement or corrupt practices while still a member of the board of a Sacco society.
- iv. Has been charged of any offence involving dishonesty, a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- v. Has been convicted of any offence involving dishonesty or is imprisoned for three months or more with a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- vi. Is not a born again with a good report from his/her Church minister and evidence of good Christian living.
- vii. Is delinquent on loans with the SACCO for more that 60 days within 2 years prior to elections;
- viii. Shall not have attained a minimum of "O" Level Certificate of Education or equivalent;
- ix. Is undis-charged bankrupt ;
- x. Is under 18 years of age;
- xi. Is of unsound mind;
- xii. Is a Board member of another existing Sacco society licensed under the Act; Is
- xiii. Is an official of or holds a political office at any level;

- xiv. Does not conform to minimum qualification standards in accordance to the applicable law.
- xv. Has been removed from public office on disciplinary action.
- xvi. Has not duly executed the Fit and Proper Test form as provided in the Regulations.

## **21.0 ELECTIONS**

- i. The board shall notify the members of the vacancies arising in both the board and the Supervisory Committee.
- ii. There shall be a **Nominating Committee** constituted as per the Sacco Electoral Policy formulated by the board to vet and clear the prospective candidates for elections.
- iii. During elections, the Returning officer shall present duly nominated candidates for the vacant positions. Each candidate must have a proposer and a seconder.
- iv. At the elections, members shall decide, by majority vote, the method of voting. The method may be secret ballot or queuing or by show of hands.
- v. No member shall be entitled to vote by proxy.
- vi. Irrespective of the number of shares held by him, no member shall have more than one vote.
- vii. Within fourteen (14) days of the elections, the Chief Executive Officer shall forward to the Commissioner and the Authority the names and addresses of all persons elected.
- viii. A new committee elected at the General Meeting shall not assume office unless they have been cleared by the Authority and satisfied the requirements of the Co-operative Act, Rules and these by-laws as to the indemnity and ethics.

## **22.0 TENURE OF OFFICE**

The members of Board shall hold office for a period of three years provided that, one-third of the board members shall retire every year but will be eligible for re-election for two terms subject to amendment of the Co-operative Act and the Minister's rules (Refer to article 18.0 iii above).

## **23.0 DUTIES AND RESPONSIBILITIES**

The board of the Sacco society shall subject to any directions from the General Meeting generally direct the affairs of the Sacco society. Its procedures, powers and duties shall be as prescribed by the Act, Regulations, co-operative Act and Rules and these by-laws. In particular, it shall;

- a. Observe in all its transactions the Act and the Regulations, Co-operative Act and the Rules, these by-laws and prudent business practices.
- b. Establish and approve appropriate policies including human resource management, savings, liquidity, investment, dividend, risk management, membership administration, cash handling and information management and preservation.
- c. Ensure that the management maintains proper and accurate records that reflect the true and fair position of the Sacco society's financial condition.
- d. Prepare and develop business plans and annual budgets for presentation at the General Meeting;
- e. Formulate the Electoral Policy to guide in the nomination and election process
- f. Appoint such number of board committees as maybe necessary to effectively discharge its functions;
- g. Approve interest rates on loans, the maximum maturities and terms of payment or amortization of loans from time to time and the maximum amounts that may be loaned with or without security to any member as recommended by the Sacco society's management;
- h. Cause the audited accounts to be displayed in a conspicuous place at its registered office and branches at least two weeks before presentation of accounts to its members at the general meeting;
- i. Lay before the General Meeting audited accounts, together with proposals for the disposal of net surplus, if any;
- j. Recommend to the General Meeting the dividend rate to be paid on shares, if any, and interest to be paid on non withdrawable deposits;
- k. Fill through co-option, vacancies occurring in the board between General Meetings;
- l. Authorize the conveyance of properties;
- m. Authorize borrowing of the Sacco society in accordance with the law.
- n. Approve and review lending policies of the Sacco society to ensure compliance with the Law.
- o. Approve or ratify all loans to directors and employees of the Sacco society;
- p. Approve interest rates on loans to members as recommended by finance committee,
- q. Designate a depository or depositories for the funds of the Sacco society;
- r. Prepare and approve a code of conduct in the form set out in the third schedule of the Regulations;
- s. Employ and fix the remuneration of the employees including the appointment of chief executive officer in accordance with the approved human resource policy,;
- t. Report within 15 days the appointment, resignation or removal of the chief executive to the Authority
- u. Impose fines as provided for under these by-laws;
- v. Ensure that the Sacco Society pays its statutory levies to the Authority as and when they fall due;
- w. Ensure adequate provisions for known and probable losses and recommend to the General Meeting the write-off of bad debts.

- x. Perform or authorize any actions consistent with the Act, the Regulations and these by-laws, unless specifically reserved for the General Meeting;
- y. To provide adequate budget for education and training of members, and the capacity development of the board and staff.
- z. Receive and consider reports from the established Board committees.

#### **24.0 BOARD MINUTES**

All business discussed or decided at the Board Meeting shall be recorded without erasures and corrections in a Minute Book, which within one week of the meeting, shall be signed by the Chairman of the meeting and at least one other board member who was present at the meeting, to indicate that in their opinion the minutes are a true and complete record of all matters discussed or decided at the meeting.

- i. At the next meeting, after approving any alterations or variations, which shall be written below the above signatures and not as alterations to the original record, the meeting shall, by resolution, authorize its Chairman to sign and date the final record.

#### **25.0 DELEGATION TO EMPLOYEES**

- i. The board may delegate to the chief executive officer of the Sacco society such duties as it deems fit.
- ii. Nothing in (i) above shall absolve the board from its responsibility of running the affairs of the Sacco society in a proper and businesslike manner.

#### **26.0 BOARD COMMITTEES**

- i. Board committees shall consist of persons drawn from the board.
- ii. The board may delegate to the Board-committees some of its duties under these by-laws as it deems fit.
- iii. These committees shall convene as directed by the board.

The committees :-

- a) Shall keep minutes of their work at all times.
- b) May delegate to the management any of their functions but shall ultimately bear responsibility.

#### **26.1 FINANCE AND ADMINISTRATION COMMITTEE**

The finance Committee shall consist of three members from the board including the treasurer who shall serve as its Chairman. Its duties shall be to:

- i. Review and make recommendations to the board on the financial plans of the Sacco society ensuring its adequacy and soundness in providing for the Sacco Society current operations and long term stability.

- ii. Review, discuss and make recommendations to the board concerning significant financial planning, management and reporting issues of the Sacco society
  - iii. Prepare the Annual Budget and ensure its prudent allocation and implementation. The estimates of income and expenditure shall be formally approved by the General Meeting at least three months before the start of each financial year.
  - iv. Review periodic financial statements of the Sacco society before submission to the board.
  - v. Consider and advise the board on investments and borrowings.
  - vi. Make recommendations to the board on capital expenditure projects.
  - vii. Ensure all expenditure of the Sacco society are within the approved budgets
  - viii. Monitor the management's adherence to the procurement plans approved by the board
  - ix. Review and make recommendation on finance related policies including investments, capital adequacy and financial performance monitoring.
  - x. Ensure the Sacco society has liquidity management policies as prescribed in the Regulations.
  - xi. Review loan interest rates and other levies proposed by the management and make recommendations to the board for approval.
  - xii. Review and make recommendations on appropriate Human Resource Policies,
  - xiii. Review the organizational structure of the Sacco Society and ensure it's manned by staff with relevant skills and experience.
  - xiv. Ensure that periodic reviews of staff performance are conducted.
- (xiv) Examine and recommend Human Resource expenditure for approval by the board.
- (xv) Ensure establishment of management succession plan in the Sacco society.
- (xvi) Ensure the management adheres to the approved human resource and related policies

## **26.2 EDUCATION COMMITTEE**

The Education Committee shall consist of three members appointed from the board. Its duties among others shall be to:

- a) Review and recommend education programmes for members, board members, and the general public for approval by the board.
- b) Monitor implementation of educational programs formulated to ensure that the members and the board are well trained and prepared for the tasks they are entrusted with.

### **26.3            AUDIT COMMITTEE**

- i. The audit committee shall consist of not more than three members appointed from the board, one of whom shall be conversant with financial and accounting matters. The chairman of the board shall not be a member of the Audit committee.
- ii. The primary responsibility of the Audit committee shall be as prescribed in the Regulations which includes:-
  - a) Ensuring establishment and review of the internal control system.
  - b) Review performance and findings of the internal auditor and recommend remedial actions regularly and at least once in every three months;
  - c) Recommending three names of external auditors and the remuneration to the board;
  - d) Reviewing coordination between internal and external audit functions as well as monitor external auditors independence and objectivity;
  - e) Report to the board on their findings and recommendations;



#### **26.4 CREDIT COMMITTEE**

The credit committee shall consist of three members of the Board whose chairman shall be the board vice chairman. Its duties among others shall be to:-

- (i) Ensure establishment and review of appropriate credit policy consistent with the relevant provisions of the Regulations and these by laws.
- (ii) Ensure that the problem loan accounts are adequately identified and classified as prescribed in the Regulations.
- (iii) Ensure adequate provisions for potential loss is maintained.
- (iv) Review periodic credit and loan portfolio reports of the Sacco society before submission to the board.

#### **26.5 SUPERVISORY COMMITTEE**

- i. The Sacco society shall have a supervisory committee consisting of three members each elected at the General Meeting for a period of three years and one member of the supervisory committee shall retire annually. No person who has been a member of the board within two (2) years preceding the date of the anticipated election shall be eligible for membership of the supervisory committee.
- ii. The committee shall:
  - a. Have qualifications similar to those of members of the Board.
  - b. Be required to have at least some knowledge of accounts.
  - c. Be removed by a resolution of the general meeting.
- iii. The supervisory committee shall hold quarterly meetings save for joint meetings between its members and those of the Board.

##### **26.5.1 DUTIES OF THE SUPERVISORY COMMITTEE**

The duties of the supervisory committee shall include:

- (i) Counterchecking, the effectiveness of the society's internal control systems through:-
  - a) Verification of all transactions of the Sacco society
  - b) Writing periodic report to be tabled at board meetings
  - c) Submission of its reports to the commissioner
  - d) Presenting its reports to general meeting.
- (ii) The supervisory committee shall not perform the duties or exercise any of the powers of the board.

(iii) The supervisory committee shall be held liable for any loss incurred due to their negligence in performing their duties.

(iv) The Supervisory Committee shall serve as the appeal committee to hear appeals from suspended members

## **26.6 CO-OPTION TO SUB-COMMITTEES**

When any Sub-Committee member is absent, disqualified or otherwise unable to perform his duties, the Board of Directors may co-opt another Committee member to serve on the Sub-Committee until the next General Meeting.

## **27.0 OFFICE BEARERS AND THEIR FUNCTIONS**

The Chairman, the Vice-Chairman, the Treasurer and the Secretary shall be termed Executive Officers of the Society and shall be elected at a meeting of the Board of Directors within seven days of the General Meeting in which elections were held.

### **BOARD CHAIRMAN AND VICE CHAIRMAN**

27.1 The board chairman shall:

- i. Preside at general meetings, board meetings and joint meetings with the Supervisory Committee.
- ii. Perform such other duties as may be directed by the board, not inconsistent with provisions of the Act, the Regulations applicable laws and these by-laws.
- iii. No person shall serve as a chairman for more than two consecutive terms and no person who has held office for two consecutive terms shall be eligible as chairman for a period of three years from the date of vacation of office.
- iv. The vice chairman shall perform the duties of the Chairman during his/her absence and such other duties as the board may direct.

### **27.2 HONORARY SECRETARY**

The duties of the Honorary Secretary are to:

- i. Cause minutes of the General Meetings, board meetings, and joint meetings with the Supervisory Committee to be recorded.
- ii. Ensure that notices of the meetings are prepared and sent out.
- iii. Ensure that the Sacco society's correspondence is promptly and correctly attended to.
- iv. Perform such other duties as may be directed by the board.

### **27.3 HONORARY TREASURER**

The duties of the Treasurer shall be:-

- i. To manage generally or cause to be managed the financial affairs of the society in a competent manner.
- ii. To ensure that a proper record is kept of all monies, received and paid out by the society, its assets, liabilities, capital, reserves and its income and expenses.
- iii. To ensure the safe keeping of the society's money, securities and books of accounts
- iv. To ensure that all payments and expenditures are duly authorized and within the budget.
- v. To ensure compliance with all directives of the Board of Directors and the Commissioner on the Management of society finances.

### **28.0 PAYMENT TO BOARD AND COMMITTEE MEMBERS**

No member of the Board of Directors, Supervisory Committee and sub-committees shall receive payment from the society except for the actual costs of travelling and subsistence, sitting allowance and honorarium while working for the society's business.

### **29. THE CHIEF EXECUTIVE OFFICER**

29.1 The chief executive officer shall be appointed by the board and shall be responsible for the day to day operations of the Sacco society and in particular ensure;

- (i) the implementation of and adherence to the policies, procedures and standards;
- (ii) Systems that have been established to facilitate efficient operations and communication are followed
- (iii) the planning process that has been developed to facilitate achievement of targets and objective is adhered to.
- (iv) all staff matters, particularly human resource development and training are attended to.
- (v) adherence to the established code of conduct;
- (vi) Compliance with the Act, Regulations, Co-operative Act, Rules these by laws and any other applicable laws.

29.2 The chief executive shall ensure that the board is frequently and adequately appraised on the operations of the Sacco society through presentation of relevant reports which shall cover, but not limited to the following:-

- (i) financial statements (monthly, quarterly and annual);
- (ii) showing current compared with past period actual performance, the budget compared with the actual and with explanations for any variances;

- (iii) Capital structure and adequacy;
- (iv) Delinquent loan list, and in particular growth in loans, loan losses, recoveries and provisioning;
- (v) Statement of comprehensive income (monthly, quarterly and annual) comparison with budgeted against actual;
- (vi) Sources and application of savings and deposits;
- (vii) All insider lending and non-performing insider loans if any.
- (viii) violation of the Act, these regulations and any other applicable law, and remedial actions taken to comply;
- (ix) Large risk exposures;
- (x) Investment portfolio;

### **29.3 THE CHIEF EXECUTIVE OFFICER SHALL;**

- i) Attend all board and general meetings and general meetings as an ex-officio member.
- ii) Be a signatory to Sacco society cheques, contracts and other documents as may be necessary.
- iii) Perform such other duties as may be assigned by the board.

### **30.0 BOOKS OF ACCOUNTS AND RECORDS**

30.1 The Sacco society shall keep up to date and in a proper business like manner, electronic or otherwise, such books of accounts and records as stipulated in Co-operative Act and Rules, and in particular:-

- a) A register of members showing in respect of each member:
  - (i) Name, age, date of application for membership, address and occupation;
  - (ii) Date of admission to membership;
  - (iii) Date of cessation of membership,
  - (iv) Name and particulars of nominees,
  - (v) Any other information as may be required by the Sacco society from time to time, and
  - (vi) Number and Value of shares held

- b) Minute books giving details of proceedings of board, Board committees, joint board and Supervisory Committee, Supervisory Committee meetings and all other committee meetings held in accordance with these by-laws.
- c) Minute book giving details of proceedings at the General Meetings.
- d) A cashbook showing the details of all monies received or paid out by the Sacco society.
- e) A general ledger containing such accounts as is necessary to accurately reflect the business of the Sacco society.
- f) A personal ledger for each member showing his/her transactions with the Sacco society.
- g) A register of assets and property.
- h) A register of loans to members showing in respect of each loan; the loan number, name of the borrower, the amount borrowed, the purpose of the loan, security, the due date of repayments and the date repayments were completed.
- i) Such other books and records as the board or the Authority may decide or prescribe. The accounts and the financial records of the Sacco society shall be denominated in Kenya shillings and shall comply with international financial reporting standards and any reporting requirements prescribed by the Authority.

### **31.0 AVAILING OF BOOKS AND RECORDS**

All books and other records shall at all times be available to all Board of Directors members of the society, Supervisory Committee members, the auditor, and the Commissioner or his authorized representative. A copy of the Co-operative Society's Act, the Co-operative Societies Rules, the society's registrations certificate, these By-laws and a list of members excluding details of nominees and deposits holdings or loans shall be available for inspection by any member.

### **32.0 AUDITING**

- i. A qualified auditor shall be appointed by the General Meeting from a list of auditors approved by the Commissioner who shall audit the books and all accounts of the Society for the ensuing year and report to the next General Meeting on the manner the records were kept, the liquidity position, the position of the assets in relation to the liabilities, the manner in which the members deposits and deposits are invested and the overall results from the operations of the Society and generally the standard of accounting employed during the year under review.
- ii. The auditor shall have the right to access all accounting records and all the books kept by the Society and such information pertaining thereto which s/he has reason to believe will give necessary perspective for him or her to form such opinion that s/he may report to the members in respect of issues stated above.

- iii. The auditor shall at all times have the right to attend any General Meeting of the Society, receive all notices and any other communications relating to any General Meeting as is entitled to members and delegates of the Society and to be heard at such meeting on any agenda which concerns him/her as an auditor.
- iv. The audited accounts for each financial year shall be submitted to the Commissioner for registration before presentations to the General Meeting within four months after the end of each financial year.
- v. The audited accounts may be sent to every member and shall be displayed conspicuously for the members' information at the Head Office and all Branch Offices of the Society at least two weeks before presentation to the General Meeting.

### **33.0 POLICIES & PROCEDURES**

The board shall make and approve such policies and procedures as prescribed in the Regulations and as they deem necessary for the conduct of the Sacco society's business. Any such policies and procedures shall be recorded in the minute book.

### **34.0 CODE OF CONDUCT**

34.1 The officers of the Sacco society shall comply with governance rules as prescribed by the ethics commission for cooperatives.

34.2 The Sacco society shall formulate a code of conduct in accordance with third schedule of the regulations which shall be approved by the Authority.

### **35.0 FINANCIAL YEAR**

The financial year of the society shall be the same as the calendar year, i.e. 1<sup>st</sup> January to 31<sup>st</sup> December.

### **36.0 AUTHORISATION TO SIGN DOCUMENTS**

Unless declared otherwise by the General Meeting, all documents, contracts and cheques shall be signed on behalf of the Society by the Chairman, Vice-Chairman, Treasurer, Secretary and be countersigned by the Manager and such other member of officer of the society as the Board of Directors may elect.

### **37:0 DISTRIBUTION OF SURPLUS FUNDS**

37.1 Subject to the Act, Regulations and approval by the General Meeting, the net surplus resulting from operations of the Sacco society during any financial year may be disposed off as follows:

- a) Credited to the Reserve Fund.

- b) Disposed of as decided by the General Meeting for:
- (i) Paying dividends on shares
  - (ii) Being forwarded to Education Fund or any other fund or funds of the Sacco society including the appropriations.
  - (iii) Paying honorarium to Board members and bonus to staff.
  - (iv) In any other way recommended by the board and approved by the General Meeting.

### **38.0 COMMON SEAL**

38.1 The Sacco society shall adopt and use a common seal. The seal shall have an imprint bearing the words “seal of Good Faith **Savings and Credit Co-operative Society Limited**” which shall be different from the ordinary name-stamp of the Sacco society.

- i) The seal shall be kept securely under lock and key by the chief executive officer and be used only in the presence of the officers authorized to sign documents on behalf of the Sacco society.
- ii) Where the common seal is used in any document it shall be authenticated by the signature of the board chairman and the chief executive officer or any other officer authorized by the board of the Sacco society.

### **39.0 FINES**

39.1 For any breach of these by-laws or lawful instructions issued by the Board and General Meeting, or failure to honour his obligations on time, the member may be fined an amount recommended by the Board and approved by the AGM.

### **40.0 DISPUTES**

40.1 If any dispute concerning the business of the Sacco society arises: -

- i. Among members, past members and persons claiming through members, past members and deceased members; or
- ii. Between members, past members or deceased members, and the Sacco society, its committee or any officer of the Sacco society; or
- iii. Between the Sacco society and any other co-operative society;
- iv. Between the Sacco society and the Authority

40.2 Which cannot be determined by the board (or General Meeting), it shall be referred to the Tribunal. Appeals shall be taken to the High Court.

### **41.0 MISCELLANEOUS**

41.1 No board member or Supervisory Committee member shall receive from the Sacco society any payment apart from sitting allowance, and travelling and subsistence allowance, except an honorarium from the net surplus as allowed in these by-laws.

41.2 The board and supervisory committee members, and employees of the Sacco society shall hold in the strictest confidence all transactions of the Sacco society with its members.

41.3 No member of the board or supervisory committee shall in any manner participate in the deliberations and determination of any question affecting his/her financial interest. In the event of any disqualification, the remaining qualified board or committee members present at the meeting, if constituting a quorum with the disqualified person may exercise, with respect to the matter, all powers of the board or committee.

41.4 A copy of these by-laws shall be furnished to every member who joins the Sacco society or on request upon payment of a fee not exceeding its actual cost to the Sacco society.

#### **42.0 INSPECTION OF DOCUMENTS**

42.1 All books of accounts and other records shall at all times be available for inspection by the Authority, supervisory committee and the members.

42.2 The by-laws of the Sacco society and the registration certificate shall at all times be available for inspection by the Authority and the Commissioner.

42.3 A list of members (excluding details of nominees and shareholdings, deposits and loans) shall be available for inspection by any member and any other stakeholder upon payment of a prescribed fee.

#### **43.0 DISSOLUTION**

43.1 The Sacco society shall be dissolved in accordance with the procedures set forth in the Co-operative Act and Regulations and the Rules.

#### **44.0 AMENDMENT OF BY-LAWS**

44.1 These by-laws shall be amended in accordance with the Cooperative Act and the Rules, the Act and Regulations but no amendment shall become effective until it is approved and registered by the Commissioner.



**45.0 ACCEPTANCE**

We the undersigned Board Members of **Good Faith Savings and Credit Co-operative Society Limited** named herein do hereby accept these by laws for and on behalf of the Sacco society.

<b>TITLE NAME</b>	<b>ID. NO.</b>	<b>SIGNATURE</b>	
.....			<b>CHAIRMAN</b>
.....			<b>VICE CHAIRMAN</b>
.....			<b>HON. SECRETARY</b>
.....			<b>TREASURER</b>

**OFFICIAL CERTIFICATION**

I CERTIFY that the foregoing by-laws of the Good Faith Savings and Credit Co-operative Society Limited have been approved and duly registered. Given under my hand at Nairobi this ..... Day of .....20.....

**COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT**