

B&M GROUP

Private Savings & Credit Investment Association

CONSTITUTION

SECTION 1: INTRODUCTION

1.1 Establishment

B&M Group (“the Group”) is a private internal savings and credit association founded by:

- Brian Odhiambo
- Maximilla Aleyo

1.2 Founding Date

Established on: [23rd February 2026]

1.3 Legal Nature

The Group operates as a private, non-registered internal capital growth association, governed by this Constitution.

It is not a public SACCO and does not accept external deposits without formal resolution.

SECTION 2: VISION, MISSION & CORE PHILOSOPHY

2.1 Vision

To build financial discipline, through structured savings, internal lending, and controlled capital growth.

2.2 Mission

To create a financially accountable ecosystem where members:

- ✚ Save consistently
- ✚ Access controlled credit
- ✚ Grow shared capital
- ✚ Build long-term financial intelligence

2.3 Core Principles

- ✓ Discipline before access
- ✓ Capital preservation before profit
- ✓ Transparency in all transactions
- ✓ Zero emotional interference in financial decisions

SECTION 3: CAPITAL STRUCTURE

3.1 Weekly Contributions

Each member shall contribute:

KSH 70 per week

Total current weekly capital injection:

KSH 140

3.2 Current Annual Capital Projection (Without Loans)

Weekly Contribution: 140

Annual Weeks: 52

Total = 7,280 KSH

This forms the base capital before interest growth.

SECTION 4: MEMBERSHIP STRUCTURE

4.1 Founding Members

The founding members hold executive authority until expansion.

4.2 Admission of New Members

The Group shall remain **CLOSED** for the first 12 months.

Admission after 12 months requires unanimous approval.

New member joining fee: **KSH 100** (*non-refundable administrative capital*).

4.3 Membership Qualification Requirements

A member **MUST**:

1. Agree in writing to this Constitution.
2. Commit to weekly savings.
3. Accept loan and penalty policies.

SECTION 5: SAVINGS POLICY

5.1 Mandatory Weekly Contribution

Contributions **MUST** be made before the agreed deadline.

For months with extra days beyond full weeks, members contribute **KSH 10 per extra day**.

Example: *Month with 31 days – 4 full weeks = 28 days, 3 extra days x 10 = 30 KSH*

Total monthly contribution = {weekly contributions + daily adjustments} = {70 x 4 + 30 = 310}

Delayed contributions beyond **7 DAYS** may attract a **WARNING**.

5.2 Savings Ownership

Each member's savings shall be recorded individually.

Savings represent:

- ✓ Personal equity stake in the Group.
- ✓ Loan qualification metric.
- ✓ Profit-sharing weight.

SECTION 6: LOAN STRUCTURE

6.1 Loan Eligibility

A member qualifies for a loan if:

They have **AT LEAST KSH 500** savings balance.

They are up-to-date with weekly contributions.

6.2 Loan Limit Model

Maximum Loan = Up to 2x Personal Savings(*Recommended control model to prevent over-exposure*)

Example: Savings = 500

Maximum Loan = 1000

SECTION 7: INTEREST MODEL

7.1 Interest Rate

All loans **ATTRACT**:

15% Flat Interest

7.2 Interest Calculation Model

Loan Amount × 15%

Example 1:

Borrow 100

Interest = 15

Repay = 115

Example 2:

Borrow 1,000

Interest = 150

Repay = 1,150

No compounding interest.

SECTION 8: REPAYMENT STRUCTURE

8.1 Loans Below KSH 500

Repayment Period: 1 Week

8.2 Loans Above KSH 500

Repayment Period Options:

- 2 Weeks
- 3 Weeks
- Maximum 4 Weeks

Repayment timeline **MUST** be agreed before disbursement.

8.3 Early Repayment

ALLOWED without penalty.

SECTION 9: PENALTY FRAMEWORK

9.1 Late Repayment Penalty

KSH 5 per day after deadline.

This penalty:

- Is fixed.
- Does NOT compound.
- Is separate from interest.

Example: Late by 6 days → 30 KSH penalty.

9.2 Default Risk Protection

If a member FAIL to repay:

1. Loan may be deducted from savings.
2. Borrowing privileges suspended.
3. Membership review may occur.

SECTION 10: LIQUIDITY MANAGEMENT MODEL

To ensure operational **STABILITY**:

- ❖ Minimum 30% of total capital must remain IN ACCOUNT as liquidity reserve.
- ❖ Maximum 70% of capital may be loaned out at any time.

Example:

Total Group Capital: 5,000

Maximum Loans Active: 3,500

Reserve: 1,500

This protects against collapse.

SECTION 11: PROFIT MODEL & DISTRIBUTION

11.1 Source of Profit

- Loan interest
- Penalties
- ~~Joining fees [FOR ADMINISTRATIVE TASKS]~~

Example: Total profit = KSH 2,000 {FROM LOAN INTERESTS & PENALTIES}

11.2 Annual Profit Distribution Options

At year-end:

Profit Sharing Among Members

Since weekly contributions are MANDATORY and EQUAL, DISTRIBUTE the profit equally among all members.

Example Model: (2 MEMBERS)

Remaining Profit = 2000 / 2 = **KSH 1000 PER MEMBER**

Total per member savings at the year-end = 7280 / 2 = **KSH 3640**

Total payout per member at the year-end = 3640 + 1000 = KSH 4640

11.3 IMPLEMENTATION NOTES

Admin Fee:

Could be awarded to one or both founders depending on who managed operations (weekly record keeping, loan approvals, ledger maintenance)

SAVINGS are always returned in full, whether profit is high, low or zero.

- ✓ **All calculations and distributions should be documented in the ledger**
- ✓ **Members can vote to reinvest part of profits back into the Group for growth**

SECTION 12: RECORD KEEPING & TRANSPARENCY

The Group SHALL maintain:

1. Savings Ledger
2. Loan Ledger
3. Penalty Log
4. Capital Growth Report
5. Annual Financial Statement
6. All records must be accessible to members.

SECTION 13: GROUP WITHDRAWAL POLICY

13.1 Voluntary Exit

A member exiting SHALL:

- ✓ Clear all loans.
- ✓ Apply for exit with reasons where applicable
- ✓ Receive savings balance.
- ✓ Receive profit share if at year-end.

13.2 Emergency Withdrawal

Allowed only by MUTUAL agreement.

SECTION 14: GOVERNANCE STRUCTURE

Upon EXPANSION:

- ❖ Chairperson
- ❖ Treasurer
- ❖ Secretary

For now, founders jointly manage governance.

SECTION 15: AMENDMENTS

This Constitution may be amended only by unanimous vote.

SECTION 16: DISSOLUTION

The Group may dissolve if:

- ✓ All members agree.
- ✓ All liabilities are cleared.
- ✓ Capital is fairly distributed.