



IMPLICATIONS OF GUARANTORSHIP IN A SACCO

KENVERSITY SACCO SOCIETY LIMITED
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OBJECTIVES

1. Explain what guarantorship means

2. Outline responsibilities of a guarantor

3. Highlight implications to members

4. Highlight implications to the SACCO

5. Share preventive and best practices

What is Guarantorship?

- A member promises to repay a loan if the borrower fails
- Acts as security instead of physical collateral
- Based on trust and member savings/shares
- Common practice in SACCO lending

WHY SACCOS USE GUARANTORS

- Encourages member responsibility
- Reduces lending risk
- Makes loans accessible to members
- Promotes mutual support
- Protects SACCO funds

ROLE OF A GUARANTOR

Confirm borrower credibility

Accept legal and financial responsibility

Monitor borrower repayment behavior

Support recovery when needed

Safeguard own savings

Implications to the Guarantor – Financial Risk

- Liable for unpaid loan balance
- Savings or shares may be attached
- Reduced available deposits
- Loss of dividends on attached funds
- Personal financial strain

IMPLICATIONS TO THE GUARANTOR – CREDIT ACCESS

- Loan eligibility may reduce
- Lower borrowing limits
- Delays in loan approval
- Cannot guarantee more loans
- Credit profile may be affected

LEGAL AND CONTRACTUAL IMPLICATIONS

Guarantee is legally binding

SACCO can recover without consent of guarantor

Payroll deductions may apply

Recovery may include savings or benefits

Serious commitment, not a favor

SOCIAL AND RELATIONSHIP EFFECTS

Strained relationships among members

Peer pressure to repay

Conflicts between friends or colleagues

Loss of trust within the SACCO

Emotional stress

IMPLICATIONS TO THE BORROWER

- Responsibility to protect guarantors
- Moral obligation to repay on time
- Default affects reputation
- Future guarantors may refuse support
- Reduced access to future loans

Implications to the SACCO – Positive Effects

- Improves loan security
- Encourages discipline among members
- Reduces default risk
- Enhances recovery process
- Promotes collective responsibility

Financial Impact on the SACCO

- If guarantees fail, losses increase
- Higher non-performing loans
- Reduced interest income
- Lower surplus and dividends
- Reduced ability to lend more members

Best Practices Before Guaranteeing

- Know the borrower well
- Check repayment ability
- Confirm loan amount and period
- Limit number of guarantees
- Avoid emotional decisions

BEST PRACTICES FOR MEMBERS

- Borrow responsibly
- Repay on time
- Communicate early if facing challenges
- Respect guarantors' trust
- Attend financial literacy trainings

Key Takeaways

- Guarantorship is a serious financial commitment
- Default affects both borrower and guarantor
- Strong repayment protects all members
- Responsible guarantees strengthen the SACCO
- Collective discipline ensures sustainability

Thank You



QUESTIONS