

# **BY LAWS OF NKAIMURA WELFARE GROUP**

**P.O Box 10, KINORU, MERU. Tel. 0727748562.**

## **1. NAME AND AREA OF OPERATION**

The welfare group shall be called **NKAIMURA WELFARE GROUP**, hereinafter referred to in these by-laws as **“the welfare group”** and its area of operation will be the Republic of Kenya.

## **2. REGISTERED OFFICE AND POSTAL ADDRESS**

The registered office of the welfare shall be situated at Kinoru Village, Meru and its postal address shall be P.O. Box 10 Kinoru Meru, Any change of address of the welfare group shall be furnished to the ministry of social services and to all the members of the welfare group within 30days of such change.

## **3. DEFINITIONS/INTERPRETATIONS**

- a) In these by-laws unless the context otherwise suggests, words or phrases shall be defined/interpreted in accordance with the welfare group constitution.
- b) “Welfare” means Nkaimura welfare group.
- c) “Member” means a person registered as member of a welfare group.

## **4. OBJECTS**

The objects of the welfare group are;

- a) To encourage thrift among its members by affording them an opportunity for accumulating their savings,
- b) To create a source of funds from which the members can borrow at a fair and reasonable rate of interest,
- c) To provide an opportunity for the members to improve their respective economic and social conditions.
- d) To provide members with credit for provident and productive purposes.
- e) To ensure safety and soundness of the member funds through a Risk Management Programme or appropriate insurance coverage.
- f) To ensure the progress of its members by educating them continuously on the proper use of credit, familiarization with the Act, rules and bylaws, development in the co-operative movement and the roles of various committees and subcommittees, and the role of members in the welfare group.

## **5. WELFARE PRINCIPLES**

In the conduct of its business, the welfare group shall be guided by the International cooperative Principles. These welfare group Principles are

- i. Democratic member control
- ii. Economic participation by members
- iii. Autonomy and independence
- iv. Education, training and information
- v. Co-operation among members.
- vi. Voluntary and open membership
- vii. Concern for community.

## **6. MEMBERSHIP ELIGIBILITY**

A person of either sex shall be eligible for membership of the society who possesses the following qualifications:

- a) Is not less than 18 years.
- b) Is of good conduct
- c) Is an employee of the society or related investment of the welfare.
- d) Is a member of the immediate family of the primary member.

## **7. MEMBERSHIP COMPOSITION**

The membership of the Society shall consist of:-

1. Original members who signed the application for registration, and;
2. New members subsequently admitted in accordance with these by-laws.

## **8. APPLICATION FOR MEMBERSHIP**

Every applicant for membership shall complete an “*application for membership*” form.

## **9. ADMISSION INTO MEMBERSHIP**

An applicant shall be admitted to membership on being accepted by a majority vote of the Management Committee, but shall not qualify for the rights and privileges of a member until he/she has paid an entrance fee of Kshs.100/- and paid in full for at least six months 6 shares of Kshs.6000/-On being admitted, the member shall furnish the society with 2 passport size photos and a copy of the National Identity Card.

## **10. MEMBER NUMBER**

Upon admission, the Manager/Secretary shall cause the name and relevant particulars of the member to be entered in the register of members.

A membership number shall be assigned to every member for the purpose of identifying his account with the society.

## **11. REFUSAL OF MEMBERSHIP**

The Management Committee may refuse membership to any person giving him / her reasons for refusal in writing, provided, however, that the person whose membership has been refused, if otherwise eligible for membership, shall have a right to appeal to a general meeting of the

welfare. Any such appeal must be supported by at least one third of all registered members and upon payment of a fee of Kshs.100/-. The decision of the general meeting on the matter shall be final.

## **12. RIGHTS OF MEMBERS**

Members shall enjoy the following rights:

- i) Elect and be elected to the committees of the welfare subject to its by-laws.
- ii) Enjoy the use of all facilities and services of the society subject to the by-laws
- iii) Receive periodically and regularly or upon request and at least quarterly, a statement of account in respect of his / her transactions with the society.
- iv) Access all legitimate information relating to the welfare including; internal regulations, registers , minutes of general meetings, loan statements, annual accounts, inventories and investigation reports at the registered office of the society subject to: the Policy and regulations for the time being in force.
- v) Vote on all matters put before a general meeting of the society.

## **13. MEMBERS OBLIGATIONS**

A member of the welfare group shall have the following obligation to:

- i) Observe and comply with all the welfare's by-laws and decisions taken by the committees of the welfare in accordance with the by-laws.
- ii) Buy and pay up for shares and savings or make any other payments as provided for in the by-laws of the welfare group.
- iii) Attend all the welfare group meetings without failure, where a member fails to attend three consecutive meetings without being excused there from, shall be required to pay a penalty of Kshs.1,000 to the welfare group.
- iv) Pay for the debts of the welfare at the time of liquidation where the assets are insufficient to meet liabilities.
- iv) Support projects of the welfare approved by the relevant authority.

## **14. MEMBERS PERSONAL ACCOUNT**

Every member shall receive a "member's statement" which shall contain details as to his / her shares, deposits and loan transactions with the society. The latest member's statement signed by an authorized officer shall constitute a certificate of share holding unless proved otherwise. The statement of Account shall be sent to every member not less frequently than once every four months.

#### 15. **NOMINEE(S)**

- a) Every member of the society may appoint his / her nominee(s) to whom upon his / her death the shares, deposits and other interest in the society shall be transferred.
- b) Every appointment of a nominee(s) by a member shall be made in writing and signed by the member in the presence of two or more competent witnesses.
- c) Where more than one nominee is appointed by a member, the member shall specify the amount of shares to be transferred to each nominee. Provided, however, that where no amount is specified each of the nominees shall receive an equal share.
- d) A member desirous of changing his nominee(s) may do so at any time provided that such change or alteration is in writing and signed by the member in the presence of two competent witnesses.
- e) The particulars of nominee(s) shall be recorded and kept in a sealed envelope to be kept in the custody of the Manager and whose reference shall be entered in the register of members.

#### 16 **PAYMENT TO UNADMITTED NOMINEE**

Where not admitted to membership, the nominee shall be paid the value of the deceased member's deposit and other interest less any sums due to the society within 90 days of receipt of official notice of death of the member.

#### 17. **CESSATION OF MEMBERSHIP**

Membership in the welfare may terminate on a member upon:

- Withdrawing from membership
- Death
- Failure to pay minimum monthly shares for a period of six months consistently.
- Becoming certifiably insane.
- Being suspended by the Committee and subsequently being expelled by a resolution of a general meeting of the society.

#### 18. **VOLUNTARY WITHDRAWAL**

- a) A member with no liability or outstanding obligation in respect of other members' loans may withdraw from membership at any time provided that where a member has an outstanding obligation in respect of guarantee, shall continue to be responsible unless alternative arrangements acceptable to the society are made.
- b) A member withdrawing from membership of the society shall give a 60 days written notice of intention to withdraw.
- c) A member who wilfully withdraws from the society shall be legible to re-joining with a pay penalty not exceeding Kshs.2000/-.

#### 19. **SUSPENSION FROM MEMBERSHIP**

The management committee may suspend a member pending expulsion by a general meeting who:

- i) Wilfully fails or refuses to comply with the welfare's by-laws.
- ii) Wilfully defaults in the repayment of his loan.

iii) Acts in any way detrimental or prejudicial to the interest of the welfare group.

iv) For any other reason approved by a general meeting and / or as may be contained in the code of ethics of the welfare group..

## 20. **SUSPENSION AND EXPULSION PROCEDURE**

a) Upon formal written announcement that a member has committed an offence punishable by expulsion, the committee shall give a written notice to the member stating the offence he / she is alleged to have committed and giving the member 15 days to prepare his / her defense.

b) Upon the expiry of 15 days, the committee shall initiate an administrative inquiry and make a decision on the findings.

c) Based on the findings, the committee may suspend the member pending expulsion by a General Meeting of the Society.

d) The members shall give notice and grounds of appeal with the Secretary not less than 15 days before the date of the General Meeting.

e) Upon hearing the appeal, the General Meeting may:-

i) Reinstatement of the member

ii) Confirm suspension and consequently expel the member

iii) Impose such fine as it may deem fit.

iv) Take any other lawful action.

## 21. **WELFARE FUNDS**

The funds of the welfare consist of:

- Entrance fee of Kshs.100/- each or as may from time to time be determined by the Management Committee.
- A limited number of unwithdrawable shares the value of Ksh.6000/- each. Each member shall purchase a minimum of 6 Shares or as may be determined by the general meeting.
- Deposits or loans from members or non-members.
- A reserve fund as required by-law and such other reserves as may be established with the approval of the general meeting.
- Any surplus resulting from the operations of the society
- Deposit protection fund
- Donations or grants
- Funds from other lawful miscellaneous sources

## 22. **REFUNDS**

a) Withdrawal, expulsion or termination of membership shall not exonerate a member from any existing personal or membership liability.

b) A member who withdraws or is otherwise expelled from the society shall be repaid the

following amounts after deduction of any debts owed by him / her to the society as borrower, endorser, guarantor or otherwise:-

- i) The nominal or book value of his shares, whichever is less.
- ii) Any dividend or interest due to him on the date membership ceased.
- iii) Any deposits or other sums held by the society on his behalf.

### **23. APPLICATION OF FUNDS**

The funds of the society shall be applied for the promotion of the stated objects and purpose of the society as set forth in these by-laws and as determined and approved by the general meeting.

### **24. WITHDRAWABLE SHARES**

a) The nominal value of each share shall be Kshs.1000/- and every member shall hold at least 6 shares in the society. Non members shall not hold shares.

b)The minimum share amount acceptable towards the purchase of shares shall be Kshs.1000 however, that the management committee may fix a minimum that may be paid by a member at any one time.

c) With the approval of the management committee, a member may at any time transfer his shares to another member or any other person whose membership has been approved by the Committee. Such transfers must be in writing and at nominal value.

d)All transfers of shares must be registered with the Secretary and no transfer shall be valid unless so registered. The committee may require payment of a fee of Kshs.500/- for such transfer. The transfer fee shall be paid by the transferee.

e) The shareholding of a member who fails to complete payment of 6 shares within 6 months of his admission to membership or of a member whose share balance is below 6 shares and does not increase the balance to 6 shares within 6 months, may be absorbed by a fine upon authorization by the management committee. Before such fine is levied, the member shall be sent a written notice to his last known address which notice shall provide that, unless his share balance is increased to at least 6 shares or his shareholding is withdrawn within 30 days of the date of notice, his balance shall be absorbed by a fine. Provided, however, that a notice need not be sent to a member whose balance is more than Kshs.6000/-.

### **25. POWER TO BORROW**

a) Loans may be obtained from members and non members subject to the maximum borrowing power approved by the general meeting.

a) For the necessary securing of any loans accepted by the society under (a) above, the society may grant a charge over its assets. The authority to grant a charge shall be reserved to the general meeting subject to approval by the Commissioner.

b) The rate of interest on loans or deposits shall not exceed the current market rates or as may from time to time be determined by the Management Committee.

## 26. **LIABILITY**

a) The liability of a member shall be limited to the nominal value of the shares held by him.

b) In the event of liquidation, where available funds are insufficient to pay the full nominal value of the shares held by members, the funds shall be distributed pro rata among the shareholders according to the amount of shares held by each.

## 27. **RESERVE FUND**

The society shall maintain a Reserve Fund as required by the Act and Rules. Unless otherwise resolved by the General Meeting and approved by the Commissioner, the Reserve Fund shall be credited with 20% of the net surplus of each financial year. It shall also be credited with all entrance fees, except the amount taken from such fees to pay initial expenses within 2 calendar years following the year in which the society was registered and with recoveries of loans and other losses previously charged against the Reserve Fund.

## 28. **MEETINGS**

The welfare shall conduct the following types of meetings.

### **ORDINARY MEETINGS**

The ordinary meetings will be held as and when determined by members usually monthly to conduct the ordinary agenda of the welfare. The agenda include but not limited to; shares and savings portfolios, loan positions, merry go round, project development etc.

### **GENERAL MEETINGS**

The supreme authority shall be vested in the General Meeting of members. Such meetings shall be held as follows:

- The Annual General Meeting shall be convened each year by management committee within one month of the date of receipt of the report on the audit of the accounts of the society by the committee and not later than four months of the close of the Financial year.
- Any business not completed at the Annual General Meeting may be taken up at subsequent Special General Meeting, or at the next Annual General Meeting.

### **SPECIAL GENERAL MEETING**

- A special General Meeting shall be held:
  - i) When convened by the Management Committee,
  - ii) When convened by the Management Committee on receipt of a written request from at least one third of all registered members or 33 percentage of the members whichever is less.

### 29. NOTICE

Except when convened Management Committee, at least 15 clear days notice shall be given in the case of an annual general meeting or special general meeting. The secretary shall take all possible and usual steps such as announcements public meetings, sending an SMS or emails, advertisement in the local newspaper(s) to inform all members of the date and main business of the meeting. All written notices shall include a statement of the business to be dealt with.

### 30. QUORUM

The presence of at least  $\frac{1}{3}$  of the members or 33 percentage of the total number of members, shall constitute a quorum for the conduct of business at a general meeting. When a quorum is not present, the Chairman shall adjourn the meeting and shall fix a date within one month of the adjourned meeting, which shall be advertised as prescribed in these by-laws. If at such meeting a quorum is again not present, the Chairman shall declare the meeting open with those present, one half hour after the advertised time of the meeting.

### 31. IDENTIFICATION

Before members attend or vote at a General Meeting, each member shall be required to produce membership identification card or identify them in some other acceptable manner.

### 32. POWERS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting shall have powers and duties prescribed in the Act, Rules and these by-laws. The Annual General Meeting shall:

- Confirm the Minutes of the previous meeting.
- Consider the statement of accounts, the auditors report, and the reports of the committees on the activities of the Society during the past financial year.
- Consider and decide upon the maximum borrowing power of the Society.
- Elect officers for the ensuing year.
- Approve the estimates of income and expenditure for the ensuing financial year.
- Confirm or otherwise consider actions of the Management Committee and give direction to the committee where necessary.
- Consider appeals against expulsion of members and refusal of membership by the Management Committee.
- Subject to the by-laws decide the disposal of the net surplus resulting from operations of the society during the past financial year.
- Elect, suspend or remove members from the management committee and supervisory committee provided that proper notice has been given in advance.
- Fix the honoraria, bonuses and other allowances if any for the Committee and employees.
- Elect delegates to represent the society in a Co-operative Union or apex society of which the society is a member.
- Transact any other general business of the society of which notice has been given to members in the manner prescribed in these by-laws.



### **33. MANAGEMENT COMMITTEE**

The management committee shall be elected by and from the membership and shall consist of a minimum of 5 and not more than the maximum permitted by the Act, the exact number to be determined by a general meeting.

### **34. ELIGIBILITY FOR ELECTION INTO THE COMMITTEE**

a) No member shall be eligible for election into the committee unless he has been a member of the society for at least 2 consecutive years.

• Nobody shall be eligible to be elected into the committee if he:-

i) Is delinquent

ii) Is below 18 years of age

- Is of unsound mind
- Is unable to provide an indemnity as determined by the General Meeting.
- Does not hold unwithdrawable shares of at least Kshs.6000/- contributed through monthly contribution
- Is not able to read and write
- Does not meet other qualifications set by the Act and Rules.
- The term of office of the members of the Committee shall be 3 years; and no member shall be elected to the committee for more than 2 consecutive terms.

### **35. MANAGEMENT COMMITTEE MEETINGS**

a) Meetings of the committee shall be held regularly at least once each month and at other times when necessary. At least one half of the total number of members of the committee shall form a quorum for the disposal of business.

b) If a member of the committee fails to attend three consecutive meetings without being excused there from, or otherwise fails to perform his duties, his position may be declared vacant and the vacancy filled as provided in these by-laws.

### **36. MANAGEMENT COMMITTEE AUTHORITY**

The committee shall be the governing authority and subject to any directions from a General Meeting it shall direct the affairs of the society. Its procedures, powers and duties shall be as prescribed in the Rules and in particular, it shall:

a) Observe in all its activities the welfare, the Rules, these by-laws and prudent business practices.

b) Generally manage the affairs of the society

c) Act upon all applications for membership

d) Ensure that true and accurate records and accounts are kept of the society's money and its properties, capital, reserves, liabilities and income and expenses.

e) Decide the amount and kind of surety, bond, or other security, which shall be required of the Treasurer, Secretary and any other officer or employee having the custody or handling funds or property of the society.

- f) Determine from time to time the interest rates on loans (subject to the maximum permitted by by-law), the maximum maturities and terms of payment or amortization of loans to members, and the maximum amounts. When, by action of the Committee, the interest rates on future loans are reduced similar action may be taken with regard to interest rates on unpaid balances of existing loans.
- g) Lay before the Annual General Meeting a balance sheet and final Account together with proposals for the disposal of the net surplus (if any) and the Commissioners comment on such proposals.
- h) Recommend to the Annual General Meeting the dividend rate to be paid on shares and the interest refund (if any) to be paid to borrowers.
- i) Inform the commissioner immediately of any alternative proposals of the Annual General Meeting for disposing of the surplus and ask for his comments.
- j) Fill vacancies arising in the management committee and sub-committees.
- k) Authorize investments of the society
- l) Authorize the conveyance of property
- m) Approve borrowing and lending operations of the society in accordance with the Act and Rules.
- n) Designate a depository, or depositories, for the funds of the society.
- o) Employ and fix the compensation of a manager and such other employees as may be necessary to carry on the business of the society
- p) Impose fine under by law
- q) Approve transfers of shares. Fix interest rates which shall be paid on deposits and on borrowed moneys.
- r) Supervise the collection of loans to members and recommend the write off of uncollectible accounts.
- s) Affiliate the Society to a Co-operative Union of Savings and Credit Societies or an apex society subject to approval of the General Meeting.
- t) Perform such other duties as the members may from time to time direct; and
- u) Perform or authorize any actions consistent with the Act, Rules and these by-laws unless specifically reserved for the General Meeting.

### **37. LEGAL STANDARD OF CARE**

In the conduct of the affairs of the society, the members of the committee shall exercise the prudence and diligence of ordinary men of business and shall be held jointly and severally liable for any losses sustained through any of their acts, or omission which are contrary to the Act, Rules and the by-laws of the society or the directions of any General Meeting. The Management Committee may delegate to an officer or employee of the society such as of its powers, it deems necessary.

### **38. CHAIRMAN AND VICE CHAIRMAN**

- i) The Chairman shall preside at all meetings of the society and shall perform such other functions as he may be directed by the Management, not inconsistent with the Act, Rules and these by-laws.

ii) The Vice Chairman shall perform the duties of the Chairman during his absence and shall perform such other duties as the Management Committee may direct him.

40. No expenditure shall be authorized by Management Committee unless it is provided for in the estimates formally approved by the Annual General Meeting.

41. All business discussed or decided at Committee Meetings shall be recorded in a minute book which, within one week of the meeting, shall be signed by the Chairman of the meeting, and at least one other committee member who was present at the meeting to verify that, in their opinion, the minutes are a true and complete record of all important matters which were discussed or decided at the meeting. At the next meeting, after approving any alterations or variations which shall be written immediately below the above signatures, and not as alterations to the original record, the meeting shall authorize the chairman to sign and date the final record.

42. The Management Committee may appoint other committees, such as; Budget Committee, loan compliance Committee, etc.

43. A member of the Management Committee, or of any other committee, shall cease to hold office if he ceases to be a member of society.

44: **TREASURER**

The powers and duties of the Treasurer shall be:

1. Generally to manage, or cause to be managed, the affairs of the society in a competent manner.
2. To maintain full and complete records of all assets, liabilities, income and expenses of the society.
3. To ensure the safe keeping of the society's money, securities, and bookS of account.
4. To ensure that all payments and expenditures are duly authorized
5. To ensure compliance with all directives of the Managing Committee.
6. Safe custody of the common seal of the Society.

45. Within 15 days after the close of each month, the Treasurer shall prepare or cause to be prepared and submitted to the Management Committee a financial statement showing the condition of the society at the end of such month; and shall promptly post a copy of such monthly financial statement in a conspicuous place at the registered office of the Society or usual place of business for the information of the members. He shall prepare and forward to the auditor such financial reports as he may require.

46. **SECRETARY**

The duties of the Secretary are:

- a) To record or cause to be recorded minutes of Managing Committee Meetings and General Meetings;
- b) To ensure that the society's correspondence is promptly and correctly attended to;
- c) To prepare and send notices of meetings; and
- d) Keep or cause to be kept the Minute Book.

**47. CREDIT COMMITTEE**

The Credit Committee shall consist of two members of the Managing Committee and three other ordinary members. The credit Committee shall be chosen during the Annual General Meeting within for a term period of three years.

48. The Credit Committee shall hold such meetings as the business of the society, but not less frequently than once a month.

49. The Credit Committee shall inquire carefully into the character and financial conditions of each applicant for a loan, and of his guarantors, if any, to ascertain his ability to repay fully and promptly the obligations incurred by him; and to determine whether the loan is for a worthy purpose and will be of probable benefit to the borrower. The Credit Committee shall endeavour diligently to assist members to solve their financial problems.

50. The credit Committee shall make such reports to the Managing Committee as they may require.

**51. SUPERVISORY COMMITTEE**

The Supervisory Committee shall be elected by and from membership and shall consist of 3 members. No member who seeks to be elected into Management Committee shall be eligible for election into the Supervisory Committee during the same meeting. Members of the Supervisory Committee shall hold office for 3 years with  $\frac{1}{3}$  retiring each year.

The Supervisory Committee shall hold quarterly meetings with the Management Committee.

**53. DUTIES OF THE SUPERVISORY COMMITTEE**

The Supervisory shall carry out the following duties:

- Confirm cash regularly and reconcile it with the records.
- Check out bank accounts monthly and their reconciliation
- Make pass book audits
- Check delinquent loans among the Committee and members and ensure appropriate action is taken.
- Verify society investments
- Analyze expenses of the society
- Check loan applications and note anomalies.
- Check balance sheets and income and expenditure statements to ensure their accuracy.
- Ensure the books of the Society are kept in accordance with the generally accepted accounting standards.
- Make regular review of budget
- Attend to members complaints.
- Prepare and present reports to the Management Committee and General Committee.
- Co-operate with Management Committee in seeking solutions to problems facing the society.
- Carry out other duties as prescribed in the rules.
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**54. LIABILITIES OF THE SUPERVISORY COMMITTEE**

- a) The members of the supervisory committee shall meet the same qualifications as for members of the Management Committee.
- b) In addition, at least one member of committee shall have basic book-keeping, accounting, and auditing or financial management knowledge. Where no such person is elected, those elected may be taken for basic accounting training.

**55. BOOKS AND RECORDS**

The society shall keep up-to date and in a proper and businesslike manner such accounts and such books as generally expected in accountancy profession and in particular, shall keep the following books of accounts:

- A register of members showing in respect of each member:
  - The name, age, date of application for members, address and occupation.
  - The date he was admitted to membership.
    - The date on which he ceased to be a member; and
    - The name of his nominee, if any.
    - A minute book giving details of proceedings at the General Meetings.
    - Minute books giving details of proceedings of Managing Committee, Credit Committee and Supervisory Committee Meetings.
    - A cash book showing the details of all monies received and all monies expended or paid out by the society.
    - A general ledger containing such accounts as are necessary to reflect properly the business of the society.
    - A personal ledger for each member showing his transactions with the society.
    - An asset (property) register.
    - A register of loans to members showing in respect of each loan, the loan number, name of borrower, the amount borrowed, the purpose of the loan, the due date of repayment, and the date repayments were completed.
    - Such other books and records as the Managing Committee may decide .
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**56. FINANCIAL YEAR**

The Financial year of the Society shall be the same as the calendar year that is from 1st June to 31st May.

**57. CONDUCT OF BUSINESS**

The Management Committee may make such regulations, not inconsistent with these by-laws, as it may deem necessary for the conduct of the society's business. Any such regulations shall be recorded in the minute books and shall be posted on the society's notice board. And shall come into force when and as determined by the Committee.

**58. ELECTION**

- a) All elections shall be determined by simple majority vote of the members present and voting.
- b) All elections shall be by show of hands unless another method is specifically requested by majority of the members present.

- c) No member shall be entitled to vote by proxy.
- d) Irrespective of the number of shares held by him, no member shall have more than one vote.
- e) Within 10 days of their election, the names and addresses of all persons elected to office shall be compiled and sent to the Commissioner.

#### **59. AUTHORIZATION TO SIGN DOCUMENTS**

Unless decided otherwise by the General Meeting, all documents, contracts, and cheques shall be signed on behalf of the society by:

- Chairman or Vice Chairman
- Treasurer
- Secretary
- Patron

#### **60. DISPOSAL OF SURPLUS**

Subject to the Act and Rules (and approval of a General Meeting) the net surplus resulting from operations of the society during any financial year shall be disposed of as follows:

- a) Not less 20% shall be credited to the Reserve Fund.
- b) The balance may be disposed of as decided by the General Meeting for:
  - i) Paying dividend on shares
  - ii) Paying an interest refund to members on record at the close of the financial year.
- Being carried forward to an education or any other fund of the society including the appropriation account.
- Applying an amount not exceeding 10% of the net balance to any charitable purpose.
- Paying a gratuity, honoraria or bonus to officers or employees of the society.
- In any other way approved by the General Meeting.

#### **61. LOANS TO MEMBERS**

- a) All loans shall be approved by the credit committee and shall be restricted to members only.
- b) The rate of interest on loans shall be 1% per month or as shall be fixed by the Management Committee.
- c) All loans shall be applied for on prescribed forms. The loan application shall be signed by the member, and in each case shall set forth the amount applied for, the purpose for which the loan is desired, the terms of repayment, the security, if any, and such other information as the credit committee or loans officer may require.
- d) All applications for loans and the reports of the credit committee or loans officer thereon, shall be filed as a permanent record of the society.
- e) For purposes of a member being considered for a loan, his shares and deposits shall be taken into account.
- f) Loan applications shall be considered by the Credit Committee or loans officer in the order

in which application is made unless the loan is deemed by the committee to be an emergency loan.

- g) The credit committee may summon or cause to be summoned an applicant to appear personally to be interviewed in respect of his application for a loan.
- h) The loan repayment form shall clearly state the amount of loan, the rate of interest, the terms of repayment and the security, if any.
- i) Loans may be granted to executive officers, managing committee members, employees of the society if:
  - i) The loan complies with the by-laws and is not on terms more favorable than those extended to other borrowers.

#### LOAN APPROVAL

- o The loan shall be approved by the Credit Committee and thereafter the managing committee.
  - o The applicant takes no part in consideration of his application and does not attend the Credit Committee or Managing Committee meeting at which his application is being considered.
- j) The Managing Committee may draw further regulations in respect to granting of loans provided such regulations shall not come to force until approved by a general meeting.

62. Loans may, and shall whenever possible, be given as an authority for the member to buy and charge the society. All such authorities shall be signed and sealed, and shall state that they are good for repayment only if returned to the society within 7 days of the date of signing.

63. No loan shall be made to any member in excess of 10% of the society's total share capital and reserves, for a period exceeding three years provided, however, that loans for capital expenditures may be granted for a period not exceeding four years.

#### 64. SECURITY FOR LOANS

- a) The credit committee shall ask for such security for loans as it may deem necessary. The shares, guarantees and deposits of a member may be taken as security.
- b) Where there is, after 90 days, continued delinquency, the committee may off set the loan balance, from the shares, guarantees, and deposits.
- c) The committee may refuse to accept as a guarantor a person who is himself in receipt of a loan, and may decline to grant a loan subsequently to a member while he remains liable as a guarantor.
- d) No executive officer, management and supervisory committee member shall act as endorser, guarantor for borrowers from the society.
- e) A borrower or a guarantor may apply to the credit committee for a change of guarantors.

#### 65. REPAYMENT OF LOANS

- a) A borrower may, on any day on which the society is open for business, repay his loan in whole or in part prior to maturity.
- b) The credit committee may in the most exceptional circumstances agree to the refinancing of a loan balance or any request for an extension of time in which to pay. Any extension so granted shall be treated as though it were a new loan and an extension agreement shall be executed.

c) At every regular meeting of the management committee, the item 'LOAN' shall appear on the Agenda. At the meeting, the treasurer shall present an up to date listing of delinquent borrowers showing:

- Name of borrower
- Account number
- Date of last payment
- Unpaid balance of loan
- Number of months delinquent
- Borrowers share balance
- Security or guarantors, if any.

The management committee shall thereupon take action to collect the overdue accounts.

66. Any loan more than four months overdue may be referred to Co-operative Tribunal as a dispute.

**67. CASH RESERVE**

Except as otherwise authorized by the General Meeting a cash reserve shall be maintained of not less than 10% of the total share capital for the specific purpose of meeting requests for share withdrawals and other emergency pay outs. The cash reserve may consist of cash in hand, the current account, the society's savings account and any fixed deposits.

**68. COMMON SEAL**

The welfare shall adopt and use a common seal. The seal shall have an imprint bearing the words, seal of "Nkaimura Welfare Group", and shall be different from the ordinary name stamp of the welfare. The seal shall be kept securely under lock and key by the Treasurer and shall be used only by, and in the presence of, the officers authorized too sign documents on behalf of the society.

**69. FINES**

For any breach of these by-laws or instructions issued by the General Meeting, or for failure of a member to pay his obligations on time, the defaulting member may be fined an amount not exceeding Kshs.2,000/- for each offence.

**70. DISPUTES**

Any dispute arising out of these by-laws or concerning the business of the society which cannot be settled by the Management Committee or the General Meeting .In the case of debts due to the society from a member or past member or debts owing a member or past member by the society, these shall be disputes and may be referred to the group Tribunal.

**71. CONFIDENTIALITY BY OFFICERS OF THE SOCIETY**

a) The management committee, members of committee and employees of the society shall hold in the strictest confidence all transactions of the society with its members and all information respecting their personal affairs,



except to the extent deemed necessary the managing committee in connection with the making of loans and collection thereof.

b) In case of breach of confidentiality, besides the resulting action for damages, the responsible party may be removed from office or their employment terminated.

c) No executive officer, committee member or employee of the society shall in any manner participate in the deliberations upon, or determination of any question affecting his own financial or personal interest.

d) In the event of disqualification of such executive officer, committee member or employee, he shall withdraw from such deliberation or determination and the remaining committee members, if constituting a quorum with the disqualified person may exercise with respect to the matter, all the powers of the committee.

72. When any committee member is absent, disqualified, or otherwise unable to perform his duties, the management committee may designate another member or members of the society to act and serve on the committee concerned when necessary in order to form a quorum until the next General Meeting.

73. All books of account and other records shall at all times be available to all committee members of the society, and to the Commissioner or his authorized representative.

74. A copy of the by-laws shall be furnished to every member who requests one, upon payment of a fee as determined by the Management Committee.

**75. AMENDMENT OF BY-LAWS**

These by-laws may be amended in accordance with the Act, Rules and no amendment shall become effective until is approved and registered by the Commissioner.

**76. DISSOLUTION**

The welfare may be dissolved in accordance with the procedures set forth during the annual general meetings.