

Pakasa

FOR THE ENTREPRENEUR IN YOU

BUSINESS TERM OF THE DAY

FREE MARKET: A market in which supply and demand are unregulated, except by the country's competition policy and rights in physical and intellectual property are upheld.

TASTE OF SUCCESS

Multi-billion Y-Save started with sh5,000

An investment club refers to a group of friends, workmates or acquaintances who come together for the purposes of pooling resources for investment purposes. Investment clubs are convenient sources of funds for acquisition of fixed assets or large ventures and creation of employment among the youth in the long run. As part of our weekly drive to highlight successful investment clubs in Uganda as a way of inspiring a saving culture, we look at Y-Save investment group. The group started out as a Christian fellowship of 15 young working adults, who saved at least sh5,000 a month at (the now) Watoto Church in 1999. Today, it boasts over 900 members with total savings of over sh10b. The group has since enabled members to do everything, from educating their children to acquiring capital assets, as well as investing in business. **JACKY ACHAN** and **CLARE NAMANYA** write Y-Save's story



Danstan Kisuule is the founder of Y-Save

Fact file

Y-Save savings group started on January 24, 2000, with 15 members.

To be part of the Y-Save savings group, you have to be a member of Watoto Church.

Members have to deposit a minimum of sh100,000 every month in their savings account and maintain a minimum balance of sh2.5m non-withdrawable.

Y-Save offers loans to members for growth.

In 1999, out of sheer passion for teaching and child welfare, Barbara Buyondo Ofwono, a young woman, sought to make a difference in early childhood education. However, she did not have the money to build her dream.

But being a member of Y-Save, she took out a loan of shm, which she topped up with her savings to start a new kindergarten. She used part of the money to rent a three-bedroom house in Old Kampala.

"At that time; I would pay sh150,000 for rent every month," she recalls.

She talked to a carpenter to make for her chairs and a tailor who made

the uniforms for the children, which she gave out free of charge.

Her first three classrooms had no tables for the children to use, but only 30 chairs, an office table and a chair for the principal and a bed which was to be used by sick children, plus three blackboards for each class.

Together with two other teachers, Buyondo started a kindergarten. She named it Victorious Education Service and it enrolled 30 children. Today, thanks to that initial push from Y-Save, Buyondo has slowly built her dream into an empire – Victorious Education Services, a sh8b business with four school

campuses and about sh5,000 pupils from kindergarten to primary. It has been recognised among Uganda's Top-100 mid-sized companies.

Such is the strength of Y-Save.

Genesis of Y-Save

The Watoto church-based saving group, now-turned co-operative, has a remarkable history.

"We often met for fellowship as young corporates who attend Kampala Pentecostal Church then, now Watoto Church, back in 1999. Through these meetings; we discovered a common problem – managing our finances. The first step was to arrange a financial

literacy seminar," Danstan Kisuule, the founder and chief executive officer of the group, as well as the chairperson, Investment Clubs Association of Uganda, says.

Those who attended the seminar were over 100 people.

"But after the seminar, our faith was strong and we decided to press ahead with forming a savings group," Kisuule says.

Y-Save savings group was eventually operationalised on January 24, 2000 with 15 people, 11 of who were committed members. Four other people merely came to observe the proceedings. By the end of the year, the group had sh20m

from 50 members who had been depositing a minimum of sh5,000 every month.

"Apart from just saving money together, we started meeting once a month, to teach young working members financial management and the culture of saving which some members were struggling with," he says.

The acronym Y-Save stands for Young Savers Association for Ventures and Entrepreneurship.

Continued on page 18

JULIUS SENGENDO
How you can make money without a degree



16

ENTERPRISE MANAGEMENT:
Financing your start-up business



28

BUDDING ENTREPRENEUR
How Allan Tazanya started a metal workshop with sh1m



29

Profile

Y-SAVE: TRANSFORMING MEMBERS' LIVES ONE AT A TIME

From page 15



Diamond TIPS

- 1** A business that is God-fearing will uphold virtues like integrity, honesty which are a must-have for success.
- 2** Be accountable and transparent in all your transactions and dealings.
- 3** Operate efficiently and be competent through cost effectiveness and good service delivery.
- 4** Be customer-focused because no business thrives without customers.
- 5** Unity and teamwork is key for an investment group to succeed. Members must work together to enhance each other's financial wellbeing.

How Y-Save works
To be part of the Y-Save savings group, you have to be a member of Watoto Church, but the church itself is not involved in the activities of the organisation.

"In as much as we are independent of the church, we would not do anything that is in contradiction to what it believes in or practises".

"Unlike banks whose loans are profit-motivated, Y-Save is solely for the growth of our members whenever we lend them money. We will give you money to expand your business or buy an asset like land, but not a loan to buy a car or organise a wedding," Kisuule explains.

He says loans given to members are developmental and not burdens. They are good debts and not bad debts that may end up bankrupting a borrower. "The goodness about Y-Save is that the majority of the members are savers, not borrowers. Of the over 900 members, it is only 250 that have loans. We give 80% of one's savings and if you want an amount more than your savings, you have to get guarantors," he says.

Today, members have to deposit a minimum of sh100,000 every month on their savings account and maintain a minimum balance of sh2.5m non-withdrawable.

Kisuule says this monthly deposit is to ensure that members put money aside that can later be invested and financially grow them.

"You may think sh100,000 is too much to put aside every month, but it is not. Take an example of your lunch expenditure at work; if you have to use sh5,000 every day for five days, that equals 100,000 a month," Kisuule says.

"On the other hand, if you saved it, it is yours to help you at a later date. You may even think sh100,000 is too little to invest in something useful, but when you do it as a group, much more money is accumulated, which can be lent to you to invest and earn larger profits," he explains.

The group holds monthly meetings for its members. Some of these are financial literacy meetings, while others are utilised by the board to account for the group's finances to the members. Some are put aside for members to bring their products and market them. These are an improvement from the quarterly meetings they used to have at the beginning of their journey.

Monthly contributions by members are, of course, mandatory for all members, whether or not they are a

"You may think sh100,000 is too little to invest in something useful, but when you do it as a group, it accumulates and can be invested to earn large profits"

servicing a loan. However, Kisuule says members who are struggling to make their monthly payments due to financial hardships are given a grace period of up to six months without making deposits, only if they communicate their challenges in time. Beyond that, their account is closed.

Those who do not communicate and take up to three months without making deposits will have their accounts closed after the three months.

When a Y-Save member account is closed, all their money is paid to them in full with the interest accrued and less the penalties.

"We are regulated by the Ministry of Trade, Industry & Cooperatives under the co-operative department. We are also members of the Association of Micro Finance Institutions of Uganda (AMFUI)," Kisuule says.

Human resources

Y-Save employs nine people. "We have the chief executive officer, accountant, two accounts officers, administrative executive, loans officer, administration officer and caregiver," Dorothy Mwesigwa, the administrative executive, explains.

These go through the formal procedure of recruitment. We advertise, contenders apply and a shortlist is made. Interviews are done and results forwarded for approval.

Personal loans

A big part of the reason members signed up for Y-Save was to save up so that they could finance their dreams and ambitions about improving the quality of their lives.

"Members always wanted to buy new furniture or a plot of land, fund opportunities or study to enhance



Y-Save members praying over one of their properties



Ongoing construction at one of the properties bought by Y-Save

their careers. All these dreams need financing to become a reality and offering loans was a vital part of our mission," Kisuule says.

The loans have a reasonable interest rate of 18% per annum or simply 1.5% per month, calculated on the reducing balance and the amount disbursed to a member is twice their savings.

Security for the loans is tagged to the member's savings, shares or guarantorship by other members' savings or shares and members' assets. For example, land titles can also be used as security for the loans.

If someone defaults on their loan repayments, it is their security/collateral that is liquidated. If they default on their savings or fail to make monthly deposits, they cease to be members of Y-Save. With time, the group expanded into other products.

Medical account

In 2003, Kisuule's father fell ill.

"I nursed my father for two years and I saw how much his bills tortured me. It is then that I realised that medical emergencies were a real challenge. This led us to open the medical account for our members," he says.

"The account was created to cushion members against unforeseen medical emergency for either them or their loved ones; those that catch them financially offguard with no quick source of income," he says.

This account is specially designed for members who do not have medical insurance cover for themselves or their loved ones such as elderly parents and relatives under their care. This account enables members to save ahead to accommodate medical emergencies.

To qualify for the account, one has to save any amount in addition to the mandatory sh100,000 for each member. Access to money on this account is granted with proof of



Financial literacy visiting Watoto Children Village foster mothers at Ssubi Village off Masaka Road

a medical bill or receipt issued by a medical institution. This account attracts an interest of 7% per annum.

School fees account

"Another example of financially stressful times that kept propping up with our members was the beginning of the school term. Around that time, most young parents came to us for loans. We thought it was becoming counterproductive, so we decided to start a school fees account," Kisuule says.

The Y-Save school fees account is for members who would like to put aside some of their savings regularly, specifically for educational purposes for themselves or dependants. It has three categories.

The short-term, where withdrawals can be made whenever there is a need for school fees. This earns an interest of 7% per annum.

On medium term, withdrawals can only be made five years after opening the account. This account earns an interest of 8% per annum, the interest compounding itself annually until the expiry period.

Whereas the long-term withdrawals can only be made 15 years after opening the account. This account

earns an interest of 12% per annum and the interest compounding itself annually until the expiry period.

"The benefits of this account are that it is easy to open, affordable and no account maintenance balance or monthly charges is required from the members," Kisuule says.

"In addition to that, the account holder is saved the hustle of queuing up in the banks as the office makes the payments. School fees payments are made on behalf of the members if bank slips are handed in at least two weeks before beginning of term and if there are sufficient funds on the members' account to meet the school fees obligation."

To qualify for the account, one has to make their own choice as to how much they will save in addition to the sh100,000 minimum for members so that when they come to pay for the school fees, they have the money on the account

Children's account

Related to the school fees account, the group saw it necessary to encourage their children to save as a way of inculcating a savings culture in them. A parent or child can deposit any amount of money on this account

every month.

"Access to money on this account is only when the children are over 18 years. This account earns an interest of 12% per annum and the interest compounding itself annually until the expiry period," Kisuule says.

"The benefits include; no monthly account maintenance fees, unrestricted free deposits, free statements and you can open an account for each of your children."

Target account

"We all have at one time desired to make savings towards achieving a certain target, be it a smartphone, house, car, land or wedding. These are issues that our members were grappling with all the time, so we decided to start a target account for them with any deposit amount per month," Kisuule says.

He explains that the account works like a fixed deposit account. "It helps members to put aside money for a specific period. To keep savers in check, should someone withdraw money from this account before the stipulated period, then the member would forfeit all the interest that this account would have accumulated."

This account has three categories. The short term where money is deposited for a minimum of three months and a maximum of one year. This account earns an interest of 7.5% per annum. Medium-term account, where money is deposited for a minimum of 15 months and a maximum of five years. This account earns an interest of 8% per annum and the interest compounding itself annually until the expiry period.

The long-term accounts where money is deposited for a minimum of five years to an indefinite maximum period depending on how long one would like to have money on this account. This account earns an interest of 11.5% per annum and the interest compounding itself annually until the expiry period.

Pensions account

"A pension is a long-term investment

designed to provide an income upon retirement. Over time, it became apparent that many of our members were not getting any younger and whereas it was nice to save for all these other things, the reality was that there was a need to plan ahead for retirement, yet few people understood the real facts about pensions," Kisuule says.

Therefore, in addition to one's National Social Security Fund (NSSF) savings for those in formal employment or work-based provident funds/gratuity schemes, Y-Save started a pension account for members who would like to put aside some of their savings specifically for future use.

This money can only be accessed when the members are over 50 years old. The money on this account earns an interest of 11% per annum and it compounds itself annually until maturity of the money on the account.

"The benefit with our pension account is that we accept regular contributions, single contributions and transfer payments from members' bank accounts through direct debits and other bank transfers," Kisuule says.

Shares account

In order to encourage their members to invest for the future, Y-Save started a shares account.

"Shares give you ownership in Y-Save and it is mandatory that each member should have at least one share. Members can purchase shares any time by depositing money in the bank and indicating the number of shares they would want to buy. Currently, the price of the share is sh35,000," Kisuule says.

"The benefits of the shares account include the dividends earned at the end of the financial year as and when determined at the annual general meeting. Shares also act as security for a loan from Y-Save.

Forming investment clubs

In addition to shares accounts, we started investment clubs out of the desire for Y-Save members to have investments of their own.

"An investment club is a good foundation for large ventures. It is a good opportunity to pool resources for investment. Those resources do not necessarily have to be financial. They can be in terms of knowledge and experience. Investment clubs are easy to form, maintain and manage. By pooling their time, talent and money, investment club members increase their stock, market know-how and learn valuable lessons that can be transferred to their individual financial management decisions," James Okwalinga, a financial literacy instructor, says.

"Currently, Y-Save, we are concentrating on agriculture, tourism, real estate, transportation and securities in the stock market. Members can invest in all or some of these sectors through making monthly deposits of sh100,000 for each of the clubs," Kisuule says.

Charity

Today, Y-Save works with 10 women who have been affected or infected with HIV/AIDS, in association with Living Hope Ministries of Watoto Church. They also offer financial counselling to an additional 1,500 orphaned children from Watoto Church.

What members say

Catherine Agaba
Y-Save has helped us so much with our children's fees, which we pay with ease. We also got a loan from the group, which enabled us complete our house. We have learnt a lot from the financial lessons organised regularly.



Godwin Agaba
I always access loans at very low rates. I have been able to acquire land and through the school fees account, my children are cleared before the new term begins, even with my small salary. We have seminars where we are taught how to save and we have been given opportunities to invest in.



Jane Nakiberu
I joined in 2010 and the group has helped me achieve most of my needs. I bought land with their help, I take care of my people in the village, I was able to install solar energy, which my neighbours do not have. The fact that the group stands on godly values makes me so comfortable knowing that accountability is granted. When I want a loan, it is processed fast without bureaucracy.



Consolata Tumusime
I joined in 2012 and after a year, I was given a loan with which I constructed a house in the village. I have always had a plot in Kyebando, Kampala which I failed to develop, but hopefully with Y-Save's help, I will start construction this December.



Achievements
The biggest achievement that Kisuule boasts is that people have learnt how to save. "When any member is asked what he or she has benefitted from Y-Save, they mention that they can now save," he says. Kisuule says that members who solely relied on salaries can now think outside the box. People are now investing and have started businesses. Henry Musolozza, the former board chairman, says the organisation has taught members to be givers and contribute to welfare of the community. "We have instilled in members a culture of saving and investing. They no longer depend on salaries alone. Another success we have registered is enabling members to acquire properties and homes." "We have gained people's trust over the years. This is evidenced by the continuous accountability in our meetings. Members are assured of their money's safety because it is in the bank where it is not possible for someone to withdraw because the different accounts have more than one signatory," Mwesigwa explains.

Challenges
"The biggest challenge we have is of people who hear that there is a saving group called Y-Save and rush to join without understanding the vision of the group. When we call for sensitisation meetings, they do not show up," Kisuule explains. Another problem comes from the first. "Some people compare our operations to a bank's and that is because they do not know the rules. For example, our minimum balance is sh2.5m, but you see someone with exactly that amount coming to withdraw say sh500,000 which is not acceptable," he adds.

Advice to investment clubs

- Do not limit the deposits towards savings, the more the money, the higher the benefits, but one has to meet the minimum requirement.
- Hold literacy seminars to teach the members more about the culture of savings and how to use their savings constructively.
- Consider promoting thrift among the members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings. That can be a source of funds from which members get relief by availing credit to them for productive, provident purposes and during emergency situations at fair and reasonable rates under given terms of repayment.
- Utilise the opportunities you have now that you will not have in the future and what you have then will be determined by choices you make now.
- Teach and encourage members to excel in their trades, professions and businesses and do their best to bring glory to God and themselves.
- Encourage the culture of giving to charity because in so doing, you get blessings.
- Do not push members too hard to make savings when they are facing financial difficulty.

Planning for bank
Kisuule says after 2019, they will start thinking of forming partnerships with other like-minded organisations to own a bank. However, he says Y-Save will remain a co-operative. "Our work will be to ensure that our members save their salary, become enterprising later and increase their net worth," he says. Kisuule says they are looking at growing Y-Save into a business empire.