



MUKI SACCO: A FINANCIAL HAVEN FOR FARMERS

Financial institution utilizes its credit line from MESPT to help farmers realize their dreams

By Amos wachira

The savings and credit co operative societies' movement is responsible for the economic well being of most households in Kenya. From improving financial inclusion to empowering Kenyans economically, the Sacco industry has become a catalyst for Kenya's growth. Over the years, Saccos have made mobilization of savings easier, while at the same time providing Kenyans with affordable credit.

According to a 2014 database of Sacco Societies Regulatory Authority (SASRA), deposits mobilized by the industry grew by 12.7 percent to reach Kshs 205.9 billion from Kshs 182.6 billion. The loans and advances portfolio stood at Kshs 228.524 billion in 2014.

In Nyandarua County, a farming community is reaping the benefits of the

co operative industry. They are members of Muki Sacco, a leading financial institution that is changing the lives of farmers through provision of flexible financial solutions.

With headquarters at Ndunyu Njeru in Nyandarua south district, it covers Kinangop, Nyandarua South and Kipipiri districts. The Sacco has become part of life for many residents who are dairy, snow pea and potato farmers.

As Mr. David Kimutai, the Chief Executive Officer explains, the Sacco has been able to meet the growing needs of farmers due to its partnership with Micro Enterprise Support Programme Trust (MESPT), a financial institution offering wholesale loans to financial organizations, including microfinance institutions, savings and credit cooperative societies and financial services associations, for onward lending to micro-enterprises.

Financial Ecosystem

"Muki Sacco is the financial services unit of the Muki Group, also consisting Kinangop Dairies Limited and Muki Farmers Co-Operative society. Kinangop Dairies is the processing and marketing arm while Muki Farmers Co-operative facilitates produce bulking, access to farm inputs and related services.

Muki Sacco provides the necessary capital required by farmers to operate their farms and businesses. The proceeds of dairy farmers are processed and paid through the Sacco. This is a true representation of integrated financial ecosystem and value chain model."

The Society has been on a growth momentum since inception.

It has since grown the number of employees from three (twenty six years ago), to the current three hundred . In the

same regard, its membership has grown from a mere nineteen during its inception to eighteen thousand.

According to the CEO, the Sacco was operating in wooden structures when it started, but it has now moved to its permanent premises, a major milestone.

Currently, the Sacco has seven branches spread in Nyandarua County as well as three marketing offices.

The MESPT partnership with Muki Sacco was born five years ago.

Kimutai says that through MESPT's intervention in financial and non financial solutions, it has been able to record growth in its business, while still growing its membership to the current 18 000 members. Last year, the Sacco managed to grow its loan book by nine per cent. The Sacco currently has six branches.

Kimutai explains: "We have been able to achieve robust and responsive corporate governance through customer focused corporate governance training from MESPT. Our efficiency level has greatly improved since MESPT assisted us to upgrade our management information systems."

Another area of intervention from MESPT was on loans, where the wholesale lender gives out loans to Muki Sacco for on lending to its customers.

Currently, the Sacco is riding on the growth momentum to achieve great heights.

"We disburse over Kshs 60 million every month and our loan portfolio is Kshs. 450 million," Kimutai remarks about the Sacco's performance indicators, which have enabled it to add value to the lives of

its members and customers. For instance, over the years, the Sacco has been making generous dividend payouts and interest on deposits.

As the CEO says, MESPT facility to the Sacco is competitively priced and hence affordable. The speed at which MESPT serves the Sacco, as well as the lender's flexible requirements on collateral have enabled the Sacco carry out its business efficiently.

Other areas of partnership at the group level include installation of animal feed mill at the Muki Farmers Co -Operative Society, construction of hay barn and molasses storage, training of dairy farmers as well as establishment of farmers' supportive revolving fund. MESPT has also assisted the Muki Farmers Co -Operative to expand its animal breeding services.

Muki Saccos' business is however not limited to payment of farmers. It also offers education loans, farm inputs and animal feeds on credit to farmers.

In the same breath, the Sacco offers front office services, besides lending to customers in other sectors of the economy like real estate and transport.

Hurdles

Members of Muki Sacco who are predominantly farmers encounter a number of challenges. In Kinangop for instance, farmers sometimes make low earnings due to the harsh weather conditions. Milk prices are also known to fluctuate depending on the prevailing weather conditions, which adversely affects the farmers' earnings.

The unpredictable nature of dairy farming affects Muki Sacco's business. When the farmers' earnings are low, for instance, the Sacco is not able to mobilize enough deposits from them, affecting lending activities.

Kimutai lists increased borrowing demand from customers as a challenge that the Sacco faces. High expectations of members with regards to dividend payouts as well as volatility of the dairy sector are other key challenges that the Sacco has faced over the last few years.

Due to the fact that farmers are the lifeblood of Muki Sacco, the lender has put in place measures to insure them from incurring heavy losses in case of poor harvests or harsh weather.

But the past failure of other Saccos has had a bad effect on a section of farmers in this area, who still look at Saccos with a skeptical eye. "We are happy that SASRA recognizes us as a deposit taking Sacco because this gives our customers confidence. It is a demonstration of focused governance, prudent management and financial management that is up to standard."

He says that together with its sister companies like Muki Farmers and Kinangop Dairies, the Sacco has set its sights on registering more farmers and being their one stop financial partner.

"Currently, the Sacco is going through a transformative phase and is introducing new methods of delivering better services to the customers," says Kimutai, who has served the Sacco for the past four years.

