

# **Khasakh SACCO- Annual Treasurer's Report FY- 2023**

FINANCE & INVESTMENT COMMITTEE REPORT

**KHASAKH COOPERATIVE SOCIETY LIMITED – FY 2023 ANNUAL FINANCE & INVESTMENT REPORT**



## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### **CONTENTS**

Introduction .....	<b>02</b>
Portfolio Performance .....	<b>3 -4</b>
Financial Investments .....	<b>5-6</b>
Budget Performance .....	<b>6-7</b>
Challenges Encountered .....	<b>8</b>
Recommendations .....	<b>8-9</b>
Closing Remarks .....	<b>9</b>



## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### **INTRODUCTION**

Through affordable loans & diversified savings products, Khasakh has over the years strived to remain attractive to new members while ensuring member retention through continuous direct engagement with both current & former Wvu staff via our different communication Platforms. In a bid to strengthen this collaboration, a robust website has been developed to ease member interactions & access to information as away of actively having them contribute towards improved governance & portfolio growth of the cooperative.

To ensure value proposition to our members, Khasakh has continued to register improved turnaround time for processing loans within 3 days & 2 days for savings withdraw requests respectively.

**The finance & Investment Sub-committee has been able to deliver on its mandate through the following ways,**

- Reviewing and making recommendations to the board on the financial plans of the Sacco and ensure their adequacy and soundness in providing for the Society's short term and long-term financial stability.
- Review, discuss and make recommendations to the board concerning significant financial planning, management and reporting issues of the society.
- Oversee policies and issues related to Sacco financial affairs and the investment of Sacco funds.



## KHASAKH COOPERATIVE SOCIETY LIMITED

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### GENERAL PORTFOLIO PERFORMANCE

Below is a summary of khasakh's portfolio performance in Assets, Loan Assets, Retained Earnings, Share Capital and Member's savings deposits against its 5year strategic plan. The table below shows the performance of these elements for the financial year 2023.

*The table below shows the financial performance for 2023 against the strategic plan in UGX '000''*

YEAR	2023	Strategic Plan Projections FY-2023	Performance (%)	Comments
Assets	6,535,090	8,626,000	76%	Limited Funds for investment
Share Capital	1,841,675	2,155,000	86%	Slow share uptake by membership
Savings Portfolio	3,012,543	5,227,000	58%	Poor saving culture
Loan Portfolio	4,951,585	6,597,000	75.1%	Repeated borrowing by same members
Retained Earnings	669,172	843,000	79.4%	Limited funds for investments hence low returns & low surplus
<b>Total</b>	<b>17,010,065</b>	<b>23,448,000</b>	<b>72.5%</b>	

By close of 2023, we had achieved up to **72.5%** of the portfolio performance against the 5year strategic plan projections with the least being the savings portfolio held for the period due to the poor savings culture & frequent member withdrawals.



## KHASAKH COOPERATIVE SOCIETY LIMITED

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

*Below is a graphical representation of the annual financial performance vis-a-vis our set targets as per the 5-year strategic plan 2021-2025.*





## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### **KHASAKH INVESTMENTS**

Khasakh 's financial investments are mainly composed of short- & medium-term investment ventures in order to meet its day to day liquidity demands when the need arises.

*The table below shows the financial investments made within the financial year in UGX “000”*

<b>Investment Type</b>	<b>Agent/ Location</b>	<b>Amount Invested</b>	<b>Interest Rate</b>	<b>Period Of Investment</b>	<b>Interest Earned</b>
Fixed Deposit	Britam Insurance	650,000	10- 11.02%	Not Fixed	71,850
Unit Trust Fund	ICEA Insurance	229,000	10-10.9%	Not Fixed	15,115
Land Purchase	Kiwenda- Gayaza	542,119	28.5%	Annual	113,165
<b>Total</b>		<b>1,421,119</b>			<b>200,129</b>

### **Financial Markets**

We closed the financial year with **Ugx 879,000,000** in financial investments with Britam Insurance & ICEA respectively. A net return of **Ugx. 86,965,000** was realized within the year. Please note that this earning is subject to interest rate fluctuations in the market throughout the year.

With credit extension as the core Cooperatives' mandate, Khasakh strives to ensure timely disbursement of loans & withdraw requests while maintaining minimum liquidity balances with surplus funds placed in money markets at the prevailing interest rates in the market at the time of placement.

In order to increase returns on investment, members are urged to save more, access credit facilities & grow the cooperative's capital through purchase of additional shares. This will enable management raise more funds which will attract higher returns even in low risk investment ventures.



## KHASAKH COOPERATIVE SOCIETY LIMITED

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### Investment In Land

Last year, khasakh diversified its investments into buying & selling of land, the total investment in land amounted to **Ugx.542,119,000** inclusive of the initial cost of the land & other subsequent costs that were required to bring the land to its sellable state for example land mutation costs, title transfers costs & legal fees respectively.

A profit of **Ugx.154,851,899** was expected to be earned upon sale of the 27 plots however, we had sold 19 plots by close of the financial year 31<sup>st</sup> December, 2023. These plots fetched the cooperative **Ugx.113, 165,000** & the balance of **Ugx.41,686,899** is expected to be earned in this financial year 2024. We are therefore pleased to inform you that all plots were successfully purchased & we take this opportunity to thank all those members who acquired plots in the first Khasakh estate. We look forward to launching the second estate project.

### BUDGET PERFORMANCE

*The table shows the SACCO's Financial performance against the respective budget estimates in UGX'000'*

Particulars	2023- Actual	2023- Budget	Budget utilization	Comments
Interest Income	840,369	909,504	92.4%	Slow loan uptake by the membership
Non- Interest Income	87,013	94,051	92.5%	Slow member growth
Income from sale of Land	113,165	120,000	94.3%	Income from 19 plots sold in the year
<b>Total Income</b>	<b>1,040,547</b>	<b>1,123,555</b>	<b>93%</b>	
Interest Expense	187,846	205,020	92%	Low volume of savings & frequent withdraws
Personnel Expenses	169,952	177,342	95.8%	Late staff recruitment
Administration Expenses	67,389	199,895	33.7%	Cost Management & budget monitoring
Governance Costs	78,668	84,140	93.4%	No Board training held
<b>Expenditure</b>	<b>503,859</b>	<b>666,397</b>	<b>76%</b>	
<b>Net Surplus</b>	<b>536,708</b>	<b>457,158</b>	<b>117%</b>	<b>Income from Land sales</b>



## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### **Interest & Non-interest incomes**

The 7% income deficit for the period visa vie the targeted amounts are attributed to the earlier expectations of having mercy corps staff on board however this has not been possible till date hence the need to adjust our estimates to suit more realistic estimates as per our present membership of current & former WVU staff. With a few proposals in the current transactional charges & introduction of the real estate loans, we are optimistic that we shall not only recover the deficit but also grow revenue collected as per the new set targets in the proposed draft budget.

Nevertheless, interest income from loans still remains the main revenue generating stream of the cooperative hence the need for members to access credit in order to earn higher returns on their investments in shares.

*Overall, we achieved 93% of the projected revenue as per the 2023 approved annual budget.*

### **Expenditure**

Our overall expenses for the period reduced by 1% compared to the previous financial year as a result of reduction in governance costs by 31%, administrative costs (especially release in loan provision- 60,872) due to high loan recovery both through timely monthly payments & the earlier instituted court cases. This resulted into a 24% reduction in actual expenses against the budgeted estimates through continuous cost management & budget monitoring within the period.

With the above, a 17% growth in surplus for the year was reported above the set target of **Ugx.457,158,000**

*Overall utilization was 76% as per the budget estimates for the respective year.*



## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

### **CHALLENGES ENCOUNTERED WITHIN THE FINANCIAL YEAR 2023**

- Continued existence of unreconciled deposits, this leads to delayed account reconciliations as these deposits cannot be traced to their respective owners. Members are urged to consider other available modes of payment through which they can directly make deposits.
- Low subscription to other Sacco saving products like education saver other than the General saver product. Majority of our members have only subscribed to one saving product which de-popularizes the rest and also reduces on the estimated saving deposit targets for a specified period. Members are encouraged to take on other saving products as a way of growing the saving culture and also a form of proper planning for those certain expenses like school fees.
- Slow share growth as a result of few subscriptions to shares by the membership. Majority of our membership are only persuaded to purchase shares when in need of credit. Whilst this raises capital for the Sacco, the amounts purchased are still not enough to meet the required share capital targets needed to diversify our investments.
- Continued risks of loan default due to non-compliance to credit terms & conditions. There are some members who still halt their monthly remittances towards their loan obligations at their own peril without prior notice to the Sacco management. These acts are contrary to the signed commitments every member acknowledges during loan application & assessment. This applies to a few members who remit monthly loan installments through standing orders.
- Delayed remittance of saving contribution for members from WVU. These delays lead to redemption/ withdrawal of invested funds in order to meet member requests hence leading to reduction in expected return on investment.

### **RECOMMENDATIONS/ WAY FORWARD**

- The Msacco Mobile Application has been rolled out to enable members make direct deposits from their mobile money wallets with MTN & Airtel directly into their respective savings account with Khasakh Sacco. This aims at direct reconciliation & update of member accounts and also encourage more savings due to the ease of transacting.
- Members are encouraged to take on other saving products as a way of growing the saving culture and also contributing directly to more funds available for investment in other high generating income opportunities.



## **KHASAKH COOPERATIVE SOCIETY LIMITED**

FINANCE & INVESTMENT COMMITTEE REPORT- FY 2023

- Khasakh will continue to reinforce all loan agreements with members, these among the few are preparation and execution of mortgage deeds, security perfection, settlement deeds and other legal documentation that are applicable to our borrowers before loan are disbursed. This has helped us manage non-compliance to agreed loan terms & conditions.
- Engagements are ongoing with the concerned personnel with the partners in order to address delayed remittances of monthly staff savings contributions & we do believe that possible solutions to address the challenges are underway.

### **CLOSING REMARKS**

We closed the financial year with over **Ugx.6,535,000 billion** in total assets and we are grateful to God for the great opportunities ahead & the membership for all your patronage & loyalty. We look forward to a fruitful 2024.

*Prepared by Finance & Investment Committee*

<i>Name</i>	<i>Designation</i>
<i>Mr. Kamwaka John Twesigye</i>	<i>Chairperson</i>
<i>Ms. Atim Lucky</i>	<i>Treasurer</i>
<i>Ms. Nuwomigizi Jascinta</i>	<i>Secretary</i>

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