



**USAID** | **UGANDA**  
FROM THE AMERICAN PEOPLE

# SACCO SAVINGS PRODUCT DEVELOPMENT

## TRAINING GUIDE



**February, 2007**

This publication was produced for review by the United States Agency for International Development. It was prepared by Thomas K. Shaw, consultant for Chemonics International Inc.



# Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

## SACCO SAVINGS PRODUCT DEVELOPMENT TRAINING GUIDE

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

---

Rural SPEED  
A USAID funded project  
Contract No. PCE-I-00-99-00003-00, TO 826

This report submitted by Chemonics International Inc. / February 2007

## **Table of Contents**

---

Training Objectives.....	4
Why Should Clients Save? .....	4
What is the Purpose of a Savings Policy?.....	5
What is a Savings Product?.....	5
What is Demand Savings? .....	5
What is Commitment Savings?.....	6
SACCO Savings Assessment.....	6
What Income is Earned from a Savings Product? .....	8
What Costs are Incurred from Savings Product?.....	9
What are the Primary Characteristics of a Savings Product? .....	11
Establishing Savings Products' Terms and Conditions .....	12
Savings Product Marketing.....	19

## Training Objectives

- ▶ Define the objectives of a SACCO Savings Policy;
- ▶ Present a summary of the current savings products available in the 8 USAID/Rural SPEED Partner SACCOs;
- ▶ Define the characteristics of five new/modified savings products;
- ▶ Discuss the different benefits of each of these five savings products;
- ▶ Discuss how to prioritize the introduction of the two most appropriate new/modified products for each individual partner SACCO.

## Why Should Clients Save?

Savings is critical to both individuals and households, especially in developing countries like Uganda where incomes are often extremely volatile and generally seasonal; i.e., most households depend upon some form of agricultural production to meet the majority of their yearly financial needs. Therefore, the existence of savings provides these individuals and households with the means to meet both expected and unexpected future financial obligations, as well as providing funds for investment opportunities.

Research findings indicate that individuals generally desire to save for one or more of the following objectives:

- To accumulate wealth to finance the household's long-term goals, such as social and family obligations, religious purposes, inheritance for the children, and the purchase of consumer durable goods;
- As insurance against illness, disease, retirement, sudden income losses, and other emergencies and contingencies that may occur in the future;
- To safeguard (smooth consumption) the household against uneven income streams due to seasonal variations in rainfall and/or other climatic conditions that affect the annual agricultural production cycles;
- To safeguard the household against uneven income streams due to cyclical variations in the business cycle and the demand for the business's products or services;
- To save for future investments in their own or a family members' education; and
- To save for future investment in their business activities.

It is important to distinguish between financial obligations (household expenses, school fees, medical expenses; etc.) and investment opportunities (agricultural inputs, trade stock, tools and machinery, etc.) because each requires a different type of savings product.

Individual SACCO members need to distinguish between “**savings to resolve a problem**” and “**borrowing for an opportunity.**” This provides the SACCO with an

opportunity to design formal savings products to assist members reach both their short-term and long-term financial goals.

### **What is the Purpose of a Savings Policy?**

The purpose of a savings policy is to establish and formalize the savings products that the SACCO offers to its members. The savings policy outlines the terms and conditions for each savings product and the procedures by which the liquidity, pricing and transactions for each product are managed.

### **What is a Savings Product?**

A savings product is an account maintained by a client with the SACCO for the purpose of accumulating funds over a period of time. Funds deposited in the savings account may be withdrawn only by the account owner or by his/her (formally) designated representative. The account may be owned by one or more persons. Some accounts require funds to be kept on deposit for a minimum length of time, while others permit unlimited access to the funds.

Generally speaking there are two broad types of savings products that a SACCO can offer to its members. The first type is *Demand Savings* and the second type is *Commitment Savings*. The existence of a product or products from each of these broad savings' product types allows the SACCOs to provide valuable savings assistance to their members.

### **What is Demand Savings?**

*Demand savings* is exactly what the name indicates, savings that can be accessed on demand; i.e., at any point in time and for any amount up to the required minimum account balance. Demand savings accounts are therefore highly liquid, easy to deposit into and easy to withdraw from; however, they are not especially stable resources for a SACCO's long term investment strategy.

The two most common variants of the demand savings products are the current savings account and the ordinary savings account. The main difference between the two is that the former pays no interest on the savings, has no minimum balance and generally has higher maintenance fees (often referred to as monthly, quarterly, bi-annual, or annual ledger fees), while the latter provides a (small) interest return on the savings but has a minimum balance and limits withdrawals to a pre-determined number per period (weekly, monthly or quarterly). The "Collection" savings account offered by many of the USAID/Rural SPEED SACCO partners is a variation of the current savings account.

Demand savings accounts, especially the current savings accounts, use the largest percentage of the SACCO's resources (stationery, staff time, office security, cash/liquidity requirements, etc.) and have the lowest investment coefficient<sup>1</sup> of any savings products as sources of capital for SACCO loan products. While demand savings

---

<sup>1</sup> The investment coefficient is the percentage of the resources mobilized, in this case from savings products, that can be reinvested in productive investments (loans) without having a negative effect on the SACCOs liquidity or be in violation of prudential regulations.

products are essential to each client's individual savings and consumption strategies, these savings products need to be combined with other, more stable, products within each SACCO, in order to prudently fund its lending.

### **What is Commitment Savings?**

Commitment savings, unlike demand savings, is a product which has a built-in illiquidity component that deters withdrawals. Commitment savings products allow for ease in the making of deposits but limit the number and/or size of withdrawals that an account holder may make within a specified (contract) period of time.

In developed countries commitment savings products, such as pension plans, education savings accounts, medical savings accounts, automatic debits from check accounts to investment accounts, and direct debits from salaries to all forms of savings commitment products, are readily available to everyone.

In developing countries such as Uganda, this is not the case. The most common form of commitment savings product is therefore a time or *fixed deposit* account. Here the member agrees to leave a set amount of funds for a pre-determined period in return for a guaranteed (higher) return on that deposit. Another example of this would be the minor or junior account offered by some SACCOs.

### **SACCO Savings Assessment**

During the assessment stage of this consultancy, it was found that none of the SACCOs have formal written savings policies. Five SACCOs require that members open a savings account as a condition for joining but three<sup>2</sup> do not. Even then we did not see this condition written as part of a savings policy. The terms and conditions of each savings products are not clearly identified and available for consultation by members. In general, the information is given to clients verbally and then followed up by answers to specific questions.

All 8 SACCOs offer at least one demand deposit account (ordinary savings account) as well as at least one commitment savings product. The detailed breakdown of SACCO savings products is shown in Table 1.

---

<sup>2</sup> MAMIDECOT, Ikongo and Rubabo permit members to own share without having a savings account. These members cannot borrow or conduct other financial transaction with the SACCO but they are paid dividends on their shares.

**Table 1 Type of Savings Products Offered by SACCOs**

<b>PRODUCT SACCO</b>	<b>Ordinary Savings</b>	<b>Collection Savings</b>	<b>Fixed Deposit</b>	<b>Minor Savings</b>	<b>School Fees Savings</b>	<b>Health Fees Savings</b>
<b>MAMIDECOT</b>	<b>Yes</b> With Interest	<b>Yes</b> With Interest	<b>Yes</b> Interest rate same for all terms but negotiable for amounts > 10, 000,000 UGX	No	No	No
<b>SHUUKU</b>	<b>Yes</b> With Interest	No	<b>Yes<sup>3</sup></b> Interest rate negotiable for all amounts and terms	No	No	No
<b>KITAGATA</b>	<b>Yes</b> Without Interest	<b>Yes</b> Without Interest	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>BUGONGI</b>	<b>Yes</b> Without Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>IKONGO</b>	<b>Yes</b> Without Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>KYAMUHUNGA</b>	<b>Yes</b> With Interest	No	<b>Yes</b> Interest rate variable (higher) depending upon term	<b>Yes</b>	No	<b>Yes</b>
<b>RUBABO</b>	<b>Yes</b> With Interest	No	No	<b>Yes</b>	<b>Yes</b>	No
<b>MUHAME</b>	<b>Yes</b> With Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	<b>Yes</b>	No	No
<b>TOTAL</b>	8	2	7	3	1	1

Two SACCOs officially stated that they offer a current savings products, generally called a “collections account”, although these accounts are not tracked separately from their ordinary savings accounts. The distinction is more in terms of extra fees or separate withdrawal slip books. The other SACCOs offer the equivalent of the current account services, without considering it as a separate product from ordinary savings.

In some cases it was possible to get the value of “collection account” savings and the number of accounts where this variation is only offered to institutions or groups (and thus these accounts can be tracked separately in the computer systems); however, this was not something that can or is systematically done for the SACCOs.

Interest is paid on ordinary savings accounts at five of the SACCOs, while no interest is given at the other three. The lack of interest seems to be more of an inability to calculate the cost than a lack of desire of the SACCO to remunerate savings. The interest rate paid is not a function of amount of savings. Therefore, there is no direct incentive for members to maintain higher average balances.

The most common commitment savings product offered by SACCOs is a fixed deposit account, although some SACCOs do offer minor accounts, school fees accounts or a

<sup>3</sup> While this product exists there are currently no fixed deposit accounts because the SACCO is overly liquid from ordinary savings at this time.

health savings product<sup>4</sup>. In most cases the interest rate paid on these commitment accounts is higher than for ordinary savings accounts, but there is still no differentiation by term or amount. Thus there is little or no incentive for members to place larger amounts and for longer terms. Only one SACCO had attempted to promote longer term deposits. Even then they had not really evaluated the cost before setting the interest rate.

### **What Income is Earned from a Savings Product?**

While one usually considers savings products to be sources of funds for lending, they are also sources of income. The direct income earned from offering savings products comes from:

- Stationary fees (initial fees paid when joining and replacement fees during use);
- Counter (slip) deposit or withdrawal fees;
- Service fees (ledger) on a monthly, quarterly or yearly basis; and
- Interest from placement in other institutions (link bank)

In addition to the direct income, there is the indirect income gained by placing some or all of the mobilized resources into product loans. It is therefore important to estimate the amount of expected earning from an increase in savings with respect to a particular product. This can be done fairly simply using the “contribution margin” principle that was covered during the “Cost Accounting and Product Pricing Workshop” in December 2006. The contribution margin principle is as follows<sup>5</sup>:

#### *“The Contribution Margin*

*The Contribution Margin is an important concept to understand when considering new transactions that will be added to the SACCO's existing operations. For example, if the SACCO has the opportunity to take in a new fixed deposit account at a 10% annual interest rate, and then lend the funds to members at an effective interest rate of 25%, one question that the SACCO's management should ask is: “What impact will this have on our profitability?” The answer is that revenues will increase by the 25% yield, minus any losses on those new loans and any increase in loan management expenses, minus the interest expense on the new funds, and also minus any increase in the operating costs of the savings operations.*

*It must be emphasized that the calculation of the Contribution Margin on the above hypothetical transaction is not the only consideration. Additional issues include the issue of whether the SACCO has an adequate backlog of good candidates to take loans, and whether the new funds and the new loans will not affect the SACCO's other loans and savings accounts. Regarding the matter of the need to successfully place the funds into new loans: the SACCO in this situation should consider placing at least part of the new funds into a Bank Account until they can be successfully put into good*

---

<sup>4</sup> Only Kyamuhunga SACCO offers a health savings product (Humura), which has still not been officially launched. The SACCO must determine all of the terms and conditions, especially the interest rate that will be paid, before it can be launched. This is expected to occur in the near future.

<sup>5</sup> This is an excerpt taken from the “Cost Accounting Concepts for Ugandan SACCOs” manual developed by Jeff Young of Prime International for USAID/Rural SPEED.

*new loans, rather than racing to get the money into new loans (and therefore earning interest) as quickly as possible. Hurrying to make a lot of new loans increases the likelihood of making mistakes, and should be avoided”.*

## **What Costs are Incurred from Savings Product?**

Before looking at how to design savings products, it is important to evaluate the “cost” of a product. This goes for both existing products as well as newly proposed products. The cost to offer and manage a savings product is more than just the amount of interest paid on that accounts. In fact, interest is a relatively small portion of the real cost. Most of the costs are actually management related costs, such as stationery costs, salaries for the cashiers who handle the clients’ deposits and withdrawals, the guards who protect the SACCO’s cash, the accountant’s time, the office space required to handle savings transactions, the managers’ time spent dealing with management issues related to savings accounts, and other miscellaneous costs.

A more detailed list of costs related to savings product operations are:

- Interest costs;

This is the percentage return paid to each savings products, based upon the stated period and minimum amounts.

- Stationery fees;

This includes the cost of producing any stationery needed for savings transactions, such as passbooks, ledger cards, counter slips (deposits and withdrawals), deposit voucher books, withdrawal voucher slips, monthly statements, registers, etc. The actual number and cost will vary from SACCO to SACCO.

- Salaries for the cashiers, as a percentage of the time involved in savings deposits and withdrawals (on a daily basis);

In most SACCOs, the majority of a cashier’s daily transactions are directly related to savings deposits and withdrawals. Operations relating to loans are rarely more than once a month for installment repayments and once off for the initial loan disbursement.

- Cash security;

Most SACCO security costs are directly related to its savings operations. While the armed guards do give all clients a strong sense of security, which is an important characteristic of a savings products, their real purpose is to ensure the security of the SACCO’s cash handling operations, which include storing (cash-on-hand), receiving (deposits), transferring to and from the link bank, and paying out of cash to clients who wish to withdraw from their savings.

- Salary for the Accountant’s time involved in savings;

A significant portion of a SACCO accountant’s time is used to deal with the verification of balances for savings deposits and withdrawals. It is therefore advisable to analyze his/her time usage, with respect to the both the savings and other financial activities to estimate the percentage of his/her time that can be directly attributed to savings.

- Salary for the Manager time involved in savings operations;

While a SACCO manager's responsibilities may be closely tied to the savings operations, he/she also has significant responsibilities for managing loan operations, especially in analysis and loan approval, and delinquency management. It is therefore advisable to analyze his/her time usage, with respect to the both the savings and loan products, to accurately estimate the percentage of time that can be directly attributed to savings operations.

- Cash-in-transit costs (to link bank, from link bank);

These are all of the costs involved in moving excess liquidity to the link bank and withdrawing resources for withdrawals. It should be noted that a significant portion of the link bank withdrawals may be for loans. As such, an analysis of the relative value of (cash) loan disbursements to total cash withdrawals should be done to estimate the percentage of link bank withdrawal costs that are directly related to savings operations.

- Office rent and general expenses;

This implies that a portion of the general overhead, specifically rent, electricity, water, etc. can be directly linked to the savings operations as a percentage of time and space used to provide those services. While it may be difficult to directly allocate these costs to a specific savings product, it is always possible to allocate the costs to a savings product based on its relative importance within the savings portfolio; i.e., percentage of total savings.

- Cost of savings product development and marketing;

These costs are easily identifiable and include posters, printed materials and other forms of advertising.

- Miscellaneous costs;

Depending upon the individual SACCO, there may be other costs that can be directly or indirectly allocated to the cost of offering a specific savings product.

Ideally, the savings products, which have the highest management costs and the lowest investment coefficient, should also charge the highest fees for their services. Moreover, if the SACCO's management were to analyze their existing members' savings accounts, they are likely to discover that the accounts that have small average balances take much more of their staff's time to manage than those accounts with larger balances. This implies that there is a greater relative cost to managing accounts, which have smaller average savings balances. This is especially true for current savings accounts (collection accounts), which can be extremely costly for the SACCO and cannot be used for lending.

This implies that any interest return that should be paid on smaller average balances should be less than that which is paid to clients' savings accounts with higher average balances. Currently, all SACCO "reward" poor savers and good savers at the same rate; i.e., a flat interest rate is paid regardless of average balances. This actually discourages those that would be willing to save more and for longer periods, if given a higher return. In fact, it encourages most members to manage their savings like current accounts, thus increasing the SACCO's management costs.

## What are the Primary Characteristics of a Savings Product?

First of all, studies on saving motives and preferences for individual and households, especially in rural areas, have identified four primary characteristics that a savings product must include to be attractive to clients. These characteristics are:

- 1) The safety and security of the funds.  
The perceived security is as important as the real security of funds at a particular institution.
- 2) The convenience of the access to the institution by the clients.  
This includes office location (in a specific area or community), traveling distance from home or business, the cost and availability of transport to and from the office location, days of the week and daily hours of operations, and the ease of use of documents and procedures for deposits and withdrawals.
- 3) The liquidity of the funds.  
This includes the average frequency and amounts that the clients need to access based on his/her long-term financial expectations; and
- 4) A positive return on the savings.  
The rate paid needs to take into account both the time the savings is held at the institution and the amount of the deposits.

While the fourth characteristic may seem to be the least important, this “attitude” may be more closely related to the non-existence of longer-term and higher return products at the SACCOs or a convenient alternative institution than a lack of awareness, that the indifference of a client to achieve positive (and higher) returns on his or her investments.

In light of these characteristics, the SACCO needs to offer savings products that provide members with incentives to deposit and disincentives to withdraw. This is typically accomplished by having only a small fee (or no fee) for deposits and a higher fee for withdrawals. The SACCO must; however, make sure that the withdrawal fee does not simply provide an incentive to members to withdraw less frequently but in larger amounts. This will leave the client with more cash in his/her pocket, which earns no interest and leads to spending the cash on unneeded or unintended items or activities.

Savings products need to provide positive incentives for clients to commit to saving more by having deposit-side mechanisms that encourage the client to make regular deposits and withdrawal-side mechanisms that discourage the client from using their funds, except for well-planned uses and real emergencies.

The savings products must further be designed to respond to the client’s capacity to save in small amounts, of varied values, and as frequently as possible. The savings products must not unnecessarily burden the clients with paper work and other transactions costs. Finally, they must be transparent so that they are easy for even illiterate people to grasp and use.

## Establishing Savings Products' Terms and Conditions

Five savings products are discussed in this section. Two of the products are demand savings products, while the other three are commitment savings products. The fees and interest rates presented in these examples are for demonstration purposes only. They do not represent a general recommendation for a specific SACCOs. The actual fees charged and interest rates paid on savings must take into account the cost and income components discussed in sections 5 and 6 of this training guide.

### Demand Savings Product 1

The first demand savings product is the Current Savings Account<sup>6</sup>. This is a product that should be available to all institutional, group and business clients that require frequent deposits and withdrawals; i.e., on a daily, weekly or monthly basis. This is a non-interest bearing account that charges fees to cover the actual maintenance cost of handling the account transactions. Account service fees can be charged monthly or quarterly.

### Terms and Conditions

Target Market	Institutions, Groups and Businesses	
Requirement	Must join the SACCO and have an ordinary saving account.	
Purpose	To provide cash management services for those clients, which make frequent deposits and withdrawal on an almost daily basis.	
Term	No limit	
Minimum to open account	50,000 UGX	
Minimum balance	None	
Maximum balance	No limit	
Interest rate paid on savings	None	
Number of deposits	Unlimited	
Number of withdrawals	Unlimited	
Fees		
To Open Account	Higher initial stationery fee	
During Use	<b>Operation</b>	<b>Cost</b>
	Monthly service fee	
	Replacement ledger card	
	Replacement passbook	
	Deposit voucher book	
	Withdrawal voucher book	
	Cash deposit using counter slip	
	Cash withdrawal using counter slip	
	Cash deposits directly to link bank	
	Check deposits directly to link bank	
	Check withdrawal directly from link bank	
	Payment of school fees (paid by depositor)	
	Posting of batch payment to individual's account	
To Close Account	10,000 UGX	
Proof of account	Passbook (client) and Ledger card (SACCO)	
Additional requirements	2 or 3 passport sized photos	
<b>SACCO Targets for 2007</b>		
Value current savings accounts	TBD	
Number of current savings accounts	This is the number of existing and expected new business, institutional and group members for the year.	

<sup>6</sup> The name has been changed from that used by the SACCO (collection account) to better reflect the real object of the savings product, which is to a high frequency of both deposits and withdrawals. The term "collection" puts an accent on the frequent deposit nature of the account but the not the just as frequent withdrawal side.

## Demand Savings Product 2

The second demand savings product is the Ordinary Savings Account. This is the basic savings products that all members receive when they join the SACCO. The product is designed for a large number of small deposits and infrequent withdrawals. It is an interest bearing product that pays interest on a “Tiered Percentage” basis. This means that the interest rate paid to the savings account depends upon the average or minimum balance that is maintained over the period (monthly, quarterly, bi-annually, yearly). The greater the average or minimum balance, the higher the interest rate paid. As a general convention, interest is posted quarterly to this type of saving product (every 3 months); however, this may not be possible at this time, at least until the SACCO’s management information system (MIS) can handle the quarterly calculations.

### Terms and Conditions

Target Market	All SACCO members			
Requirement	To be member			
Purpose	To provide cash management services for those clients, which make frequent deposits and have limited withdrawals.			
Term	No limit			
Minimum to open account	5,000 UGX			
Minimum balance	5,000 UGX			
Maximum balance	No limit			
Interest rate paid on savings	Tiered			
	≤ 25,000	> 25,000 ≤ 100,000	> 100,000 ≤ 500,000	> 500,000
	None	2% p.a.	3% p.a.	4% p.a.
Method of calculation	Based on minimum monthly balance			
Payment frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Number of deposits	Unlimited			
Number of withdrawals	3 per quarter			
Fees				
To Open Account	UGX stationery fee			
During Use	<b>Operation</b>			<b>Cost</b>
	Monthly service fee			
	Replacement ledger card			
	Replacement passbook			
	Deposit voucher book			
	Withdrawal voucher book			
	Cash deposit using counter slip			
	Cash withdrawal using counter slip			
	Cash deposits directly to link bank			
	Check deposits directly to link bank			
	Check withdrawal directly from link bank			
Posting of batch payment to individual’s account				
To Close Account	Value of minimum deposit (5,000 UGX)			
Proof of account	Passbook (client) and Ledger card (SACCO)			
Additional requirements	2 or 3 passport sized photos			
<b>SACCO Targets for 2007</b>				
Value current savings accounts	TBD			
Number current savings accounts	Number of current and expected future members during 2007			

The tiered interest structure will encourage many members to maintain higher balances. While not all members will begin keeping higher savings balances because they do not have the resources to do so, some members will raise their account balances as a result of the higher interest rates. The net result will be an increase in the amount of interest paid on savings and a **decrease** in the average total cost of each Shilling of savings because of the growth in savings balances.

### Commitment Savings Product 1

The first commitment savings product is the Fixed Deposit Account (FD). The key modification to the existing SACCO product is the introduction of a tiered system of interest rates as a function of the length of the FD's term. The longer the term the higher that interest rate that will be paid on the FD.

The minimum interest rate to be paid on FD accounts should be approximately 2% above the ordinary saving account's rate for the same amount and period. The maximum rate should be 2% less than the cost of commercial (bank) borrowing to the SACCO.

### Terms and Conditions

Target Market	Net savers who seek to maximize their returns		
Requirement	Must be a SACCO member and have an current or ordinary savings account		
Purpose	To earn a higher return on savings for the client		
	To provide the SACCO with stable funds to finance longer term loans.		
Term	3 months	6 months	12 months
Minimum to open account	100,000 UGX	500,000 UGX	500,000 UGX
Maximum to open account	400,000 UGX	No limit	No limit
Interest Rate			
Method of calculation	Flat rate	Flat rate	Flat rate
Interest Rate	4% p.a.	6% p.a.	10% p.a.
Account Fees			
Account Opening	None		
Early Withdrawal	Forfeit interest		
Proof of account	Certificate (member) and FD Register (SACCO)		
Additional requirements	None		
<b>SACCO Targets for 2007</b>			
Total value FD	Equal to the expected value of loans with 1 – 2 month terms.	Equal to the expected value of loans with 3 to 6 months terms.	Equal to the expected value of all loans with 7 to 12 month terms.
Total number of FD accounts	TBD based on the estimated value for 1-2 months term loans divided by 100,000 UGX	TBD based on the estimated value for 3-6 months term loans divided by 500,000 UGX	TBD based on the estimated value for 7-12 months term loans divided by 500,000 UGX

## Commitment Savings Product 2

The second commitment savings product is “Savings for a Purpose (SFAP)” account. These savings accounts are intended to mobilize longer term savings for a fixed purpose that is stated at the time the account is opened. They resemble FD accounts in terms of withdrawals but allow for multiple deposits over time, with a tiered interest rate structure to promote larger and longer term deposits. An example of this is a “School Fee Savings” account, which is opened before the child reaches school age (1-2 years old) with the intention of financing primary, secondary and potentially tertiary education costs. Withdrawals only begin once the child reaches a certain age and are generally directly transferred to the educational institution’s account. Another example is a health savings account. This too would allow the member to save on a regular basis and only withdraw to pay medical fees.

In some instances the purpose may be tied to a future loan request, which might require a 40 – 60 % client savings participation before the delinquency risk is low enough for the SACCO to be able to offer the loan. An example of this would be a transport loan, be it bicycle, motorcycle or motor vehicle.

## Terms and Conditions

Target Market	Net savers who seek to maximize returns for long-term planning and who expect to have one or more large future financial obligation (school fees, health costs, travel, transportation, retirement, etc.)			
Requirement	Must be a SACCO member and have a current or ordinary savings account.			
Purpose	To put aside a large amount of funds for a specific future purpose and still earn a higher return on those savings until the funds are actually required.			
	To provide the SACCO with stable funds to finance longer than 12-month term loans.			
Term	Unlimited			
Minimum to open	50,000 UGX			
Minimum balance	50,000 UGX			
Maximum in account	No limit			
Deposit Frequency	Predetermined when the account is opened (generally monthly)			
	Can be done by automatic deduction from ordinary savings account <sup>7</sup>			
Number of deposits	Unlimited			
Number of withdrawals	No withdrawal during the first 3 months			
	Withdrawals only allowed for stated purpose			
	Withdrawals for other purposes result in forfeit of interest for current period			
Interest Rate	The interest rate on this account is greater than for ordinary savings and less than for fixed deposits.			
Method of calculation	Based on minimum monthly balance			
Payment Frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Method	Tiered, increased based on level of savings			
Interest Rate	≤ 400,000	> 400,000 ≤ 800,000	> 800,000 ≤ 1,000,000	> 1,000,000
	3%	5%	7%	9%
Account Fees				
Account Opening	TBD (should include fees for special passbook, ledger card, etc.)			
During Use	<b>Operation</b>			<b>Cost</b>
	Monthly internal transfer fee			
	Excessive quarterly withdrawal penalty			
	Replacement ledger card			
	Replacement passbook			
	Deposit voucher book			
	Withdrawal voucher book			
	Cash deposit using counter slip			
	Cash withdrawal using counter slip			
Proof of account	Special Passbook (member) - Ledger card/Register (SACCO)			
Additional requirements	None			
<b>Targets for 2007</b>				
Total value SFAP savings	TBD based on the expected number of accounts and an average monthly deposit per account and time 12 months <sup>8</sup> .			
Number of SFAP accounts	Generally based on a percentage of total members that have average savings above a certain minimum level.			

<sup>7</sup> This will require a signed standing debit authorization by the client, which has a specific fee.

<sup>8</sup> The number of months should be adjusted to reflect the expected number of months that the product will be available during the calendar or financial year, whichever is used by the SACCO for budgeting purposes.

### Commitment Savings Product 3

The third and final commitment savings product is the “Youth Savings Account.” This account is used to attract young members of the community to build up a savings relationship with the SACCO and therefore create a strong savings culture within the community. In order to encourage the young people in the community, the interest return paid on savings is higher than for an ordinary savings account and less than for a FD. In addition, most fees related to deposits or maintenance are waived or reduced. Withdrawals are discouraged through the forfeiture of interest for the respective quarter.

## Terms and Conditions

Target Market	Local population under 18 years of age			
	Children of current members			
Requirement	Option A: Parent/guardian is a member & child is < 18 years old			
	Option B: Open to anyone < 18 years old			
Purpose	To teach the young people to save for their future			
	Establish early client relationship			
	Attract parents of youths to become members			
	Encourage parents to open accounts for their children			
Term	Unlimited			
Minimum to open	1,000 UGX			
Minimum balance	1,000 UGX			
Maximum in account	No limit			
Interest rate paid on savings	Tiered			
	≤ 25,000	> 25,000 ≤ 100,000	> 100,000 ≤ 500,000	> 500,000
	None	3% p.a.	4% p.a.	6% p.a.
Method of calculation	Based on minimum monthly balance			
Payment frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Number of deposits	Unlimited			
Number of withdrawals	No withdrawal for first 6 months			
	1 per quarter thereafter			
	If more than one w/d per quarter then forfeit interest			
Fees				
To Open Account	50% of normal stationery fee			
During Use	<b>Operation</b>			<b>Cost</b>
	Monthly service fee			None
	Replacement ledger card			None
	Replacement passbook			TBD
	Deposit voucher book			50% of normal
	Withdrawal voucher book			Not available
	Cash deposit using counter slip			None
	Cash W/D using counter slip – 1 per quarter			Free
	Additional W/D			Normal fee
	Other operations			Not available
To Close Account	None before age 18			
Proof of account	Passbook (client) and Ledger card (SACCO)			
Procedure at age 18	Option 1: Youth joins the SACCO and pays all of the normal membership costs (fees, shares, minimum deposit, 2 new photos			
	Option 2: Youth withdraws the savings balance			
	The Youth Account holder has a grace period of one month to choose one of the above options. If no option is chosen within that period then Option 1 is applied.			
Additional requirements	2 passport sized photos for youth and 2 passport sized photos for parent or guardian.			
<b>SACCO Targets for 2007</b>				
Value current savings accounts	TBD			
Number current savings accounts	TBD			

## **Savings Product Marketing**

The primary objectives for markets savings products are to identify and expand the local market of net savers, improve the competitiveness of the saving services offered by the SACCO and improve the public image of the SACCO. A successful marketing plan has clearly identified objectives, distinct activities and ambitious yet realistic targets as indicators for evaluation. Savings product marketing is a dynamic process, whereby frequent internal evaluations are conducted to assess product performance. Sample questions that need to be answered are:

- Are our clients satisfied with the current product?
- Is my clientele the right clientele for this products; i.e., who do I really want to reach for this product?
- What is the growth rate (last month, last quarter and last year) of this product?
- If the growth rate is lower than expected, then why am I not getting the expected number of clients and volume of savings?
- Has my unit cost decreased for this product? If not, what needs to be done?
- What is my competition (commercial banks, other SACCOs, MDIs, MFIs, local money guardians/lenders) doing?
- How can I improve this product?
- Am I successfully (profitably) investing the savings in other SACCO products?