

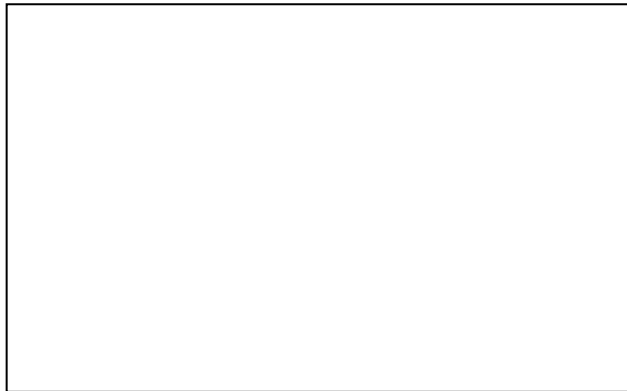


REPUBLIC OF ZAMBIA

MINISTRY OF COMMERCE, TRADE AND  
INDUSTRY

DEPARTMENT OF COOPERATIVES

SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETIES



WHAT IS A SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY?

A Savings and Credit Co-operative Society (SACCO) is a financial institution that is owned and controlled by its members, according to democratic principles. It is formed for the purpose of encouraging savings and using pooled funds to make loans to its members at reasonable interest rates and providing related financial services' to enable members improve their economic and social conditions.

A SACCO may be known by different names such as People's Bank, Credit Union, Thrift and Credit Co-operative.

SACCOs promote thrift among their members, creating a source of credit for provident or productive purposes and affording members the opportunity to learn to manage their own funds.

HOW DO SACCOS DIFFER FROM OTHER  
CO-OPERATIVES AND FINANCIAL  
INSTITUTIONS?

While SACCOs are co-operative societies, they differ from other cooperative societies in that their core business operation is provision of savings and services. Some SACCOs actually provide bank and insurance services closely resembling banking institutions. Some of the features which distinguish them from other co-operatives and financial institutions are:

- Their operations are concentrated within their own membership. A person must be a member in order to save, borrow or receive other services from the SACCO.
- In developing SACCOS, working funds are comprised mostly of member shares while in mature SACCOS working funds are mainly deposits. The use of deposits as opposed to member shares is encouraged because it enables the SACCO to pool more financial resources for onward lending.
- They make loans to members, emphasizing primarily the level of deposits, character and ability of borrower to repay.

- They rely to a significant extent upon the volunteer efforts of their members. The key element in the development of SACCOS is volunteerism.

In order to maintain these characteristics, which place a high degree of responsibility for success on the participation of individual members, it is desirable for SACCOS to operate under specific by-laws. By-laws ensure that each SACCO adheres to the basic Credit Union principles approved on 24<sup>th</sup> August 1984 by World Council of Credit Unions (WOCCU). These are:

1. **Democratic Structures**
  - Open and Voluntary Membership
  - Democratic Control
  - Non – Discrimination
2. **Services to Members**
  - Services to Members
  - Distribution to Members
  - Building Financial Stability
3. **Social Goals**
  - On-Going Education
  - Cooperation Among Cooperatives
  - Social Responsibility



All SACCOS restrict their membership to only those people who have a certain “common interest” or “common bond”. The common bond is the link that exists between members of a certain group. It may be a place of work, residence, worship or common profession. It is vital to develop mutual confidence which members must have if the SACCO is to succeed. Membership of SACCOS is open to all persons who belong to the group, regardless of race, religion, colour, creed gender and job status.

In some countries, SACCOS are being urged to open their common bonds. The obvious benefit of opening common bonds is increase in savings resulting from increase in membership.

#### **WHAT ARE THE BENEFITS OF SACCOS?**

- Members are not just other customers or numbers but shareholders and owners of the SACCO whose rewards are through dividends on shares.
- Members, as owners, share ownership of the SACCOS and decide how best to use their money for their benefit.
- Interest rates on both savings and loans are generally better than rates given by commercial banks due to SACCOS having very low overheads (lower transaction costs) as compared to commercial banks who pay low interest on savings but charge a high interest on loans to cover their overheads.
- Liberate members from dependence on money lenders and unfriendly banking terms.

- Encourage regular saving from members through stop order deductions from the payroll as is the case with workplace SACCOs.
- SACCOS promote the financial well-being of members including those with modest incomes through a system that is member-owned and driven.
- SACCOS educate members on financial matters and wise use of financial resources.
- Members can get financial advice and learn money management.
- SACCOS are members of the world body called World Council of Credit Unions (WOCCU) which is an apex organization.

#### **WHAT ARE MEMBER’S MOST IMPORTANT RESPONSIBILITIES?**

Member’s most important responsibilities are:

- (a) To save regularly,
- (b) To borrow wisely and
- (c) To repay promptly.

The procedures or steps of forming a SACCO are just the same as those of forming any other Cooperative

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