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ACCOSCA is happy to present to you this year’s edition of the Cooperative Summit Magazine, the source for your entire cooperative read in Africa. This year we are analyzing how an integrated financial cooperative system can promote the African Development Agenda.

The cooperative sector in Africa has grown tremendously over the years. More recently, the impact of this sector has begun to be felt in various other sectors of the economy, such as contributing towards growth of GDPs, improving employment opportunities, and providing access to financial services. All areas that provide support for and better the lives of ACCOSCA’s members.

Our mobilization message this year is centered on the understanding that it is possible to eradicate poverty in Africa. In fact, ACCOSCA, as well as many of our supporters, strongly believe that the cooperative business model can indeed be a poverty alleviation strategy for this continent. Therefore, it is our responsibility as a sector to ensure the Cooperative model is understood and properly implemented in order to have a positive impact on people’s lives.

We are envisioning a landscape where there are strong linkages among key stakeholders in the Cooperative sector who create a compact and interdependent network. We hope, in turn, that this network will work together towards poverty alleviation. Last year, ACCOSCA sought to unify the sector and have a collective voice. Today, we wish to see cooperatives expand their horizons and look beyond the Cooperative sector and instead engage with stakeholders in other key sectors. We want to create an interconnected chain in which every individual, institution and organization has a role to play and a clear goal to work towards. In doing so, we hope to ensure that roles and efforts are not duplicated, and that everyone achieves their objectives.

In this edition of the Cooperative Summit Magazine, cooperators from different corners of the continent discuss various topics relaying to this year’s theme, including analyzing SACCO growth and trends in different countries; presenting case studies on how the sector can contribute to the development agenda; and exploring the integration, performance, financial wellness and globalization of the sector visa vie performance. We trust you will find the articles engaging, informative, and the magazine overall to be a good read.

We would like to extend our sincerest gratitude to all of those that dedicated their time to developing articles for this edition as well as the editorial team for their efforts towards piecing it all together. If you would like to be featured in our March issue, please contact us via email at: editor@accosca.org.

From the summit team, we welcome you to Kigali and hope you enjoy the 17th SACCA Congress and Rwanda.

With Cooperative Regards
Tonny Okoth Otieno (ADE)
Ag. Program Manager
ACCOSCA
The role of the cooperative movement cannot be understated, particularly when discussing the African Development Agenda. To this end, it is important that both the cooperative sector and other key stakeholders understand the operations of the cooperative business model. This is the only way for the sector to work towards the improvement of our members’ lives.

The principles that guide the cooperative model ensure dedication to community growth and sustainability, as well as individual agency and development. In the 2015 Coop Summit Magazine edition, we focused on the importance of managing change and facilitating effective integration. Growing the cooperative sector was a central focus, and in order to do so we must have strong, viable institutions and organizations. The next step for cooperatives is to collectivize and coordinate efforts. As such, this year, we choose to focus on looking ahead and analyzing the contributions we can make to the African Development Agenda.

At ACCOSCA, we believe in the endless possibilities that can be achieved in Africa. Therefore, our work is geared towards ensuring the empowerment of all people living on this continent. We bear witness to the numerous opportunities and untapped potential this continent has to offer, and as such we are keen to see that the continent realizes its full potential. It is against this background that we are converging in Kigali this year to discuss a way forward regarding our role in the African Development Agenda. It is our belief that for cooperatives in Africa to have an impact on the development agenda, we must work together as a sector with a unified voice and strong common goals. Through this meeting we are looking to have a variety of stakeholders come together to create a clear road map of how we can work together to achieve this goal. We intend to create solid networks for the cooperative sector in Africa, as well as to open up avenues for collaboration with other like-minded institutions to help us provide financial access to people living in Africa.

The Congress will facilitate discussions around our collective cooperative identity. We will discuss how to set ourselves apart and how to manage the steadfast growth. Also, we will discuss how to maintain financial stability of the sector along with effective governance and leadership, among many other pressing and topical issues. All this will then culminate into guiding solutions on how to create an integrated system that can then be used as a vehicle for the promotion of Africa’s Development Agenda.

ACOSCA envisions a world in which we can come together as a continent and as a global community to ensure that every person has financial access, even in the most remote parts of Africa. We also wish to see our women and youth adequately empowered so that they can contribute to the growth of our economies. With these key steps, we can ensure that we are working to eradicate poverty.

On my own behalf and the ACCOSCA team, I wish to welcome you to the 17th SACCA Congress and to the Republic of Rwanda. We challenge you, as well as ourselves, to help play your respective roles in an effort to achieve our collective objectives. Let us not forget that, at its very core, our work is centered on people helping each other.

GEORGE OMBADO (ICUDE)
CHIEF EXECUTIVE OFFICER
Microfinance Institutions (MFIs) have been at the forefront of poverty alleviation efforts around the world, particularly in Rwanda. Of course, for MFIs to achieve poverty alleviation, they must properly employ certain strategies; of these strategies - one must recognize the importance of a strong information technology strategy. According to various reports and surveys, Information Technology (IT) can be a strategic tool for boosting microfinance services in Africa. IT can allow more efficient and effective collection, processing, and use of data; it opens the door for microfinance institutions to offer new products and better customer service. Furthermore, IT enables greater outreach and facilitates integration with the rest of the financial sector.

Rwanda is an IT based country and it has good IT policies. Rwanda wants to use modern technologies to foster and achieve a cashless economy as well as to attain its financial inclusion goal of 90% by the year 2020. The IT infrastructure in Rwanda is well established and it is a good opportunity for the success of the shared Management Information System (MIS) platform, especially in the microfinance sector. Rwanda is an IT based country and it has good IT policies. Rwanda wants to use modern technologies to foster and achieve a cashless economy as well as to attain its financial inclusion goal of 90% by the year 2020. The IT infrastructure in Rwanda is well established and it is a good opportunity for the success of the shared Management Information System (MIS) platform, especially in the microfinance sector. Rwanda is an IT based country and it has good IT policies. Rwanda wants to use modern technologies to foster and achieve a cashless economy as well as to attain its financial inclusion goal of 90% by the year 2020. The IT infrastructure in Rwanda is well established and it is a good opportunity for the success of the shared Management Information System (MIS) platform, especially in the microfinance sector.

The Cooperative Summit Magazine

By Peter Rwema, Executive Director, AMIR

The Association of Microfinance Institutions in Rwanda (AMIR) is a professional umbrella of MFIs and savings and credit cooperatives (SACCOs). AMIR strives to support its members to become professional and sustainable institutions by improving different services, namely IT services par excellence.

During the general assembly meeting of AMIR members last December, the members expressed their strong desire and willingness to improve technology services, through things such as a shared IT platform composed of core banking system, hardware, connectivity, payment system and digital finance services. This was like a “rocket booster” for AMIR to introduce the MIS project that it had been designing for a longtime.

The AMIR management told the media that the Rwandan Microfinance sector is well harmonized with sufficient microfinance policies, law and regulations. Once the shared MIS platform goes live with a minimum 70% of AMIR members joining, a regional and continental precedent will be set demonstrating that the Rwandan microfinance sector is digital. This will then attract investors to MFIs and SACCOs. Additionally, AMIR management promised that there will be significant benefits for all partners of the Shared IT-Services, such as sustainable improvement of Rwanda’s Microfinance Sector and sustainable business opportunity.

On the other hand, microfinance practitioners believe that this service will be an opportunity for: Automation of core banking and management procedures; Strengthening competitive ability in a long-term perspective; Reduction of duplicating IT–efforts; Improvement of data quality for accountancy; Improvement of security and fraud prevention because of automatic internal controls; Fulfillment of regulatory requirements through IT and automatic reports.
The pilot phase for this project began 1st June 2016. To date, there have been some important and tremendous achievements recorded by the technical team in charge of the implementation of this project. Particular achievements include:

- Selection of the software vendor as a business partner of the AMIR Shared IT-Services
- 25 pilot institutions have been identified;
- Collection of basic data of AMIR members;
- Project MOU Signing workshop between AMIR and 25 identified MFIs/SACCOs members, for taking part in the pilot phase;

Apart from the aforementioned achievements, AMIR recently conducted a workshop on data cleaning and migration for local SACCOs that are still using manual systems. The overall objective according to the organizers of this workshop, was to provide clear explanations related to requirements and procedures for the data cleaning and migration process to be applied smoothly. Considering the projections of the project, the pilot phase (1) targets 272,236 customers, and will reach a total target market of 400,000 customers in project phase (2), with the below electronic payment channels added to the platform:

- Agency Banking: 50% (200,000 customers)
- Mobile Money: 50% (200,000 customers)
- Mobile Banking: 30% (120,000 customers)
- ATM: 30% (120,000 members)

The shared IT platform is planned to go live by February 2017 and will bring a lot of benefits to the MFIs and SACCOs participating in the shared IT services:

At a Strategic Level:
- Institution can focus on its core business
- Strengthen the competitive ability of the institution in a long-term perspective
- Acquiring new clients and increasing incomes through e-channel-banking
- Efficiency through computerization of core banking and management procedures
- No future investments in IT-infrastructure or e-channel integration necessary

At an Operational Level:
- Only 1 contact for all IT-issues reduces the management complexity
- Reduction of the IT-costs through better negotiating position
- Speed to market because of shared costs of IT-system development
- Regulatory compliance through technology and automatic reports
- Improvement of financial data accuracy for accounting and reporting
- Improvement of security and fraud prevention because of automatic internal controls
It is common knowledge that behind any successful project undertaken there must be a strong master planner, strong tower and principal minder. In other words, behind any successful cooperator is a strong and successful mentor. Therefore, behind a successful financial institution is a strong and outstanding leader.

In my experience as a female leader, the following list of guiding principles has helped me become a strong and influential leader.

Have a vision: “Where there is no vision, the people perish.” As a leader, you must have an idea of where you are heading, how you are to get there, and what you want to achieve.

Team Building: It must begin with you; if the leader is not a team player than one cannot expect to lead a team. One must see themselves in the hands of others, learn from them, and give them time to perform in your presence. Communication: One must learn how to communicate and foster good relationships with all stakeholders. For instance, board members, management, and staff, as well as all stakeholders, should endeavor to constantly keep in touch and work harmoniously for the good of the institution.

Knowledge is power: A leader should know their institution, its culture, and background, as well as other aspects. For the SACCO movement, as well as the cooperative movement in general, a leader must endeavor to know and understand the “Do’s and Don’ts” of the organization. This cultural and historical understanding is important in order to further understand the basics, principles, legal framework, and rules and regulations that pertain to the organization.

Passionate and developmental: One must love their institution and strive to make it better. This in turn will encourage further developments and encourage a peaceful atmosphere so that those who may come after you are able to continue to help continue to grow the organization.

Be a good ambassador: One must never talk ill about their institution. Remember, as a leader, you are the face of the institution. Therefore, your actions and words directly reflect the nature and character of your institution.

As a cooperator/leader you must positively market your institution at all times.

Be courageous: “A cowardly leader is the most dangerous of man”- Stephen King. Remember, as Robert H. Schuller famously said, “tough times never last, but tough people do”. Handle difficult situations with facts and carefully work out strategies to overcome challenges. And, most importantly, never show weaknesses to those you lead.

Be faithful in your service: God does not call us to be successful but to be faithful. One attains success out of faithfulness, integrity and trust worthiness, justice and fairness, and excellence. These are all values that must be part of a good leader. Steer clear of corruption, injustice, and all other crimes and scandals.

Be principled and professional: When one sets a standard arch, one must stick to it. A leader must never be seen wavering in what they believe in.
Embrace change: “Leadership and learning are indispensable to each other” – John F. Kennedy. An effective leader must be ready to learn, relearn, and unlearn things. We live in a fast-paced world where new ways of doing things are being invented. Do not get stuck in the old way of doing things if there is a better way.

Finally, the unwritten but fundamental rule about leadership is service above self; “Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.” – Jack Welch. A leader must never be selfish, but instead put the people/masses before him/herself at all times.

Having has previous experience as a leader, it has not been challenging for me to step up when elected the first lady chairperson of ACCOSCA based on the basic foundations of successful leaders enumerated above. I strongly believe that what men can do, women can do equally as well. Therefore, I encourage all women in the cooperative movement to actively compete for top leadership positions. We should not shy away. I am looking forward to seeing more women following in my footsteps. Let us prove that we can! Let both men and women focus on quality leadership.

The Cooperative Summit Magazine

PROMOTING AFRICA’S DEVELOPMENT AGENDA THROUGH A FINANCIAL COOPERATIVE INTEGRATED SYSTEM-CASE STUDY; SACCO Growth in the Gambia by Baboucarr O. Joof (ADE, I-CUDE)

The National Association of Cooperative Credit Unions of the Gambia (NACCUG), the apex of credit unions (SACCOs) in The Gambia, was formed in August 1991 following its annexation of the defunct Gambia Co-operative Union (GCU) as Thrift and Credit Co-operatives (TCC’s). These TCC’s received little supervision from the GCU and, as a result, they ultimately collapsed.

In 1989 following an indicting report by the World Bank on the co-operative movement in The Gambia, supervision of the TCCs was temporarily transferred to the Department of Cooperatives. In reality, these societies were self-managed and, due to inadequate skills among the volunteers and/or resources, the financial cooperative sector was almost extinct.

This situation summoned the World Council of Credit Unions (WOCCU) to send a representative to The Gambia in 1989 for monitoring, and also initiated a study and report the situation of TCCs in The Gambia by the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA).

The Irish League of Credit Unions (ILCU) also got involved, at the invitation of ACCOSCA. As a result, the ILCU negotiated with the Irish Department of Foreign Affairs and later the European Union to co-fund a project to strengthen the Credit Union Movement in The Gambia. Following a number of detailed meetings and visits, NACCUG was established in August 1991 as the apex organization focusing on institutional development of co-operative credit unions enabling them to mobilise savings so as to provide credit to its members.

Prior to this, credit unions were not prominent in Gambia’s financial landscape as the GCU concentrated on agricultural cooperatives and some consumer cooperatives to serve the farmers at marketing centres. From 1991 to around 2005, NACCUG with support from ILCU provided technical and financial assistants to carefully selected and experienced SACCO leaders. These basic trainings included bookkeeping, leadership and marketing, among other practical skills.

Sensitization, education and recruitment of members started in the early 1990s with emphasis on rural areas. Membership of credit unions in the cosmopolitan Banjul and Kombo Chapter grew exponentially from nearly zero in 1990 to 14,717 by December 2005, with an 11% growth of 13,163 members in December 2004. During the same period, national credit union membership had reached 22,906, which was a total growth of 13%, or 20,124 members.

While rural communities remained suspicious of cooperatives following the liquidation of the GCU, employers and staff associations were converted to embrace the philosophy of credit unions. The Gambia Teachers’ Union, Gambia Police Force, and Telecommunication and Energy Co operations all started operating credit unions. It became clear that, for the credit union movement to grow, resources had to be concentrated in the Banjul and Kombo Chapter and attention needed to be given to workplace based credit unions. By this time, a total 67 credit unions existed throughout the Gambia 24 of them in the Banjul and Kombo Chapter, 4 in Bansang, 7 in Basse, 15 in Buyam, 8 in the North Bank
East and 11 in the North Bank West. Because the Banjul and Kombo Chapter had more workplace based credit unions and most of them were located in cosmopolitan areas, total savings in the chapter amounted to D72,009,420.11 while the remaining six chapters collected a mere D2,918,541.14 in total.

Source: NACCUG 2007 Quarterly statistics

More than ten years after the revival of credit unions, outstanding loans grew nationally by 23.88% from D47,822,708.54 in 2004 to D59,244,894 in December, 2005. Breaking those numbers down further, the Banjul and Kombo chapter had grown from D46,092,056.31 to D57,165,699.78 representing 24.03%, whereas Bansang registered only 0.89% growth in loans outstanding. In the Basse Chapter, loans recorded a massive negative 99.86%.

Source: NACCUG 2007 Quarterly statistics

The next ten years in Gambia’s credit union evolution witnessed a consolidation of the drive to increase the number of registered credit unions and members of those in workplace based. It saw changes in the leadership of the NACCUG and a shift in strategic management. This was because non-performing credit unions were given new targets to meet for survival or see a reduction in allocation of resources, which would then be reallocated to those demonstrating viability. The resulting consequences of this strategy included some rural credit unions being de-registered for lack of performance and others amalgamating to form larger district credit unions. Because resources were redirected, significant growth was realised in the urban and workplace based credit unions at this time. Approximately ten years later, in December 2014, membership of credit unions in Gambia had grown to 64,651. Further, twelve months later in December 2015, membership grew another 5.02% to 67,897. During the same period, the now separated Banjul and Kombo Chapters both grew. The Banjul Chapter grew 9.40% from 24,532 to 26,839, and the newly named Kanifing Chapter (formerly Kombo Chapter) grew in membership by 4.30% to 28,944. By this time, the Basse and Bansang chapters were merged and the statics revealed that the new structure registered a membership decline of 15.31%. The North Bank Chapters were also merged and the new structure also registered a decline of 17.20% in membership.

Though there was a membership growth of only 4.30% from December 2014 to December 2015, the savings in the Kanifing chapter grew by 14.25% from D377,195,079 to D430,963,646. Further, loans also grew by a whopping 25.04% from D266,064,452 to 332,674,535. Despite a national loans outstanding growth of 18.75% during this period, the North Bank chapter was still facing challenges in growing the loan book, considering they had a decline of 13.25%. The number of credit unions had at the same time grown to 71, of which 22 are in Kanifing and 13 in Banjul. These figures demonstrate a consistent positive growth in membership, loans and savings nationally, but as previously indicated, only three chapters (Banjul, Kombo and Brikama) maintained the positive trend. To be sure, the other chapters were not as strong in growth numbers.

The graph above demonstrates that credit unions are showing positive growth in membership, loans, savings and investments in a Central Financing facility at the NACCUG. The Central Finance Facility was created to support credit unions who, due to liquidity problems, could not meet the demand for loans from their members however, the pattern of credit union growth in membership does not follow the national picture. Credit union membership has not had a corresponding growth rate to growth in

The Graph below demonstrates the population growth rate between 1963 and 2013. Using the 2013 population Figures, it can be ascertained that the penetration rate for credit unions is about 3.6 %. This means that there is more room to expand the credit movement outreach and depth of coverage, and NACCUG then should be supported in that driven outreach.

Source: Population and Housing Census report, 2003
The graph above demonstrates that credit unions are showing positive growth in membership, loans, savings and investments in a Central Financing facility at the NACCUG. The Central Finance Facility was created to support credit unions who, due to liquidity problems, could not meet the demand for loans from their members; however, the pattern of credit union growth in membership does not follow the national picture. Credit union membership has not had a corresponding growth rate to growth in national population figures as can be seen below. What is even more astonishing from the data is the relatively high growth in savings and loans compared to membership and, although they represent different variables, the gap is exciting. The population of Gambia according to the 2013 census is approximately 1,882,450, with 1,081,800 living in the Kombo and Kanifing Chapters. Most of NACCUG’s recruitment energy is concentrated in these areas, and therefore we should expect the numbers to be higher because there are more people to be included financially. If more community credit unions are encouraged to develop, in addition to the targeting of workplace based credit unions in the greater Banjul areas, membership will grow and correspondingly, savings, loans and investments will benefit as collateral returns.

Though there was a membership growth of only 4.30% from December 2014 to December 2015, the savings in the Kanifing chapter grew by 14.25% from D377,195,079 to D430,963,646. Further, loans also grew by a whopping 25.04% from D266,064,452 to D332,674,535. Despite a national loans outstanding growth of 18.75% during this period, the North Bank chapter was still facing challenges in growing the loan book, considering they had a decline of 13.25%. The number of credit unions had at the same time grown to 71, of which 22 are in Kanifing and 13 in Banjul. These figures demonstrate a consistent positive growth in membership, loans and savings nationally, but as previously indicated, only three chapters (Banjul, Kombo and Brikama) maintained the positive trend. To be sure, the other chapters were not as strong in growth numbers.

The credit unions in The Gambia must invest efforts in increasing their numbers concurrently targeting increases in savings and loans. Gambia’s per capita income is around $500, which is very low and suggests the populations individual savings cannot be very high. However, with higher numbers, credit unions will be able to sharpen their service delivery thereby providing quality service and due diligence to the members.

References
innovative products have been developed, and members now have a plethora of options to choose from. “Consequently, it is only the SACCOs that offer excellent customer service as a differentiating factor that will be able to attract and retain more customers,” observes Mr. Wambua.

The organization’s objective is to provide members with a safe haven for savings, access to fairly priced credit, and a good return on their investment. Over the years, it has become a leading financial partner in Kenya with a huge asset base, massive membership, dynamic products, and impressive dividends.

**Strategic direction**
Stima SACCO’s’s current strategic direction revolves around members and how to create value for their benefit. “Sacco members are unique in the sense that they own the business while at the same time they are its customers,” says Mr. Wambua. “In that regard, our strategic direction aims at meeting and surpassing our members’ expectations, especially by giving them a high return on their investment.”

By and large, the SACCO has an obligation to deliver value to its shareholders (who also double as its customers). It has therefore embarked on an ambitious expansion plan which is aimed at moving its services closer to the customer. “The 21st century customer wants easy access to all products and services and we are here to facilitate that” says Mr. Wambua, in regards to this
expansionThe chief executive officer goes on to observe that “The current phase of the Sacco will enable it to offer more value to its stakeholders and customers as it endeavours to live by its mission of empowering members for life.”

**Value add services**

“We strongly believe in giving value to our members’ savings and safeguarding their future,” says Mr. Wambua. Consequently, the SACCO has over the years provided for loan loss accruing from a member’s demise. This is informed by its mission of empowering members for life. The insurance on deposit cover is dictated by the SACCO’s compliance with the law as well as financial best practice. This is anchored in its philosophy of relieving the burden from the next of kin of the principal member. In the same spirit, the SACCO has introduced deposit protection cover for current deposits which is aimed at providing a financial buffer to the dependents of deceased members. It is premised on paying an equivalent amount of the current deposits saved to the next of kin upon the demise of a member. Thus, for every one shilling saved, the insurance underwriter pays an equivalent amount.

Besides the insurance on deposits, the SACCO also provides a medical cover under Jawabu micro-health, with an array of benefits such as in-patient care for dental and optical care. The member is also assured of a cover in the case of congenital conditions, pre-existing chronic conditions such as HIV/AIDS, psychological, and psychiatric conditions as well as funeral expenses.

**Wrong perception**

“There is a wrong perception in the market that Saccos are a preserve for the old, less educated and low income members of our society,” laments the chief executive officer. “By and large, this perception has hindered the growth of the sector,” he adds. To address that challenge, the sector’s umbrella body called the Kenya Union of Savings and Credit Co-operatives (KUSCCO) is working on a programme to promote the Sacco movement in Kenya especially among youth, who form the biggest percentage of the country’s population.

**The road ahead**

“We are looking forward to becoming a dominant player in the financial market in the next five years by growing our loan book, membership, deposits, and assets bases tenfold to about 250 billion Kenya shillings,” says Mr. Wambua. In this regard, this fast growing organization is planning to open ten new branches across the country, while simultaneously establishing various chapters around the world to tap into the lucrative diaspora market.
Co-operatives are omnipresent on the African continent and represent a significant part of the private sector in most African countries. Kenya has the largest cooperative movement in the continent. The cooperative movement has grown in leaps and bounds, from the decades of state control, to the introduction of liberalization measures in the 1990s to create commercially autonomous member-based co-operatives that are democratically and professionally managed; self-controlled and self-reliant and the current positioning of co-operatives as recognized contributors to economic growth and development due to its ability to respond to the needs and aspirations of its members especially the vulnerable groups.

Co-operatives are not immune to globalization – understood as the degree to which cultural, political and economic activities stretch across frontiers, creating a new global space – and its effects. Globalisation provides both opportunities and challenges. Expanding markets and access to knowledge and technology produced throughout the world provides an opportunity for substantial increases in standards of living. However, it also brings forth the pressures of efficiency and increased competition in market driven economies that threaten the ability of co-operatives to support marginalized groups in an increasingly globalized world.

A co-operative is defined as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (International Cooperative Alliance (ICA), 1995). It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a non profit or cost basis (UWCC, 2002). In an era where many people feel powerless to change their lives, co-operatives represent a strong, vibrant, and viable economic alternative. Co-operatives are formed to meet peoples’ mutual needs.

They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone. Co-operatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy (Bello, 2005).

Globalization is a complex concept, but it is not a new phenomenon. Simply defined, globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture (Albrow & King, 1990). Over the past three decades, international integration has been achieved through liberalization policies in the developing world. To achieve macroeconomic stability through liberalization, structural reform processes have revolved around adjustment of legal and regulatory systems, financial sector reforms, and enterprise sector reforms (Mrak, 2000).

Origin of Co-operative Movement

There is no consistency to the exact origin of the co-operative movement; however, many academics argue the origins lie within Europe (Shaffer, 1999; Holyoake, 1908). The first recorded co-operatives date back to 1750 in France before spreading to England, Germany, Belgium, Austria, Italy, Denmark, Finland, Norway, and Sweden and eventual steady spread to other regions of the world.

In 1895, International Cooperative Alliance (ICA), a non-governmental organization was established as umbrella organisation to promote friendly and economic relations between cooperative organizations of all types, nationally and internationally. The major objective of the ICA is to promote and strengthen autonomous cooperative organizations throughout the world. In order to achieve its aims, the ICA organizes international, regional, and sectoral meetings. The ICA also aims to promote exchange of information such as news and statistics between co-operatives through research and reports, directories, international conferences, and two quarterly publications. Since its creation, the ICA has been accepted by co-operatives throughout the world as the final authority for defining co-operatives and for determining the underlying principles,
which give motivation to cooperative enterprise. World membership in ICA gives some idea of the size of the cooperative movement today. Co-operatives are based on basic values and principles. Cooperative values are general norms that co-operatives, cooperative leaders and cooperative staff should share and which should determine their way of thinking and acting (Ajayi, Olakunlw, & Ahmed, 2010).

These values were articulated by the ICA in a statement in 1995; include self-help, self responsibility, democracy, equality, equity and solidarity. The values statement further articulates values of personal and ethical behaviour that co-operatives to actualize in their enterprises. They describe the kind of people co-operatives strive to be and the traits they hope to encourage through cooperation. These are honesty, openness, social responsibility and caring for others. Cooperative principles on the other hand, are guidelines by which co-operatives put their values into practice. The principles rest on a distinct philosophy and view of society that helps members judge their accomplishments and make decisions (Wanyama, 2007). These principles have been redefined, restated, and expanded over the decades. Currently, the principles are: Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Cooperation among Co-operatives; and Concern for Community (Ajayi, Olakunlw, & Ahmed, 2010).

The import of the above principles is that co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. They are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members contribute equitably to, and democratically control, the capital of their cooperative.

The Co-operative Movement in Africa
Co-operatives are not foreign to the African continent. Before colonialism, there were various types of savings associations known by different names across Africa. For example, in Sudan, the savings associations were called ‘Sanduk’, in Nigeria they were called ‘esusu’, in Zambia they were called ‘chilimba’, and in Ethiopia they were called ‘ekub’ among others. Different communities in Kenya also had one or many forms of savings and credit associations. All these savings associations used a simple organizational structure, for instance, savings and credit associations convened meetings on fixed intervals (weekly or monthly) where members contributed a fixed amount. The whole amount would then be given out to one member according to the criteria developed and agreed upon by all the members (Mwangi, 2008). Though different forms of co-operative associations can be traced to pre-colonial Africa, due to globalization, the origins of the current models of co-operative societies can be traced to the colonial period. These foreign models were introduced by colonial administrations and have grown to become popular economic and social organizational forms for alleviating poverty.

The co-operative development in Africa has generally undergone two distinct phases. The first phase was the era of state control, and the second phase was that of liberalization. During the era of state control, co-operatives were run through government policy and directives as opposed to the common interests and motivation of the people (Wanyama, 2007). Co-operatives were either agents of the state, clients of the state or semi-public agencies. There were very few instances where co-operatives existed as private business enterprises that were primarily driven by the interests of their members. Co-operatives served as instruments for implementing government socio-economic policies. State control stifled the performance of co-operatives and their potential contribution to development could only be realized if they operated according to market principles (Wanyama, 2007).

The liberalization of African economies in the 1990s, gave the co-operative movement the incentive to transform and give co-operators a chance to become the real owners of the co-operative businesses and turn around the dwindling performance of co-operatives. In many parts of Africa, governments liberalized the co-operative sector by introducing policies and legislations that facilitated the creation of commercially autonomous and member-based cooperative organizations that would be democratically and professionally managed, self-controlled and self-reliant. It is from these developments that co-operatives started making important contributions in employment creation, social protection, voice and representation and, ultimately, poverty reduction (Develtere, Pollet & Wanyama, 2007).

Today, Africa has various types of co-operatives ranging from agricultural, consumer, and housing to worker-based co-operatives. They are managed by executive committees and have been subjected to a lot of politics in most of these countries. Co-operative Society strategies are seen as central to
Increasing globalization and liberalization of the economy has led to continuing replacement of state-imposed and non-viable federations with alternative voluntary, autonomous, strategic and more viable consensual co-operative networks based on members’ needs in the unfolding new socio-economic environment are being formed. Indeed, the emerging networks are increasingly eroding the unified co-operative model that was very common in the Anglophone countries. There are indications that the sector is drifting towards the social economy model, which had been well-established in the Francophone countries, that blends co-operatives and other group-based organizations along socioeconomic motives. With co-operatives turning away from being used as instruments of the state to their ideal form of being autonomous group-based democratically controlled enterprises, there is a momentum towards the renaissance of co-operatives in Africa (Develtere, Pollet, & Wanyama, 2007).

The loss of the monopoly status, coupled with the business-orient- ed demands of the market, is increasingly seeing co-operatives redesign their activities competitively. For instance, though agricultural activities remain predominant, those that are no longer profitable are being abandoned in favour of others that are more viable on the market. This partly explains, for example, why the continent is witnessing substantial growth of savings and credit co-operatives. The main reason is the high demand for financial services on the market and the profit that results from such transactions (Wanyama, 2007).

Further, co-operatives are steadily shifting from being unifunctional to take on other activities as demanded by the members as well as the market. For instance, hitherto agricultural co-operatives are diversifying their activities by also venturing into the fields of savings and credit as is the case in Ghana, Egypt and Kenya. To this end, co-operative ventures in Africa are increasingly becoming market-driven and responsive to changing circumstances. With a few exceptions resulting from the poor or inadequate preparation of co-operatives for the competitive market, liberalization has served well the interests of co-operative development on the continent. This is evidenced by the fact that those co-operatives that have adapted to the new environment have come out stronger than they were before the liberalization of the sector (Develtere, Pollet, & Wanyama, 2007).

The success of co-operative enterprises in Africa has been cited as a major contribution to poverty alleviation through a number of ways. It has been demonstrated that co-operatives create employment and income-earning opportunities that enable members to pay school fees, build houses, invest in business and farming, and meet other family expenses. They also create solidarity mechanisms to re-enforce the traditional social security system, which is largely undeveloped, by setting up schemes to cater for expenses related to education, illness, death and other unexpected socio-economic problems. And by integrating the poor and the relatively well-off in the same income-generating opportunities, co-operatives also make a contribution to the reduction of exclusion and inequality (Mudibo, 2005).

Through these partnerships, the state gave co-operatives privileges and advantages bordering on the creation of monopolies. The state also established statutory marketing boards responsible for managing of cash crops such as coffee, tea, and cotton and pyrethrum, among others. Since co-operatives were the sole agents of these boards, it meant that co-operatives were mandated to buy from the farmers and process produce and deliver it to the marketing boards that were then to market it (Wanyama, 2007). Such monoplistic behaviour ensured that members were increasingly ignored...
because farmers had to join the co-operatives if they were to sell produce. State and donor sponsoring of credit schemes to farmers also ensured that farmers had to join these co-operatives. In essence, the co-operative movement lost its voluntary and bottom-up character that ensured members were always in control of such associations (Lindberg, 1993).

With time the co-operatives stopped recruiting members as it was up to members to join. Member participation in management declined leaving management exclusively to the government as co-operatives were only serving the interests of the state. As cases of nepotism, corruption, patronage, mismanagement and financial indiscipline increased; the performance of co-operatives declined (Republic of Kenya, 2004). Since the co-operatives were government agents, they were used to impose price controls to an extent where they were unable to realize sufficient returns or profits from operations. Continued government and donor support also encouraged opportunistic behaviour among leaders and undermined membership contributions to the co-operatives. The net result was undercapitalization and dependence on external funding (Wanyama, 2007).

By the end of the 1980s, the co-operative movement in Kenya which has initially boasted of member-based, member-controlled and self-reliant co-operative movement guided by internationally acclaimed cooperative principles and ideals was no more. With the rise of liberalization policies in the early 1990s, it was imperative to transform the co-operative societies to give them the ability to withstand market competition.

**The Liberalization Phase**

The liberalization phase came after the 1980s infamous Structural Adjustment Programs (SAPs). Liberalization required the government to withdraw from the co-operative sector. The start of liberalization of the sector began with the publishing of the Sessional Paper No. 6 of 1997 on “Co-operatives in a Liberalized Economic Environment” to provide the new policy framework for the necessary reforms. The role of the government was redefined from control to regulatory and facilitative in nature. The policy was aimed at making co-operatives autonomous, self-reliant, self-controlled and commercially viable institutions. The monopoly of co-operatives in the agricultural sector was to be reduced, with the result that co-operatives were now to compete with other private enterprises on the market (Republic of Kenya, 2004).

International organizations such as the International Cooperative Alliance (ICA) also stressed the adoption of the co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community were formally incorporated in the policy (ICA, 2002).

In addition to the Sessional Paper, the 1966 Co-operative Societies Act was repealed and replaced by the Co-operative Societies Act, No. 12 of 1997. The new Co-operative Societies Act reduced the involvement of the state in the day-to-day management of co-operatives. All the controls once exercised by the Commissioner for Co-operative Development were transferred to the members through their duly elected management committees (Manyara, 2003). Further, co-operatives were no longer required to seek the permission of the Commissioner to invest, spend or borrow. They were now free to borrow against part or the whole of their properties if their by-laws allowed, provided the annual general meeting approved such borrowing. Like other business entities, co-operatives were mandated to hire and fire graded staff without the Commissioner’s consent. These reformed welcomed the rise of autonomous, self managed and sustainable co-operative movement (Birchall, 2003).

However, due to challenges in the regulatory framework, a new legal framework, the Co-operative Societies (Amendment) Act of 2004 was introduced to regulate the co-operative movement through the Commissioner for Co-operative Development. The Commissioner had the power to approve a list of auditors from which co-operatives could appoint their auditors at the annual general meeting; convene a special general meeting of a co-operative as well as chair and direct the matters to be discussed; the Commissioner could suspend from duty any management committee member charged in a court of law with an offence involving fraud or dishonesty pending the determination of the matter; dissolve the management committee of a co-operative that, in his/her opinion, is not performing its duties properly and appoint an interim committee for a period not exceeding ninety days; the Commissioner could call for elections in any co-operative society; attend meetings of co-operatives and require every cooperative to send to him/her, at a proper time, notice and agenda of every meeting and all minutes and communications of the meeting; and the Commissioner could also require that co-operatives update their by-laws (Republic of Kenya, 2004a). These amendments were intended to deal with the cases of mismanagement that arose following the liberalization of the co-operative movement. Again, like earlier changes, these amendments were also influenced by international organizations. For instance, the intention of the Co-operative Societies...
(Amendment) Act of 2004 was to make provisions for the ILO’s Recommendation 193 of 2002 which required the government to play a role in creating policy and legal framework for the development of co-operatives; improving the growth and development of co-operatives by providing the requisite services for their organization, registration, operation, advancement and dissolution; and developing partnership in the co-operative sector through consultation with co-operators on policies, legislation and regulation.

Currently, the registration of co-operatives continues to be the main role of the Commissioner for Co-operative Development in the new era. The requirements and procedure for registering co-operatives have been spelt out in the revised Co-operative Societies Rules of 2004, which also outlines the operational procedures of all cooperative societies in the country. The question that we should now turn to is the impact of these measures on the cooperative movement in Kenya.

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Financial co-operatives, also commonly known as Savings & Credit Co-operative Societies (Saccos) or Non-financial Co-operatives (includes produce marketing, housing, transport and investment co-operatives). Currently, the Ministry of Co-operative Development and Marketing is responsible for the development of the Cooperative sector through policy and legal framework to facilitate attainment of the national social-economic goals. Of relevance in this paper are the financial co-operatives.

Financial co-operatives, also commonly known as Savings & Credit Co-operative Societies (Saccos) are formed by individual members with the primary purpose of pooling savings and lending to each other as per the provisions of the Act. Owing to the demand by commercial banks that customers must retain relatively higher operating balances for individual accounts to sustain businesses, Saccos have increasingly become very popular among middle and low income persons who are unable to operate bank accounts. This has led to the introduction of Front Office Service Activity (FOSA) which offer quasi banking services at competitive rates.

Ideally, a deposit-taking Sacco is a Sacco operating a front office savings activity (FOSA). Saccos comprise over 50% of all co-operatives in Kenya and as financial institutions they play
a critical role of financial intermediation in Kenya’s financial landscape focusing mostly on personal development, small and micro enterprise sector of the economy. FOSA operating Sacco societies provide a wide array of financial products including demand savings account, ATM and custodial services. Thus members enjoy quasi banking services unlike in traditional Sacco societies whose services are limited to non-withdrawable or share savings and credit to member. The ability of the FOSA Saccos to offer many and flexible financial services has propelled their growth over the years.

The authority to supervise and regulate licensed deposit taking Saccos is vested in the Sacco Societies Regulatory Authority (SASRA). The mission of SASRA is “to effectively regulate, and develop SACCO Societies by ensuring safety, soundness and integrity in their operations in order to enhance growth in National Savings and stability of the SACCO Sub-sector.” The core objectives of the authority were to license Sacco Societies to carry out deposit-taking business in accordance with the Act; to regulate and supervise Sacco societies; hold, manage and apply the General Fund of the Authority in accordance with the Act; and perform such other functions as are conferred on it by the Act or by any other written law.

GLOBALIZATION, REFORMS AND THE CO-OPERATIVE MOVEMENT

It is difficult to distance the forces of globalization and the co-operative movement in Kenya. Even though pre-colonial African societies had different forms of associations that could be referred to as co-operatives, the current model was introduced by the colonial government. Further, the International Cooperative Alliance (ICA) was established in 1895 and has been largely responsible for the development and spread of specific definitions of co-operative concepts as well as underlying values and principles (Hoyt, 1996). For instance, the current principles of Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Cooperation among Co-operatives; and Concern for Community, that are currently applied in Kenya have been redefined, restated and expanded since the formation of ICA.

The two phases that define the development of co-operative movement in Kenya: the era of state control and era of liberalization, as well as continuing legislative changes have been majorly influenced by international forces. At independence, Kenya adopted a legislative framework that was established by the colonial government which viewed state control as a prerequisite to the establishment of a strong, viable, and efficient co-operative movement for the purposes of accelerated national development. This was captured in Co-operative Societies Act, Cap. 490 and the Co-operative Societies Rules of 1969, to align Kenya’s legislative framework with ILO’s “Co-operatives (Developing Countries) Recommendation No. 127” of 1966 that called on governments to develop a comprehensive and planned co-operative development strategy where one central body was responsible for implementing a policy of aid and encouragement to co-operatives. The liberalization of the co-operative movement in Kenya was spearheaded by the Sessional Paper No. 6 of 1997 on “Co-operatives in a Liberalized Economic Environment” which provided a new policy framework for reforming co-operatives to become autonomous, self-reliant, self-controlled and commercially viable institutions. In the same way, these reforms were influenced by ICA’s recommendation that member countries stress the adoption of the co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community were formally incorporated in the policy. This position was captured in the Co-operative Societies Act, No. 12 of 1997 which repealed and replaced the 1966 Co-operative Societies Act.

“The liberalization of the co-operative movement in Kenya was spearheaded by the Sessional Paper No. 6 of 1997”
Again, the Co-operative Societies (Amendment) Act of 2004 which repealed the Co-operative Societies Act of 1997 and re-introduced the government’s supervisory and regulatory role as a way of dealing with cases of mismanagement that arose with liberalization was informed by ILO’s Recommendation 193 of 2002 which required the government to play a role in creating policy and legal framework for the development of co-operatives; improving the growth and development of co-operatives by providing the requisite services for their organization, registration, operation, advancement and dissolution; and developing partnership in the co-operative sector through consultation with co-operators on policies, legislation and regulation.

In essence, all the major legislative changes that have defined the development of co-operative movement in Kenya have been influenced, to a significant extent, by other international developments and consequent recommendations from the International Labour Organization and International Cooperative Alliance, among others. Given that ICA is a non-governmental.

CONCLUSION

Globalization is a complex multifaceted process and there are so many channels through which international integration can be pursued and achieved. There is a clear link the models of co-operative movement implemented in post-independence Kenya with the models in Western countries. The ICA played a central role in the interchange of cooperative values, principles, and practices in the world. Together with ILO and other international organizations such as the World Bank and International Monetary Fund, ICA laid the framework for legislative and regulatory reform, financial sector reforms, and enterprise sector reforms that has defined the co-operative movement in Kenya from the era of state control, liberalization, to the current information era where adoption of ICT is at the core of Sacco growth and performance in Kenya.

“In the ICA played a central role in the interchange of cooperative values, principles, and practices in the world.”
In August, a month regarded as a women’s month, WOVSA hosted an International Women Cooperatives Indaba. The first of its kind event in the SADC Region was attended by the key stakeholders, government & international that are key towards the growth and sustainability of women and youth cooperatives not only in South Africa but Africa as a whole. The event was championed by the Deputy Minister of Tourism Madam Tokozile Xasa.

The main objectives of the event was to inaugurate an annual international women cooperatives event and to also launch the Vision 2020 Women and Youth Cooperatives Indaba. This is one of the Women of Value SA flagship programmes in supporting women & youth cooperatives to be transformed to sustainable business enterprises with the aim of eradicating poverty and create sustainable jobs.

Vision 2020 is aligned to the objectives of Vision 2030 and Vision 2063 in supporting and advancing the agenda of women empowerment in the African countries. It looking at adopting 450 cooperatives in the country and focusing in the following sectors; Tourism, Manufacturing, Agriculture – Agro Processing and Textile. We have identified the Banking sector as the integration sector that cuts across all the sector. The programme will transpire to TV Documentary which will be produced by the young women in Film promoting the Arts and Culture. Our SACCO will support the broad spectrum of all the cooperatives. This will also be followed by the Exchange programme as well as the Business Tour to our sister countries. The programme is supported by both private and public sector.

WOVSA promotes the establishment of the as vehicle to drive socio-economic issues faced by women in cooperatives and businesses. Co-operative Banks which are initially registered as Co-operative Financial Intuitions (CFIs) have proven to be one of the most effective and sustainable methods of combating harsh inequalities in many counties including in developed countries.

By providing opportunities for easy access to financial services, the financial co-operatives contribute to a holistic process of social, economic, political, and cultural development. The guiding values and principles of co-operatives produce organizational structures that empower its members and contribute to a democratic distribution of resources; therefore, Co-operative Banks are well positioned to enhance access to affordable financial services to the majority of the people that are still unbanked and under-banked in South Africa.

Establishing co-operative banks is not an easy process. Since the co-operative bank is supposed to be independent and autonomous, which means being run and managed by the members themselves, a lot of education, training, coaching and mentoring must be done to the members, elected official, management and staff in order for it to be viable, safe and sound. However, with the Vision 2020 model used by the WOVSA, the process of the establishment is simplified. WOVSA together with African Women and working with the Deputy Minister of Tourism in the Country has developed a forum that is going to oversee that establishment of women banks not only in South Africa but in the continent. Encouraging both cooperatives from different sectors, businesses to be part of the SACCO.

In December, WOVSA will be launching the first Chapter for Vision 2020 in Durban South Africa. The aim is to introduce the programme to the province and also invite both local and international guests with the objective of partnership in growing economy. The launch will be followed by 8 chapters in the SA then other SADC and African countries. Women of Value SA is delighted by the progress and looking forward to work with other African countries in building strong relationships and partnerships that will work for our beautiful African continent.
Trop de jeunes sont au chômage, ce qui augmente le taux de pauvreté. Le secteur coopératif offre aux jeunes un emploi ou un moyen de créer leur propre emploi et à la fin de leur donner une occasion pour que leurs voix soient entendues dans la société.

UNE OPPORTUNITÉ POUR ENGAGER AVEC LES JEUNES CHÔMEURS À TRAVERS LES COOPÉRATIVES

Le grand défi pour les jeunes qui entrent dans la main-d’œuvre à se trouver un emploi est un manque d’expérience. Ils sont incapables d’acquérir une expérience professionnelle qui leur permettrait d’obtenir un emploi qui crée un cycle négatif. Les jeunes sont surtout les derniers à être embauchés en raison du manque d’expérience et les premiers à être licenciés en raison de l'absence de régime sur la base du “dernier entré, premier sorti”. Il y a une différence de positions entre les besoins des employeurs et du système éducatif. Par conséquent, il y a une lutte pour les jeunes à se trouver un emploi qui correspond à leurs qualifications, et les employeurs ne parviennent pas à amener les gens avec les compétences définies. Dans les économies de développement où un grand pourcentage de jeunes sont souvent sous-employés et travaillent dans l'économie informelle dans de mauvaises conditions, le défi est aussi d'améliorer la qualité des emplois qui leur sont offerts, en plus de générer de nouvelles possibilités d'emploi.

L’OPTION DE COOPÉRATION

Les coopératives sont des entreprises fondées sur des principes qui mettent les gens au centre de leurs activités, plutôt que la recherche de profit. Ils sont purement associés à un bénéfice faisant savoir l'auto-assistance, l'auto-responsabilité, l'égalité, la démocratie, l'équité et la solidarité. La nature démocratique des coopératives encourage la participation, élargit la propriété et favorise l'autonomisation des jeunes. Le modèle d'entreprise coopérative contribue à l'habileté des jeunes de se trouver un emploi non seulement en fournissant un emploi salarié, mais aussi en facilitant la création d'emploi associé à la coopérative. Les coopératives sont clairement une source importante dans la création d'emplois. La forme coopérative favorise les zones rurales et urbaines et des personnes de tous les niveaux de compétences universitaires, y compris les jeunes diplômés qui ont des perspectives limitées de trouver un emploi. La forme coopérative est une option pour les jeunes car il a peu d'exigences en capital, des responsabilités limitées et dans les cas où les membres sont également des employés, la flexibilité de l'emploi indépendant. Les coopératives jouent également un rôle dans la formalisation de l'emploi informel par la voix et des économies d'échelle collective et l'extension de la protection sociale.

En Afrique les coopératives des entrepreneurs montrent des signes de croissance, où les petites et moyennes entreprises, dont beaucoup sont informelles, se réunissent pour former une coopérative pour partager des services. Les coopératives ne fournissent pas seulement des emplois ou des possibilités d’entrepreneuriat, mais aussi des services essentiels. À travers le monde, dans presque tous les secteurs de l’économie, les jeunes peuvent bénéficier de produits accessibles et abordables et des services que les coopératives offrent à leurs membres et les communautés dans lesquelles ils opèrent. Ceci inclus la nourriture et la consommation de détail, les services financiers, la santé et social les soins, le logement, les transports, communications, les services publics, les services de téléphonie et de l'Internet mobile. La manque d'information sur les coopératives limitent la capacité des jeunes de choisir l'option coopérative pour leurs entreprise. En tant que membres, ils ont également la possibilité d’influencer sur les types de services disponibles et les modalités selon lesquelles ils sont offerts. Ils soutiennent la création et la croissance de toutes les formes...
d’entreprise en fournissant l’accès aux services financiers, y compris le crédit. Beaucoup ont mis en place des services spécifiques pour répondre aux besoins des jeunes et des jeunes entrepreneurs pour leur permettre de commencer, de maintenir et de faire croître leurs entreprises - coopératives ainsi que d’autres formes d’entreprises.

**CO-OPERATIVE COMPÉTENCES ET FORMATION Startups**

Les coopératives ne sont pas systématiquement partie des services de développement d’affaires offertes par les gouvernements aux niveaux national ou local. De même, l’inclusion des coopératives en tant que matière dans les programmes scolaires à tous les niveaux est encore insuffisante. Ces lacunes limitent la capacité des jeunes à choisir l’option coopérative pour faire des affaires. Pour combler cette lacune, les coopératives dans de nombreux pays offrent une formation coopérative de l’esprit d’entreprise et de l’éducation universitaire. Par exemple, une coopérative Kenyan (basé à Nairobi) conforme au principe coopératif de l’éducation et de la formation. De nombreux mouvements maintiennent leurs propres collèges coopératifs et des centres de formation pour permettre l’éducation et la formation continue, tandis que d’autres soutiennent ou en partenariat avec les établissements d’enseignement pour leurs besoins de formation. Cet engagement à l’éducation et à la formation renforce la compétence des membres et des employés permettant la mobilité de l’emploi et à l’avancement à la fois au sein de la coopérative ainsi que des compétences qu’ils peuvent aussi transporter avec eux à d’autres entreprises. Dans certains cas, ce renforcement des capacités peut également être lié avec le soutien de coopératives start-up sous la forme de services de conseil aux entreprises et l’accès au financement.

**UN CAS D’AFFAIRES POUR ENGAGER LES JEUNES**

L’ampleur et l’impact de la crise actuelle de l’emploi des jeunes sur l’avenir des jeunes et des sociétés est un appel à l’action immédiate. Alors que les coopératives ont déjà un rôle en aidant les jeunes, il y a un grand potentiel de développement. Offres d’emplois, des produits et des services abordables, des opportunités pour démarrer une entreprise et la capacité d’avoir une voix dans la façon dont les entreprises non seulement fonctionnent économiquement, mais aussi agissent au sein de leurs communautés, sont possibles grâce à des entreprises coopératives. Pour permettre aux jeunes de profiter pleinement de l’option coopérative de l’entreprise, un certain nombre de défis doivent être abordés. Dans de nombreux pays, les coopératives ne sont pas incluses dans les programmes scolaires, et alors les jeunes n’ont la possibilité d’en apprendre davantage sur la forme de l’entreprise au cours de leurs études. Les services d’éducatons à l’entrepreneuriat et soutien aux entreprises existantes négligent également le modèle coopératif. Même lorsque la forme coopérative de l’entreprise est présentée aux membres potentiels, les promoteurs sous-estiment souvent la nécessité de renforcer les capacités, les compétences en gestion des affaires, et une formation spécifique en matière de gouvernance coopérative. Sur le front de l’environnement favorable, la politique et la législation en vigueur continue de limiter la formation et la croissance des entreprises coopératives. Dans le cas des coopératives de jeunes, par exemple, la formation de coopératives scolaires peut poser des défis particuliers lorsque l’âge minimum requis à la formation de coopératives est fixés. Les coopératives améliore l’avenir pour les jeunes !
Financial markets refer to a market where the exchange of financial instruments is carried out and traded; it is a market in which money is transferred from persons having excess availability of funds to those who have a shortage. Financial markets are crucial in enhancing economic efficiency by moving funds from people who do not have an industrious use for them to those who do. Financial markets contribute to enhancing economic growth and development through their key economic roles and functions. These economic functions of financial markets are firstly to enhance price discovery of financial instruments exchanged between buyers and sellers, secondly enhance liquidity in the market and provide opportunities for investors to trade financial instruments at their market value or fair value, and thirdly reduce the transaction costs of trading financial instruments. Other important roles of financial markets include: promoting risk management, providing opportunities for investment, facilitating commercial transactions and providing opportunities for arbitrage. Indeed, a well-functioning financial market is an important factor in enabling high economic growth, whereas on the other hand poorly performing financial markets are one reason that some countries remain underdeveloped and poverty stricken. Undertakings in financial markets have direct affects on people’s personal wealth, businesses and consumers behavior, and cyclical performance of the economy.

A financial institution is an organization that carries out financial transactions such as investments, loans and deposits. These institutions include:
- Commercial Banks
- Investment Banks
- Insurance Companies
- Brokerages
- Investment companies
- Non-Bank Financial Institution (Savings & Loans/Mortgage Finance Institutions, Credit Unions/SACCOs, and Shadow Banks).

Financial integration (FI) is a phenomenon in which financial sectors, such as intermediaries/institutions and markets in a country, neighboring, regional and or global economies, are closely linked together. Further financial services industry integration is any activity that seeks to link two or more financial service institutions or puts together two or more aspects of the production or distribution of financial services. Integration can be geographic (national or cross-border) or functional.

Various forms of FI include:
- Information sharing among financial institutions
- Sharing best practices among financial institutions
- Sharing cutting edge technologies among financial institutions
- Firms borrow and raise funds directly in the international capital markets
- Investors directly invest in the international capital markets
- Newly engineered financial products are domestically innovated and sold in the international markets
- Rapid adoption of newly engineered financial products among financial institutions in different economies
- Cross boarder capital flows
- Foreign participation in the domestic financial markets

Lack of integration between sections of the financial sector in Africa inhibits mobilization of financial resources and intermediation. Lack of integration is ascribed to repressive financial policies and to structural and institutional factors.
which affect the level of economic and financial development.

Studies by the World Bank and others have established a positive and significant relationship between financial sector development, economic growth and poverty reduction. Also, they have noted that the small scale of operations in most African financial systems could be improved through promoting FI.

FI contributes to growth in four different ways:
• It provides an incentive for domestic financial reforms;
• It increases the scale of operations and competition, thereby increasing the system’s efficiency and productivity;
• It induces foreign direct investment (FDI) inflows; and
• It enables the local systems to grow into regional and ultimately global players in financial markets. It is key to note that some institutions and countries, especially the fragile ones with relatively less developed systems, could lose out in the initial stages of FI. The long term benefits however far outweigh short-term perceived losses.

Benefits of financial integration include:
• Efficient capital allocation
• Better governance
• Robust regulatory environment
• Higher investment and growth
• Risk sharing
• Greater efficiency as a result of increased competition.
• Sharing of skills thus enhancing human capacity building
• Faster technological knowledge transfer improving operations

The benefits of FI result from the combination of reforms undertaken on different levels. The national level reforms that are undertaken by countries in preparation for integration lead to the first level of benefits, as domestic markets become better regulated, better governed and managed, and more efficient as a result of increased competition. The second level of benefits is realized as financial institutions, markets and infrastructures are merged.

The above challenges are reasons why continued exclusion or unclear participation in the financial integration agenda is not an option because the benefits of FI will go a long way in improving the performance of the financial sector in Africa.

Overall, financial services integration is the current trend and will continue to profoundly change the landscape of financial sector. The dissimilarities between the traditional banking, securities, and insurance products are getting increasingly blurred as a result of deregulation, globalization, and product innovation. SACCOs meet a two-pronged social and economic objective and, to remain socially relevant, we need to meet our economic objectives. Therefore, it is critical we become an active participant in integration to reap the benefits of this financial strategy and improve SACCO performance.
The world is transitioning into a post-2015 development era, and in these early stages of the 2030 Agenda, also known as the Sustainable Development Goals (SDGs), we are looking for new and innovative ways to go beyond the shortcomings of the Millennial Development Goals (MDGs) to create a long lasting positive impact. In refocusing development priorities post-2015, there has been a renewed interest in the role of the cooperative sector. This brief article will explore the ways in which cooperatives can play a leading and important role in achieving the SDGs.

Though the cooperative model is not new, and has actually been functioning effectively since its inception in 1844 (ICA, 2016), it has garnered much attraction and attention in regards to the implementation in the new well-rounded global goals. The reach of cooperatives at the local, national and international levels is unfathomable; ILO and ICA state “about one billion people are involved in cooperatives in some way, either as members/customers, as employees/participants, or both” (Wanyama, 2014, 4). Given that the basis of the cooperative model is rooted in the seven cooperative principles founded upon “values of self-help, self-responsibility, democracy, equality, equity and solidarity” (Wanyama, 2014, 3), this value-based approach memorializes the essence of the SDGs in their ultimate goal to transform our world and empower people to lift themselves out of poverty.

There are numerous ways cooperatives support the SDGs, such as in environmental sustainability, health, food security, sustainable energy, and governance, among many others (ILO and ICA, 2014; Wanyama, 2014). This research chooses to focus on four distinct ways in which cooperatives are assisting in the realization of Agenda 2030. This article will explore the shared essential elements of both the cooperative model and SDGs, including decent work and economic growth; education and learning; gender equality and women’s empowerment; and poverty reduction.

**Decent Work and Economic Growth**

Stable economic growth is essential to achieving sustainable
development. Furthermore, in order to have economic growth, jobs must be created. Cooperatives are assisting in achieving economic growth in this way because they employ over 100 million people across the world, and cooperatives are also among the most significant source of new employment (ILO and ICA, 2014). Cooperatives are creating jobs and thus new consumers, increasing economic growth. Cooperative jobs are also a very stable form of employment owing to the community-based approach, and as such there is so much potential for growth in this sector.

Cooperatives do not only create jobs by employing people directly, they also create jobs in economies indirectly through promoting employment by creating marketing opportunities and improving market conditions for local people. They also have an influence on non-members whose professional activities are closely related to transactions with cooperatives, such as tradesmen or input suppliers (Wanyama, 2014).

Cooperatives encourage and make use of modern technologies. According to the official UN SDG website (2016), access to financial services is an essential part of inclusive economic growth. Considering financial exclusion disproportionately affects women and the impoverished, increasing the proportion of the world’s population with a bank account of some kind is essential for economic growth and to combating inequality. Between 2011 and 2014, 700 million adults became account holders. This increase can be attributed to new informal types of banking, including mobile money service (SDG, 2016). The main financial services that cooperatives provide to their members are small loans/credit, as well as high interest savings. Cooperatives are different from the formal banking sector because they are not focused on turning a profit. Their goal, instead, is to provide high-quality services for their members, who are also their owners and, at times, their employees.

Cooperatives are run and operated by their members, those who utilize their services. An increasing body of evidence suggests that employee-owned businesses also outperform non worker-owned enterprises in normal conditions, with higher financial returns and greater productivity; “Research has found a consistent positive relationship between employee-ownership and labour productivity” (Wanyama, 2014, 12). Past research across a number of countries within various sectors also suggests that employee-owned businesses provide higher financial returns, greater productivity levels, and higher levels of employment stability (Wanyama, 2014). As such, from the information presented, it is clear that cooperatives are a stable source of employment for emerging economies and thus are their part in working towards the achievement of the SDGs.

Education and Learning

Cooperatives address the sustainable development goal of education and learning is various ways. Cooperatives around the world adhere to seven agreed principles, and it is these principles that set them apart as cooperative organizations. Specifically, the fifth principal, which is Education, Training and Information, applies directly to this SDG; “Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives” (ICA, 2016). Cooperatives also educate the general public - especially youth and opinion leaders - about the nature and benefits of co-operation.

Education should be regarded as a lifelong experience according to the Sustainable Development Goals, and cooperatives have a role to play in this. Cooperatives provide continual education and training to their members (ILO and ICA 2014). They develop workshops and training courses in financial management and a myriad of other skills depending on the type and focus of the cooperative.

Indirectly, cooperatives are helping increase primary and secondary school enrolment through poverty alleviation and income generation (Wanyama, 2016). Parents have more money to dedicate to school and uniform fees. Savings and credit cooperatives also allow unbanked individuals to save money to put towards their childrens’ education or improve their living standards, which can also be barriers to education. In some instances, governments have failed to provide school infrastructure. In these cases, it is cooperatives who have stepped in, built schools and invested in the education of youth as well as the well-being of communities.

A number of cooperatives have established their own youth cooperatives to develop the skills of young people and encourage them to save funds. The support of cooperatives runs from the direct provision of pre-schools and schools, to scholarships, to members’ children attending school, and to help with higher education opportunities. Further, “some cooperatives are also directly involved in educational activities, for example organizing competitions, such as singing, dancing and literature competitions, essay writing competitions, speech competitions and so on” (Wanyama, 2016, 25). Additionally, some cooperative societies fund equipment and stationery for schools, or maintain a small library. By investing in educational and training opportunities for
their members as well as communities, cooperatives are clearly supporting the SDGs in their goal to improve education and learning.

**Gender Equality and Women’s Empowerment**

Open and inclusive membership is a principle component of the cooperative model. As well, SGD Goal number 5 focuses on gender, specifically to “achieve gender equality and empower all women and girls” (SDG, 2016). In fact, UN Women Deputy Executive Director Lakshmi Puri reaffirms the centrality of gender equality and women’s empowerment to sustainable development during her remarks in 2013, stating; “Addressing gender equality and women’s empowerment means addressing inequalities across the board.” (Puri, 2013). Further, she asserts, “investing in gender equality improves health outcomes, accelerates economic growth, reduces poverty and contributes to peace, democracy and stability” (Puri, 2013). Cooperatives, then, provide a vehicle for advancing gender equality in local communities through improving women’s access to resources as well as providing economic opportunities (Wanyama, 2014, 22). In East Africa, for example, the ILO and ICA (2014) reports women’s participation in cooperatives have significantly increased. For example in Tanzania, where women’s membership in financial sector cooperatives jumped from 86,000 to 370,000 in merely 5 years (Majurin, 2012; Wanyama, 2014). Furthermore, research shows that “women’s presence on financial cooperative boards ranges from 24 per cent (Kenya) to 65 per cent (Tanzania), with an [East African] regional average of 44 per cent” (Majurin, 2012; Wanyama, 2014, 23). Additionally, the cooperative principle of democratic member control also improves gender equality and women’s empowerment outcomes because of its representative nature. With this guiding principle, every member has an equal say and each individual has decision-making authority and power, giving women the opportunity to assert their individual agency and participate holistically.

These facts stand as a testament to the inclusivity of cooperatives and their ability to tackle gender equality issues while promoting women’s leadership and access to resources. By taking a local community approach, cooperatives are able to challenge the causes of gender inequality at the grassroots level. Gender equality issues remain persistent in the face of the global goals, therefore development policy makers and practitioners must recognize the value in the cooperative model and invest in global cooperatives to strengthen their gendered approach and improve the lives of women on the ground.

As the above exploration demonstrates, cooperatives support the SDGs in various aspects. And poverty reduction is related to all the topics explored above, and more. As such, poverty reduction is of utmost importance to both cooperatives as well as the SDGs. Poverty reduction is, first and foremost, the main goal of the SDGs (SDGs, 2016). For many years, the central focus of cooperatives has been to improve the lives of local community members through employment and cooperative participation. The ICA and ILO report that, “the natural disposition of cooperatives to create income-generating opportunities for their members has helped to raise a significant number of people out of poverty” (Wanyama, 2014, 10). The same report summarizes the importance of cooperatives to poverty reduction and sustainable development as stating:

“As value-based and principle driven organizations, cooperative enterprises are by nature a sustainable and participatory form of business. They place emphasis on job security and improved working conditions, pay competitive wages, promote additional income through profit-sharing and distribution of dividends, and support community facilities and services. Cooperatives foster democratic knowledge and practices and social inclusion. They have also shown resilience in the face of the economic and financial crises” (Wanyama, 2014, V).

Therefore, poverty reduction achieved through cooperatives provides support for local populations in various ways that includes, but is not limited to, empowerment, increasing economic opportunity, and taking collective (rather than individual) risks (Wanyama, 2014). As well, cooperatives invest in individual’s capacity to meet their own social determinants of poverty alleviation through providing non-financial services, such as the above stated education and gender equality cooperative advantages (Wanyama, 2014).

As aforementioned, the ILO and ICA report in 2014 approximately one billion people around the world are involved in some way, shape or form (Wanyama, 2014). Additionally, it is fair to assume that this number has likely grown over the past two years. As such, it is apparent that the global community must invest in expanding the reach of cooperatives in an effort to realize the SDGs and ultimately alleviate global poverty.
Conclusion

This research as demonstrated that cooperatives are successfully addressing many of the United Nations Sustainable Development Goals. By exploring topics such as poverty reduction, gender equality and women’s empowerment, education and learning and decent work and economic growth, this article has argued that cooperatives are a driving force in global development and therefore require greater attention and investment from international organizations and institutions to continue doing the great work that they do.

Regardless of this recognition, cooperatives will continue to address these global goals because working towards these goals is built into the cooperative principles and are an inherent part of being a cooperative organization. In the global development agenda, sustainability is a consistent and important consideration, and cooperatives are certainly a sustainable solution.

Cooperatives are driven by the people they strive to serve, their members, employees, and communities. They are individuals with needs that ban together and act as one collective voice to improve conditions for all. With so many development initiatives powered by affluent countries with self-interests in mind, it is entirely possible that cooperatives are the fresh grassroots solution that development practitioners have been searching for. It is essential that the global community becomes more aware of the role and influential opportunities offered by cooperatives so we can all work together towards sustainable development.

References


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1.0. INTRODUCTION

The financial industry is one of the driving forces behind every country’s economy. This is particularly evident in countries such as Greece and Spain, whose economies have suffered due to banks collapsing or receiving government bailouts. This underscores the importance of a sound banking system for every economy. In many developing countries a significant percentage of the overall population is still lacking proper access to financial services. Financial cooperatives/credit unions, saving and credit cooperative organizations (SACCOs), and commercial banks draw their membership from this marginalized group, with only 21% usage of financial services recorded (World Bank, 2008). In Malawi, for example, 55% of the adult population does not have access to any kind of financial services, and of the 45% who are financially included only 19% are formally banked (OIBM, 2012). To that effect, it can be argued that commercial banks in Malawi face a challenge in developing rural access strategies in order to tap into new clientele from currently unbanked rural masses. Coincidentally, this is in line with the government’s strategy to transmit financial resources into areas of national development ( Reserve Bank of Malawi, 2008). Commercial banks, then, have left gaps in Malawi by disregarding rural access strategies, thus leaving room for SACCOs to strategically expand into these regions.

It is against this backdrop that this case study focuses on SACCO growth in Malawi, as well as the challenges they face and their potential for expansion in rural Malawi. It is necessary to critically analyze the challenges that prevent SACCO growth and opportunities for growth when developing proper strategies for managing that growth.

2.0. MALAWI ECONOMIC PERFORMANCE

Malawi is a landlocked country located in southeast Africa, earning its nickname of the ‘Warm Heart of Africa’. It shares a border with Zambia to the northwest, Tanzania to the northeast and Mozambique to the south. The country itself is divided into four regions: north, south, east and central. Malawi also ranks among the world’s least developed countries. In 2015, the population was estimated to be 17,215,232 based on interpolation of world population prospects data. Malawi has several ethnic groups with several languages spoken. The country’s official language is Chichewa, which is spoken by over 57% of the population. The economy is predominantly agricultural, with about 90% (NSO 2014) of the population living in rural areas. According to CIA World Fact Book 2013, agriculture accounts for 37% of the Gross Domestic Product and 85% of export revenues. The economy depends on substantial inflows of economic assistance from the International Monetary Fund, the World Bank, African Development Bank and individual donor nations. However, in recent history, a great deal of outside aid has been suspended due to mismanagement of funds by government departments, a scandal that has been dubbed “Cashgate”.

Currently, Malawi’s two most important export crops are tobacco and tea. Traditionally Malawi has been self-sufficient in its staple food, maize corn. During the 1980s, and also between 2009 and 2011, the country exported substantial quantities to its drought-stricken neighbors. Nearly 90% of the population engages in subsistence farming. Smallholder farmers produce a variety of crops including maize, beans, rice, cassava, tobacco and groundnuts.

Malawi has undertaken economic structural adjustment programs supported by the World Bank (IBRD), the International Monetary Fund, and other donors since 1981. Broad reform objectives included stimulation of private sector activity and participation through the elimination of price controls and industrial licensing; liberalization of trade and foreign exchange; rationalization of taxes; privatization of state-owned enterprises; and civil service reform.

3.0. HISTORY OF SACCOS IN MALAWI

Activities that resembled the operating principles of the modern SACCO movement were observed in Dedza district of Malawi in 1962. For example, The Right Reverend Father Chimole introduced a Thrift and credit Society at Mingonoondo, and villagers and Catholic nuns started a village saving system where individuals could borrow from these savings. Some villagers managed to financially develop their families through small scale businesses and, in the process, attracted friends and other villagers to join. Eventually the group increased in number, and the movement grew substantially.
Today SACCOs in Malawi are grouped into two categories:

3.1. Payroll Based SACCOs from which below SACCOs belong:
   a. Mixed organizations SACCO
   b. Single organization SACCO

3.2. Community Based SACCOs
   a. Small Scale Businesses & Farmers that belong to communities fall under community based SACCOs.

In 1980 a union of savings and credit cooperatives was established called Malawi Union of Savings and Credit Cooperatives (MUSCCO). The mandate of MUSCCO is to promote, develop, service and support Savings and Credit Cooperatives in Malawi. MUSCCO exists to facilitate and promote on sustainable basis the growth and development of SACCOs through provision of a diversified range of financial, technical, administrative and other support services and products.

Mr. F.D. Msewa, who was involved in feasibility study of starting SACCO Movement in Malawi in 1972, became the first General Manager of MUSCCO in 1980.

As of December 2015, statistics show that there are 48 registered SACCOs across the country with an asset base amounting to MK 7.0 billion, savings amounting to MK 5.5 billion, and a total loan portfolio of MK 5.5 billion from 94,639 members across the nation. MUSCCO divided the four regions of the country into three chapters, namely Chapter 1 (southern and eastern regions) Chapter 2 (central region) and Chapter 3 (northern region). www.muscco.org.

The table below demonstrates the number of SACCOs, memberships, and assets per chapter, as of December 2015:

<table>
<thead>
<tr>
<th></th>
<th>Chapter 1</th>
<th>Chapter 2</th>
<th>Chapter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACCOs</td>
<td>16</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Membership</td>
<td>33,381</td>
<td>43,464</td>
<td>17,794</td>
</tr>
<tr>
<td>Assets</td>
<td>2.7 billion</td>
<td>2.2 billion</td>
<td>945,000,000</td>
</tr>
</tbody>
</table>

The figures above reflect the potential growth for the SACCO movement in Malawi considering that the penetration rate of financial cooperatives in relation to the productive community is very low. This means that there is an untapped market for the SACCOs to infiltrate in Malawi, which further leads to a great opportunity in promoting the African Development Agenda through a structured financial co-operative integrated system.

4.0. THE UNBANKED POPULATION IN MALAWI.

In the current business world, it is extremely important that each and every organization be able to attract new customers and retain existing ones in order to ensure that they continue to enjoy economies of scale in a competitive world. The current financial sector, which includes savings and credit cooperatives, is no exception. There are still a lot of potential customers in Malawian society that are not currently being reached by the services that financial institutions like banks, Microfinance institutions, and SACCOs have to offer various customers across the globe. Annan (2003:43) expressed that “The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance and that the great challenge before us is to address the constraints that exclude people from full participation in the financial sector”. This can be done by using various initiatives geared towards financial inclusion. Finscope survey 2008: 2014, reported that only 26% of the population in Malawi had access to formal financial services. One of the outstanding initiatives to increase the banked population is the introduction of integrated systems by financial cooperatives. This year’s 2016 SACCA congress theme: “Promoting The African Development Agenda through financial cooperatives integrated systems” fits very well as we address the constraints that
4.1. FINANCIAL INCLUSION

By definition, financial inclusion encompasses improving the range, quality and availability of financial services to the underserved, marginalized and financially excluded (Lazarus and Burling, 2011). The notion of financial inclusion is well established in literature and its importance can never be underestimated. Among many other important factors, financial inclusion allows the poor to save money outside the house safely at reasonable costs, prevents concentration of economic power with a few individuals, and it helps to mitigate the risks associated with economic shocks for the poor by allowing individuals to access services like loans during economic hardships. They are then able to repay the loan later when their financial situation stabilizes (Kelkar, 2008).

4.2. FINANCIAL EXCLUSION

Financial exclusion is the inability to access necessary financial services in an appropriate form (Levitas et al, 2006). Financial exclusion can be the result of different factors. For example an individual can be excluded from financial services because bad decisions they made in the past, or it could be as a result of some other factors affecting them that make it very difficult for them to access financial services, like their geographical position and income generating activities for example. Bhole and Mahakud (2008) stipulate that financial exclusion results from the following factors: Lack of awareness, low incomes as well as illiteracy, which act as barriers to inclusion in the financial sector. Bhote et el (2008) further argue that distance from the branch, branch timings, cumbersome documentation and procedures, unsuitable products, language, and staff attitudes also result in financial exclusion. Physical access itself can also act as a barrier to financial inclusion (Bhole and Mahakud, 2008).

Financial exclusion also results in uneven development, which is usually associated with economic decline and attendant social problems such as poverty and deprivation (Leyshon and Thrift, 1997). Thus, it is very important that financial institutions such as cooperatives, microfinance institutions, and banks strive to make sure that they provide services that carter to all. This can be very helpful when it comes to issues dealing with the boosting of their cooperate social responsibility (CSR) policy, as it will help to send a message that the organization is not only there as a profit making entity but also to make sure that all its customers or members are getting the best products and services.

This goes a long way in attracting other potential customers from the unbanked population and retaining the existing ones, which includes the banked population as a consequence. In Malawi most SACCOs attempt to garner their members from already banked populations in locations where almost all financial service providers exist. This made it more difficult for the SACCOs to grow. Few community based SACCOs draw their membership from unbanked population, such as small scale businesses and farmers. With a strong strategic penetration plan into unbanked population, SACCOs could grow quickly.

Financial inclusion is a global challenge, and Malawi is not an exception. According to Burritt (2006) 65%of the population in Malawi lives below the poverty line, with the rural poor being particularly vulnerable. Malawians seek safe savings facilities, payment services, and access to credit and insurance to build assets, increase income, reduce vulnerability, and maintain consumption for food and other services during lean periods.

5.0. THE FINANCIAL INDUSTRY LANDSCAPE IN MALAWI

The financial industry in Malawi has gone through many changes over the years. It is characterized with many financial players. These financial plays include: commercial banks (12), licensed SACCOs (30), discount house (1), leasing and financing company (1), credit reference companies (2), general insurance companies (7), general insurance companies (7), life insurance companies (4), insurance brokers (13), general insurance agencies (25), insurance assessors (13), Microcredit agencies (16), Microfinance institutions -non deposit taking (8),1 Microfinance institution ( deposit taking),1 Stock exchange,4 brokers,2 Collective investment schemes,6 Investment advisors and finally 7 Portfolio Managers. However the industry continues to be dominated by two large banks that own about 70% of total banks assets and deposits (Reserve Bank of Malawi, 2008). According to the Reserve Bank of Malawi (2009), the banking industry is dominated by National Bank of Malawi Ltd. and Standard Bank Ltd. that control 53%of total
banking assets, 52% of total loans, 54% of total banking sector deposits, and contributed 56% of the overall industry capital. This has helped create a monopolistic situation within the banking industry. The two large banks do not face stiff competition and therefore they used their traditional ways of banking for profit as a consequence. The financial industry is monitored and controlled by the reserve bank of Malawi, which acts as a regulator, and develops policies affecting the operations of all the financial service providers.

The banking system in any country across the globe serves as the engine of development by pooling financial resources from surplus economic units and channeling them to deficit economic units. The banking sector has important monetary policy implications as stability and continuous development of the financial sector are of paramount importance.

Trends show that financial markets in developing economies have gone through change owing to the adoption of financial liberation, innovation and information technology, on one hand, and globalization on the other. In Malawi, reforms in the financial sector date back to the late 1980s and focused on expansion and competition in the financial sector. A market oriented legal framework was adopted through the enactment of the Banking and Reserve Bank of Malawi ACTs in 1989, Financial Cooperatives ACTs 2011. These ACTs allow, among other things, easy entry of new banking institutions as well as financial cooperatives into the financial sector, which effectively means potential for an increase in competition. Thus it is very important that banks/ SACCOS should try to come up with ways which can make them better positioned than their respective competitors. According to the Reserve Bank of Malawi (2010) commercial banks play a very important role in helping government in achieving fiscal and monetary policies; therefore banks have to take a lead in helping government in achieving low inflation rate and sustainable low interest rates which can facilitate private sector growth.

Financial institutions like SACCOS can effectively contribute to the Malawi Growth and Development Strategy by ensuring that a good percentage of the population is not excluded from the financial sector, and making sure the unbanked population is given opportunities to access financial services that help them to retain the already banking population. This can effectively help to enhance the sustainable growth strategy as more and more people will be able to access credit services like loans and other savings related services, which can help them to open up businesses be able to employ others, improving the economy of the country as a consequence.

6.0. THE GROWTH

The SACC0 movement’s growth since its establishment has been slow, due to a popular public mindset that SACC0s are for poor people, low income employees and social groupings. This mindset was initiated because SACC0s were originally introduced as loan clubs and, as such, members to a large extent were controlled. This led to poor population outreach and in turn impaired the SACC0s’ capacity to sustain their operations (Mr. Emmanuel Darko -The history of Cooperatives in Africa; 1st edition). It was considered to be a poverty alleviation strategy in villages and among low income people. Therefore, wealthy, urban people disassociate themselves from such kind of gatherings. It became a common thought to potential prospective members that their money would not be safe in SACC0s, due to the majority of shareholders being less privileged people who cannot afford to employ well qualified human resource to manage their SACC0. With that perception it was believed that SACC0s were not well established organizations and were ultimately doomed to fail. Ultimately, this false perception slowed the growth of SACC0s in Malawi.

6.1. THE TREND

In Malawi the trend of SACC0s’ growth as indicated previously has met with a lot of challenges from both internal (SACC0 Movement factors) and external factors).

The graph below indicates the growth trend and performance of SACC0s in assets, shares, deposits and loans in Malawi since 2012.
The graph clearly indicates the internal growth of SACCOs, demonstrating that from 2012 the assets, shares and loans have been increasing convincingly over the years. However, the growth of deposits has been very slow. The assumptions for the slow growth could be obvious, since the members are free to withdraw their deposits (savings) at any time. Thus, they do not save because they have less or restricted access to their money due to unavailability of other delivery channels. Many SACCO products and services are based on shares, hence members are not encouraged to deposit or save; they prefer to contribute to shares rather than make deposits. While the loans portfolios increase, the assets also increase. Statistics reveal that in 2012 there were 45 SACCOs that were operational. The graph below demonstrates how the growth trend of SACCOs (institutions) stands.
Three new SACCOs have developed since 2012, bringing the total number of SACCOs to 48 in the whole country as of December 2015. It is worth noting that the number of existing SACCOs does not mean the movement is growing, but rather the number of members joining is increasing. Having looked at the number of SACCOs in Malawi, and their value in terms of assets, shares, deposits and loans, one might ask about their membership. It is important to look at the membership because it is the denominator of all the performances above.

Below is the graph presenting the membership trends between 2012 and 2015:

By December 2015, Malawi had 48 SACCOs with total membership of 94,639. Of the population totaling 17,215,232 in 2015, only 1% of the population made up SACCO membership. The 1% SACCO membership has contributed MK 5.5 billion; the total of shares and deposits. The total loan portfolio for this membership is MK 5.5 billion and total assets of MK 7.0 billion.

It is evidenced from the analysis given above that there is more untapped membership in Malawi for SACCOs considering that, out of the productive population, SACCOs have only 1% as its membership. Once SACCOs breakthrough the unbanked population and attract more members to join, the growth of SACCOs will quickly be noticed. Most untapped membership is in rural areas where most of the population are farmers that operate small scale business. According to categories of SACCOs, it is only community SACCOs that can tap this membership.

6.2. The Challenges SACCOs Face
There are many challenges affecting SACCOs’ growth. However, the potential for growth is in sight despite these challenges. The SACCO movement faces challenges such as:

- Poor awareness and advertisement of SACCOs
- Closed bond policy
- Inability or unwillingness to pay qualified personnel due to poor financial position or leadership will, which discourages such people to work for SACCOs
- Lack of technologically driven services
- Lack of saving culture among Malawians due to poor sensitization
- Famine / drought that hits the country almost every year
- HIV/AIDS pandemic
- Economic hardships
- Poor policies
6.3. SACCO Growth Recommendation

Since statistics show that there is more untapped membership in Malawi for SACCOs, especially from unbanked population, SACCOs need to seriously consider the following growth factors:

- Brand Visibility
- Product diversification
- Competent and experienced management (experienced personnel)
- More support from the national association MUSCCO, especially to ailing SACCOs
- More support from Government
- Adherence to the cooperative principles.
- Good governance
- Safety and soundness
- Member protection

6.4. Government Intervention for Growth of SACCOs in Malawi.

Government is attempting to champion the creation of more cooperatives as one sure and trusted model to economically empower the people. One example of its initiative is the drafting of a microfinance policy that looks at how microfinance can be used to bridge the economic gap among the people, particularly rural folks. Therefore, the proposed government interventions aim to ensure adequate reach to the rural areas. Nevertheless, government should put more effort on monitoring its initiatives. According to Reserve Bank of Malawi, currently there is a blooming cooperative sector that can be used as a tool to economically empower people. Though financial cooperatives may not be growing at the rate other types of cooperatives are growing, there is enough evidence on the ground that SACCOs are gaining popularity as well, considering about 63% of SACCOs in Malawi are licensed by the Registrar of Financial Institutions under Financial Cooperatives Act (2011).

The regulatory framework in Malawi for cooperatives is divided into two categories:

- Registration of SACCOs by the Registrar of Cooperatives. This is under Cooperatives Societies Act (1998) through Ministry of Industry and Trade and Tourism.
- Licensing and Regulation/supervision by the Registrar of Financial Institutions. This is under Financial Cooperatives Act (2011) through Reserve Bank of Malawi.

The regulation/law is very important in the growth of SACCOs because it helps to control and protect members' deposits from loss. It assures and encourages mobilization of members' funds, and finally the law promotes creation of confidence in SACCOs.

7.0. CONCLUSION

For the growth of SACCOs in Malawi to be significant, it will be essential to develop technologically driven services to provide better services to members with efficiency in rural areas. This will help customers find easy access to financial services as well as helping both the SACCOs and the members when it comes to issues of security.

SACCOs must penetrate the unbanked population through product diversification that will suit all types of people. The most important thing SACCOs should realize is that the problem of financial exclusion still exists, and more needs to be done if financial cooperatives are to create a just and inclusive financial system through a cooperative integrated approach. Only then can SACCOs be used as a vehicle to promote the African development agenda.

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   URL: www.bluebook.uncdf.org
1.0. INTRODUCTION

The financial industry is one of the driving forces behind every country's economy. This is particularly evident in countries such as Greece and Spain, whose economies have suffered due to banks collapsing or receiving government bailouts. This underscores the importance of a sound banking system for every economy. In many developing countries a significant percentage of the overall population is still lacking proper access to financial services. Financial cooperatives/credit unions, saving and credit cooperative organizations (SACCOs), and commercial banks draw their membership from this marginalized group, with only 21% usage of financial services recorded (World Bank, 2008). In Malawi, for example, 55% of the adult population does not have access to any kind of financial services, and of the 45% who are financially included only 19% are formally banked (OIBM, 2012). To that effect, it can be argued that commercial banks in Malawi face a challenge in developing rural access strategies in order to tap into new clientele from currently unbanked rural masses. Coincidentally, this is in line with the government's strategy to transmit financial resources into areas of national development (Reserve Bank of Malawi, 2008).

Commercial banks, then, have left gaps in Malawi by disregarding rural access strategies, thus leaving room for SACCOs to strategically expand into these regions. It is against this background that this case study focuses on SACCO growth in Malawi, as well as the challenges they face and their potential for expansion in rural Malawi. It is necessary to critically analyze the challenges that prevent SACCO growth and opportunities for growth when developing proper strategies for managing that growth.

2.0. MALAWI ECONOMIC PERFORMANCE

Malawi is a landlocked country located in southeast Africa, earning its nickname of the ‘Warm Heart of Africa.’ It shares a border with Zambia to the northwest, Tanzania to the northeast and Mozambique to the south. The country itself is divided into four regions: north, south, east and central. Malawi also ranks among

"For the growth of SACCOs in Malawi to be significant, it will be essential to develop technologically driven services to provide better services to members with efficiency in rural areas."
With 3 years running and 126 certified African Development educators; are you in the picture? If not, what are you waiting for? ACCOSCA and the National Credit Union Foundation are giving you another chance to join this brigade. We are convinced that it is important for every cooperator to understand the philosophy behind the work they do on a daily basis. This educators program gives us an opportunity to grow this sector and create true cooperators that are ready to positively impact people’s lives. Our business focuses on supporting people helping people. In order to do so it is important for all cooperators to understand this background and own the cooperative concept.

We at ACCOSCA believe that this program is the first step towards understanding and owning the philosophy of the cooperative business model. This revolutionary program not only changes your perception of the sector but will also ignite a new kind of passion in you for your work.

We guarantee the following from an ADE class;

* A better understanding of the cooperative business model
* Makes you a professional
* Fine tunes your skills
* Network with some of the best there is in this sector
* Lifelong friendships

We are offering you a week that will change your perspective on the cooperative model; during this week you will work to build practical skills while also having fun. We assure participants a safe space for discussion. We welcome your ideas on solutions to topical issues affecting the sector. In a DE class there is no wrong answer, every idea is a good idea, and we spend time sharpening them into solutions to our issues. In a DE class, you will be mentored not just for the week but for as long as you need. We open a lifelong network including your mentor, fellow DEs and renowned professionals in the sector from all over the world.

We have had 3 “best of the best” ADE classes so far, and we are now making a call for the fourth class. ACCOSCA and NCUF invites you to join the fourth ADE class in February 2017, to be held in Banjul, The Gambia. The call is out and will be closed by October 31st 2016.

Please note the slots are limited, be the first on our list.

“If you want to understand how cooperatives operate don’t go to the library, register for ADE.”

You will never really understand the hype, until you join in!!!!

For more information on this program, please contact:
Bettyrose Okiri at bettyrose.akinyi@accosca.org or Maureen Njoroge at maureen.njoroge@accosca.org. You can also call our office at +254(0)202714649.

FROM THE ADE DESK

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<table>
<thead>
<tr>
<th>NAME</th>
<th>ORGANIZATION</th>
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<td>Onalenna Thelma Moshabi</td>
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Participants at the 1st Value chain workshop during the field visit at the Kenya Meat Commission in AthiRiver

Class photo – 1st Value chain class at The Maanzoni Lodge
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Class photo - SOF - 2016

4
Ongoing session SOF - 2016 at the Birchwood hotel in Johannesburg

5
Participants of the Performance management workshop on their visit to Wazalendo SACCO in Kampala, Uganda
Group discussions during the Performance Management Workshop – August 2016

Ongoing session – Performance management workshop in Kampala, Uganda

A group of ADE 2016 graduates pose with their mentor after the graduation ceremony
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ADE 2016 graduation

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