

KANISA SACCO

INTEREST ON DEPOSITS AND DIVIDEND PAYMENT POLICY

1. Introduction

Development and prudent implementation of policies and other internal systems has been a primary function of the Management in ensuring that members continuously benefit from the growth of the SACCO. To this end, several policies have been developed and are under use. This has realized effective, efficient and responsive service delivery to members.

In line of the above, the Management, having considered, identified and analyzed different trajectories in managing issues around payment of interest on deposit and dividends on shares. This policy is now put for consideration during this 33rd Annual General Meeting for members' consideration.

2. Rationale for and Implementation of the Policy

The Interest on Deposits and Dividends Payment Policy has been developed purely with an objective to streamline, through development and implementation of acceptable and mutually beneficial systems and procedure, the process of dispensing the SACCO surplus to members. This is envisaged to ensure that members, in benefitting from the outcomes accruing from their savings in form of deposits and shares, do so in an atmosphere of equity and satisfaction.

This policy document is expected to ignite and sustain saving culture among members. It is in the area of predictability in returns that this shall be achieved.

In its implementation by the Management, the policy shall be supported by other existing governance instruments especially the Society's By-laws and the Credit Policy among others. The Society By-laws shall have overriding powers over this policy and any part of this policy found to be in contradiction to the By-laws shall be deemed null and void.

3. Areas of the Policy

3.1 Interest on Deposits

Interest on deposits will be paid on Weighted Average method (pro rata basis). This means proportionate allocation of interest according to how contributions have been made within the year. Pro-rating refers to the practice of applying weights to different time frames within the year with January carrying the biggest weight while December carries the least weight.

Interest on deposits shall be paid only to bonafide members of KANISA SACCO LTD. The bonafide members shall be defined as those who:-

- i. Are on the register of members as at December 31st of the financial year under consideration.

The interest on members' deposits shall be proposed by the CMC and approved by members' during the Annual General Meeting (AGM) and shall be subjected to withholding tax payable to the Government at the prevailing rates. This interest shall be paid less any liabilities and outstanding obligations to the Society by the benefitting member.

Interest rate proposed by the CMC shall depend on the financial performance of the Society in the period under review.

3.2 Dividends

The Society shall declare dividend on shares at a rate to be proposed by the CMC and approved by members' during the AGM. This dividend rate shall depend on the financial performance of the Society in the period under review.

3.3 Interest Rates on Savings Accounts

The Central Management Committee (CMC) shall, from time to time, determine the interest rate applicable to members' savings. Interest rate on Savings Accounts shall be calculated on a weighted average (pro rate basis) method. The CMC shall determine the rate by using, among others, the following elements:-

- (a). Financial market behavior;
- (b). Current inflation rate;
- (c). Transaction costs on savings;
- (d). Savings mobilization volume;
- (e). Terms offered to the market;

The interest rate offered shall be:-

- (a) Competitive in the market;
- (b) Periodically reviewed, according to the competitive patterns; and
- (c) Adjusted in a timely manner to market conditions

The interest on savings shall be credited to the respective member's Savings Account.

4. Unclaimed Interests on Deposits and Dividends on Shares

Any interest on deposits and dividends on shares that remain unclaimed for a period of more than one hundred and eighty (180) days from the date of the AGM that approved such payment shall be, respectively, ploughed back and capitalized into the respective members' accounts.

5. Conclusion

The Management continuously endeavors at improving the internal operations of the SACCO towards smooth and efficient service delivery to its members.

6. Management Approval

This document was discussed and approved for implementation as a policy of the Society in respect to interest on deposits and dividends payments with effect from April 2014.

It is approved under Min 05/CMC/28/02/2014 (2) of the Central Management Committee meeting held on **March 18th, 2014**.

SIGNED BY:

Chairperson.....Date.....

Vice-Chairperson.....Date.....

Hon. Secretary.....Date.....

Treasurer.....Date.....