



UGANDA MICROFINANCE REGULATORY AUTHORITY (UMRA)

OPERATIONAL GUIDELINES FOR SELF - HELP GROUPS (SHGs)

2022



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UGANDA MICROFINANCE REGULATORY AUTHORITY (UMRA)
OPERATIONAL GUIDELINES FOR SELF - HELP GROUPS (SHGs)



PART I

1.0 Citation and Commencement

These guidelines may be cited as the Uganda Microfinance Regulatory Authority (UMRA) Operational Guidelines for Self-Help Groups (SHGs), 2022 and shall take effect on the 1st day of January, 2023.

2.0 Application and Scope

These Guidelines shall apply to all Self-Help Groups as defined under section 99 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016.

3.0 Objectives of the Guidelines

- a) To assist Self-Help Groups to establish financial stabilization mechanisms.
- b) To promote fair and equitable practices by setting minimal operational standards for the SHGs.
- c) To increase transparency in order to inform and empower members of the SHGs.
- d) To foster public confidence in the SHGs.

4.0 Interpretation

In these guidelines, unless the context otherwise requires;

“Action Audit” means the share out or periodic distribution of savings and interest rate earned.



“Assets” means an item or property owned by the group that is of economic value.

“CDO” Community Development Officer

“Common Bond” means a relationship bringing together persons with shared objectives and goal.

“Constitution” means a framework that provides for governance of SHGs.

“DCDO” means District Community Development Officer.

“Equity” means what the member owns in the group.

“Evolution” means stages of development of a Self-Help Group.

“General Assembly” means all members of the SHG.

“Financial Service Provider” means a; Bank, Credit Institutions, Deposit Taking Microfinance institution, SACCO, Non-Deposit Taking Microfinance institution, Insurance Companies, Fintechs and Telecommunication companies.

“Management Committee” means leadership committee of the group comprised of at least; the chairperson, secretary, treasurer and 2 money counters.

“NIN” means National Identification Number.



“Promoter” means government or organisations or individuals that support and mobilise communities for the formation, systems set-up, nurturing and training of the Self - help Groups or their activities.

“Responsible Person” means District Community Development Officer

“Shares” means savings held within the thresholds provided in the group’s constitution.

“Share out” means sharing of the savings and interest earned amongst the members of the group at the end of the cycle.

“SHG” means Self-Help Group.

“Trained Personnel” means, a Community Based Trainer or Village/Town Agent or Community Based Extension Worker.

“UMRA” means Uganda Microfinance Regulatory Authority.

5.0 Self-Help Group Principles

A Self-Help Group shall conform to the following principles; accountability, zero tolerance to arrears, group independence, group financial transactions, time bound action audit, creativity, social cohesion, mutual trust, and group equality and diversity.



a) Group independence

A Self-Help Group is a member owned group that must be nurtured to operate and run its affairs, make key decisions without interference from non- members. A group is independent when the General Assembly is functional, Management Committee is functional, has internal rules and regulations and they are enforced as well as keeping up to date records.

b) Zero tolerance to arrears

Group adherence to external rules and internal controls to timeline payment so that the group does not make losses. Delinquency shall be handled in accordance with the group's constitution.

c) Group financial transactions

The SHG shall primarily lend to members and in special circumstance can lend to non-members if approved by the General Assembly.

d) Funds security

The group may own an account in a regulated financial service provider, mobile wallet or a metallic box called a tool kit for safety of the group funds or a group account. The metallic box should have an equivalent of three padlocks/pins and should only be opened in the presence of members during a group meeting.



e) Time bound action audit

Members of a Self-Help Group must decide on the timelines they are supposed to end their saving cycle as the time they will share out their assets. Usually this period should range between 8-12 months depending on the context. This should be decided before saving starts and included in the group's own determined internal rules and regulations.

f) Social cohesion

This is the sense of solidarity among members in a SHG. Poverty and social injustice cannot be overcome until all men and women have equal rights and opportunities. The principle of social cohesion must therefore not lose sight of its original objective of reducing economic, social, ethnic and territorial disparities.

g) Mutual trust

This refers to the confidence that each member will fulfill their obligations and behave according to the group constitution.

h) Creativity

The tendency to generate or recognize ideas, alternatives or possibilities that may be useful in solving problems, communicating with other members, entertaining themselves and others.

i) Accountability

The Management Committee which is given the responsibility to manage the resources of the group need to be able to show that they are being good stewards of



what is entrusted with them. It is important that they are protected from being tempted to use the money for their own purposes.

j) Gender equality and diversity

Implies that there is equal access to resources and opportunities irrespective of gender, age, ethnicity, disability, minority populations and refugees. Equal opportunity will involve; economic participation and decision-making, enhancing strategies that give a fair chance to all and effective integration into the formal economy.

6.0 Classification of Self-Help Groups

For purposes of these guidelines, Self-Help Groups include.

- a) Village Savings and Loans Associations (VSLAs)
- b) Savings and Internal Lending Communities (SILC)
- c) Rotating Savings and Credit Associations (ROSCAs)
- d) Accumulated Savings and Credit Associations (ASCAs)
- e) Farmer Field Schools (FFS)
- f) Farmer Groups and;
- g) Others as defined under section 99 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016



PART II

7.0 Formation of Self-Help Group

7.1 Process of Formation

- a) SHG formation should be on self-selection basis.
- b) SHG formation should be initiated through self-voluntary basis, government or private agency.
- c) SHG may be allowed to self-re-organize in order to access any development programs.
- d) The motivation of formation should be neutral.

7.2 Membership and Size

- a) Membership shall consist of ten (10) to thirty (30) persons.
- b) Any group whose membership exceeds thirty (30) persons shall split and form another group.
- c) The group shall avail the Community Development Office with a list of the members and their details including age and identification.
- d) Membership of the group shall either be female or male or mix in composition.

8.0 Governance and Management

1. A Self-Help Group shall be governed by a Management Committee which shall democratically be elected by the General Assembly.
 - a) The Management Committee shall comprise of:
 - i. The Chairperson,



- ii. The Treasurer,
 - iii. The Secretary; and
 - iv. Two Money Counters and;
 - v. Any other positions adopted by the General Assembly.
- b) The Management Committee may from time to time engage people who can provide specialized services.
 - c) For groups that consist of both men and women, at least 60% of the Management Committee members shall be female.
 - d) Rotation of the Management Committee and their term limits shall be determined by the General Assembly.

2. **Responsibilities of the Management Committee**

The Management Committee shall be responsible;

- i. For the day to day management of the Self - Help Group
- ii. Decision making on all matters of the SHG
- iii. Keep Records and books of accounts of the SHG
- iv. Ensure discipline of the SHG
- v. Ensure compliance with constitution of the SHG
- vi. Welfare of the SHG



A. Responsibilities of the Chairperson

- a) Convene meetings, announce the agenda and lead discussions,
- b) Maintain discipline and levy fines as needed,
- c) Ensure that the meetings follow the proper procedure especially with respect to welfare fund, savings, loan procedures and that the constitution is followed and respected,
- d) Represent the group to outsiders and non-members,
- e) Facilitate discussion of issues raised by the General Assembly and to ensure that everyone's views are listened to,
- f) Facilitate solutions to conflicts between the participants,
- g) Ensuring that gender issues are embedded in the day to day operations of the group,
- h) Principal Signatory to the group accounts,
- i) Any other responsibilities as agreed by the General Assembly.

B. Responsibilities of the Secretary

- a) Ensure that all financial transactions take place in front of the group members,
- b) Record all welfare funds, savings, fines, loans and cash book transactions,
- c) Make all member savings passbook entries and sign when loan repayment is completed,



- d) Provide a summary of the financial status of the group affairs at every meeting,
- e) Take the minutes of the meeting,
- f) Signatory to the group accounts,
- g) Any other responsibilities as agreed by the General Assembly.

C. Responsibilities of the Treasurer

- a) Keeps group records and money,
- b) Produces the cash-box/pouch or its equivalent containing the group's records and surplus cash at every meeting,
- c) Enters the savings contribution stamps in members savings passbooks when loan repayments are made,
- d) Signatory to the group accounts,
- e) Any other responsibilities as agreed by the General Assembly.

D. Responsibilities of the Money Counters

- a) Verify all movements of money both in and out of the cash-box/pouch,
- b) Count the money during each cash-box/pouch operation or its equivalent (welfare fund contributions, savings/savings contributions, loan reimbursements, fine collection, loan disbursements),
- c) Inform the Secretary about each transaction to facilitate record keeping,



- d) Assist the Secretary in resolving any discrepancies between the group's records and the cash-box/pouch,
- e) Any other responsibilities as agreed by the General Assembly.

9.0 Registration of Self-Help Groups

9.1 Rationale for group registration

The rationale for registration of groups is to;

- a) provide social protection for easy follow ups and engagement with other stakeholders,
- b) support linkages to formal financial services providers,
- c) benefit from capacity building programs from promoters and development partners,
- d) create access to opportunities with Government and other agencies for sustainability.

9.2 Process of Registration

- a) All SHGs shall register with the District Community Development Office or its equivalent in Cities and Municipalities.
- b) Upon registration, the SHG shall be issued with a Certificate of Registration which shall be valid for a minimum period of one year and a maximum period of three years after which the group shall be required to renew.
- c) The renewal/re-registration fee shall not be more than half of the initial registration fee.



- d) If the composition of the group members' changes by more than fifty percent (50%), the group shall be required to re- register.

9.3 Requirements for Registration

The requirements for registration shall include-;

- a) Fully signed constitution or bylaws
- b) Previous year share out report as evidence of the existence of the group where applicable
- c) Resolution of the group to register, signed by at least two thirds of the group members and;
- d) Recommendation letter from the Local Council (LC1) and;
- e) Any other documents that may be deemed necessary.

9.4 Constitution of the Self-Help Group

- a) A Self-Help Group shall be required to have a fully signed constitution or by-laws, and it shall be the governing tool of the group. The constitution shall not contravene any provision of these Guidelines.
- b) The constitution shall provide for among others;
 - i. Membership criteria
 - ii. Group principles
 - iii. Leadership and governance
 - iv. Savings
 - v. Loan management



- vi. Fines and penalties
- vii. Share out proceedings
- viii. Management of external funds
- ix. Meeting procedures
- x. Welfare fund management
- xi. Complaints handling mechanism
- xii. Procedure for amendment of the constitution from time to time
- xiii. Criteria on dissolution of the group;
- xiv. Shall be written in English and translated in a language understood by all members.

10. Reporting by Self-Help Groups

- a) Self-Help Groups shall avail records to the DCDO/Cities & Municipalities, who shall file their financial records with UMRA as per section 101 of the Tier 4 Microfinance Institutions and Money Lenders Act 2016.
- b) Self-Help Groups will be required to submit financial records annually.



PART III

11. Financial stability and share out mechanism

- a) Self-Help Groups may share out as stipulated in their constitutions and,
 - i. Shall be encouraged to adopt partial sharing out.
 - ii. Shall promote savings accumulation basis to allow its growth.
 - iii. Shall establish a mechanism to build internal capital as share capital linked to the loans
 - iv. Shall be assured of dividends at the end of every cycle.
 - v. Shall identify a professional/designated officer/office to audit the sharing out.
 - vi. General assembly shall approve the sharing out process.
- b) Registered groups shall be encouraged to access financial services from a financial service provider of their choice.
- c) The groups' constitution shall stipulate the loan management procedures.
- d) The groups shall charge a fair and reasonable interest rate on the loans, as determined by their constitution
- e) A Self-Help Group may have linkage to regulated financial Institutions, resource partners, government programs/initiatives for purposes of accessing financial services including:



- i. Savings
- ii. Credit
- iii. Insurance
- iv. Securities (shares, Treasury bills and Bonds)
- v. A Self-Help Group through intermediaries/promoters may have linkages to financial institutions and non-financial service providers

12. Transitional Provision

A Self-Help Group which at the commencement of these guidelines is carrying out business to which these guidelines apply shall, within twelve months from the date of commencement apply for registration.

13. Review of the Guidelines

UMRA reserves the right to amend these guidelines as deemed fit.



**UGANDA MICROFINANCE REGULATORY
AUTHORITY**

REGISTRATION FORM FOR SELF-HELP GROUPS

1. Name of Group: _____
2. Date of formation: _____
3. Common Bond of Self- Help Group: _____
4. Duration of group's cycle in months: _____
5. District/City: _____
6. Sub county/Division: _____
7. Parish/Ward: _____
8. LC/Cell: _____
9. Management Committee Members;
 - (i) **Chairperson's name:** _____
Phone number: _____
ID Number: _____
 - (ii) **Secretary's name:** _____
Phone number: _____
ID Number: _____
 - (iii) **Treasurer's name:** _____
Phone number: _____
ID Number: _____
 - (iv) **Money counter's name:** _____
Phone number: _____
ID Number: _____



- (v) **Money counter's name:** _____
 Phone number: _____
 ID Number: _____
- (vi) **Others:** _____
 Phone number: _____
 ID Number: _____
10. Total number of members: _____
11. No. of men: _____ No. of Women: _____ No. of Youth: _____ No. of Special Categories (e.g. PWDs, Elderly, Refugees) _____
12. Mention trainings carried out (if applicable):

13. Name of trainer/promoter/agency: _____
14. Date of submission: _____
 Name: _____
 Signature: _____

Attachments

- i) Fully signed constitution or bylaws
- ii) Previous year share out report as evidence of the existence of the group where applicable
- iii) A resolution of the group to register, signed by at least two thirds of the group members
- iv) Recommendation letter from the Local Council (LC1)



UGANDA MICROFINANCE REGULATORY AUTHORITY

SAMPLE CONSTITUTIONAL FRAMEWORK PART 1: SELF - HELP GROUP GOVERNANCE AND MANAGEMENT

1. BASIC INFORMATION ON THE SHG

Name of the SHG	
Address (village/LC)	
Date of group formation	
Group formed by (e.g.; promoter/ NGO/individual etc.)	

2. OBJECTIVES OF THE SHG

For example

- i. The purpose of the SHG is to be an independent, sustainable provider of savings, credit and social support to its members
- ii. _____
- iii. _____
- iv. _____

3. WHO MAY BE A MEMBER OF THE SHG?

- i. Lower age limit _____
- ii. Females: _____ Males: _____ Youth: _____
PWDs: _____
- iii. Residence: _____
- iv. Other common circumstances: _____



4. COMPOSITION OF THE GENERAL ASSEMBLY

- (i) The General Assembly shall be constituted of all registered (paid up) members of the group and elect the Members of the Management Committee.

No.	Name	Sex	Contact	Signature

5. COMPOSITION OF THE MANAGEMENT COMMITTEE

Chairperson	
Secretary	
Treasurer	
Money-counter (1)	
Money-counter (2)	
Others	

6. ELECTION PROCEDURES

- i. Elections must be held at the beginning of each new cycle, or annually, whichever is sooner
- ii. The minimum number of people that must stand for each position is 2
- iii. The minimum number of members who must be present to hold an election is: _____
- iv. The election procedure will use a system that allows everyone's vote to be secret
- v. A candidate for any position must be proposed by another member and cannot nominate themselves



7. PROCEDURES FOR REMOVAL OF A MEMBER OF A MANAGEMENT COMMITTEE FROM THEIR POSITION BETWEEN ELECTIONS

- i. Any member of the group may, at any time, request
 - a) vote of no confidence to be passed
 - b) against a member of the Management Committee for reasonable grounds such as;
 - c) _____
- ii. The Committee member must resign if the majority of members vote to remove him/her
- iii. An election is required to fill the vacant position

8. MEETINGS

- i. To buy shares, the SHG will meet every (weekly, bi-weekly, monthly) or;
- ii. Shares will be bought at every meeting
- iii. Loans may also be disbursed and repaid at every meeting.
- iv. The constitution should clearly demonstrate procedures for sharing out.

9. EXIT FROM THE SHG

Prescribe how one can exit the group

10. EXPULSION FROM THE SHG

The reasons for which a person should be expelled from the SHG are:



11. FINES

The following table gives examples of reasons why a member may be fined and amount charged per fine.

Reason for the fine	Amount
Failure to attend a meeting without notification	
Late coming	
Not remembering SHG rules	
Forgetting a key to the box	
Chatting through the proceedings	
Not remembering Loan Fund and Social Fund balances from the last meeting	
Failure of a member of the Management Committee to perform their duties	
(other)	
(other)	

12. AMENDMENTS TO THE CONSTITUTION

- i. 2/3 of the members must agree before the Constitution can be amended.
- ii. Any member can propose an amendment to the Constitution after _____ months.
- iii. Procedures for amendment of the constitution should clearly be described.

13. MANAGEMENT AND INVESTMENT OF FUNDS

- i. The SHG may invest its funds in any legally acceptable activity as will be agreed by the General Assembly.



- ii. Management of donations, income generating activities and other products will be determined by the General Assembly.

14. COMPLAINT HANDLING MECHANISM

- i. The group should define a complaint handling and conflict resolution process which will put into consideration among others; the fines stipulated in the constitution.

15. OTHER RULES

Other rules that the group may deem fit.

PART 2: SERVICES OFFERED BY THE SHG

1. SAVINGS

- i. Members may buy 1 – 5 shares in each meeting
- ii. The purchase price of a share shall be:

- iii. Members may contribute an equal agreed-upon amount at the start of every cycle to speed up the growth of the loan portfolio.
- iv. Procedures for saving should be described.

2. LENDING

- i. The maximum amount that anyone can borrow is three times the value of their savings



- ii. The maximum length of a loan term should not exceed the loan cycle.
- iii. The service charge on a loan will be _____% of the loan
- iv. A member must repay a loan before (s)he can take another
- v. If a member dies and leaves an outstanding balance, it will be treated as follows:

- vi. The highest priority for loans will be given for: ____

- vii. The second highest priority for loans will be given for: _____
- viii. The third highest priority for loans will be given for:

- ix. Management of external loans

3. SOCIAL FUND

- i. The Social Fund is for grants only. No loans will be taken from the Social Fund
- ii. The Social Fund contribution, per member, per meeting will be:
- iii. Donations to the SHG will be invested in the Social Fund.
- iv. All fines will be invested in the Social Fund.
- v. All benefits paid by the Social Fund will be agreed



on a case-by-case basis by all of the members after discussion, but benefits paid to each member will be the same for similar cases.

vi. A group may have other products apart from those mentioned above.

4. **OTHER SERVICES**

Any other services as agreed by the group

Signed by:

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____



