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Calculating the Costs of Savings Mobilization

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The costing methodology presented in chapter 5 of this book offered readers a practical model for determining the costs of savings mobilization. The five tables that follow, taken directly from chapter 5, provide the framework for readers to start counting the costs of savings mobilization in their own institutions.

There are three main areas of outlays to consider when evaluating the total operating costs of a savings mobilization program: financial costs, direct administrative costs, and indirect administrative costs. Financial costs include: interest, insurance, taxes, and dividends. Direct administrative costs include: human resources, marketing, and commissions that are incurred as a result of savings mobilization. Indirect administrative costs related to savings mobilization include: human resources, administrative services, depreciation, and protection.

Table 1 is used to calculate the human resource costs related to savings mobilization, by adding up and annualizing the salaries and total benefits paid to employees and obtaining an estimate of the time dedicated to savings activities by position. The next two tables are used to calculate the allocation factors to be used later in the calculation of the indirect administrative costs related to savings. In Table 2, readers can calculate the percentage of total transactions that are related to savings by identifying all transactions and then breaking them out by service as a percentage of total transactions. In Table 3, readers can calculate the percentage of total physical space dedicated to savings activities by determining the total physical space of the institution and then identifying how much of each area is dedicated to savings activities.

Table 4 is used to sum the human resource costs included in the calculation of both direct and indirect administrative costs; the table calculates human resource costs by group, according to the positions set out in Table 1. The weighted average for each position is determined according to staff responses when asked about the percentage of time spent on savings activities. Readers can calculate the cost of each position related to savings mobilization by multiplying the average total compensation for each position by the average percent of the time spent on savings activities (determined by asking staff members directly and then weighting accordingly), calculating the total cost by position, and then the total costs by area of services.

Table 5 provides the framework for summarizing the financial costs, direct administrative costs, and indirect administrative costs related to savings mobilization. The total operating costs are taken directly from the profit and loss statement. One hundred percent of the direct administrative costs (financial costs, marketing, and commissions) are included in the calculation, since they are incurred directly as a result of savings mobilization. Each indirect cost area is calculated by multiplying the total operating costs by the related allocation factors that were calculated in Table 2 and Table 3. The human resource costs are carried over from Table 4. The last two columns of the table show the total operating costs related to savings mobilization, and then operating costs related to savings mobilization as a percentage of average savings volume.

TABLE 1 NOTES

- ¹ *Benefit paid to employees when they resign or are fired, equivalent to one pay check for every year worked plus the Christmas and 14th bonuses.*
- ² *A bonus paid to all employees at Christmas, equivalent to one paycheck.*
- ³ *A bonus paid to all employees in the month of July, equivalent to one paycheck.*
- ⁴ *A bonus paid to all employees when they take vacations, equivalent to 80 percent of one paycheck.*
- ⁵ *This is a complement to the severance that an employee receives when leaving the organization, equivalent to 30 percent of the severance.*
- ⁶ *This is an employer contribution to a retirement fund that all employees of credit unions share. The contribution in this credit union is 5 percent.*
- ⁷ *Social security contribution of 7.83 percent of salary, paid by the credit union.*

TURN THE PAGE TO TABLE 1.

TABLE 1

POSITION	A	B	C = (A/B) BENEFITS		
	SALARY	SEVERANCE ¹	CHRISTMAS BONUS ²	14TH BONUS ³	VACATION BONUS ⁴
DIRECT ADMINISTRATIVE COSTS					
MARKETING AREA					
DIRECTOR OF MARKETING					
MARKETING TECHNICIAN					
RECEPTIONIST					
TELLERS					
HEAD TELLER					
TELLER					
TELLER					
SECURITY					
SECURITY GUARD					
SECURITY GUARD					
INDIRECT ADMINISTRATIVE COSTS					
MANAGEMENT					
GENERAL MANAGER					
ASSISTANT MANAGER					
REGIONAL OFFICE MANAGER					
BRANCH OFFICE MANAGER					
CREDIT AND FINANCE					
DIRECTOR OF FINANCE					
DIRECTOR OF CREDIT					
DIRECTOR OF COLLECTIONS					
LOAN ANALYST					
LOAN COLLECTOR					
BACK OFFICE GROUP					
INTERNAL AUDITOR					
CHIEF ACCOUNTANT					
ADMINISTRATIVE DIRECTOR					
ADMINISTRATIVE ASSISTANT					
DIRECTOR OF MIS					
ASSISTANT INTERNAL AUDITOR					
AUXILIARY ACCOUNTANT					
COMPUTER TECHNICIAN					
SUPPORT SERVICES					
JANITORS					
MESSENGERS					
TOTAL					

See notes to this table on page 355.

TABLE 2

DESCRIPTION	AMOUNT	TOTAL BY TYPE	% OF TOTAL TRANSACTIONS
SAVINGS		SUM OF SAVINGS TRANSACTIONS	TOTAL SAVINGS / TOTAL TRANSACTIONS
DEPOSITS			
WITHDRAWALS			
OPEN ACCOUNTS			
CLOSE ACCOUNTS			
TRANSFERS			
REPLACE PASSBOOKS AND OTHER			
LOANS		SUM OF LOAN TRANSACTIONS	TOTAL LOAN TRANSACTIONS / TOTAL TRANSACTIONS
DISBURSEMENTS			
PAYMENTS			
OTHERS			
OTHER		SUM OF OTHER TRANSACTIONS	TOTAL OTHER TRANSACTIONS / TOTAL TRANSACTIONS
DEBITOR AND CREDITOR PAYMENTS			
INSURANCE			
TOTAL OF TRANSACTIONS		SUM OF COLUMN	SUM OF COLUMN

ALLOCATION
FACTOR:
THIS FIGURE
IS TO BE
USED IN
TABLE 5

TABLE 3

BRANCH	A LOBBY	B TELLERS	C MARKETING	D = (A+B+C) SUBTOTAL RELATED TO SAVINGS	E OTHER AREAS	F = (D+E) TOTAL OF SPACE
MAIN OFFICE						
02						
03						
04						
05						
06						
07						
08						
09						
10						
11						
PHYSICAL SPACE BY DEPARTMENT	SUM OF COLUMN (IN METERS)	SUM OF COLUMN (IN METERS)	SUM OF COLUMN (IN METERS)	SUM OF COLUMN (IN METERS)	SUM OF COLUMN (IN METERS)	SUM OF COLUMN (IN METERS)
PERCENT BY DEPARTMENT	TOTAL PHYSICAL SPACE OF LOBBY / TOTAL PHYSICAL SPACE OF BUILDING	TOTAL PHYSICAL SPACE OF TELLERS / TOTAL PHYSICAL SPACE OF BUILDING	TOTAL PHYSICAL SPACE OF MARKETING / TOTAL PHYSICAL SPACE OF BUILDING	TOTAL PHYSICAL SPACE OF AREAS RELATED TO SAVINGS / TOTAL PHYSICAL SPACE OF BUILDING	TOTAL PHYSICAL SPACE OF OTHER AREAS / TOTAL PHYSICAL SPACE OF BUILDING	TOTAL PHYSICAL SPACE OF BUILDING

ALLOCATION FACTOR: THIS FIGURE IS THE ALLOCATION FACTOR TO BE USED IN TABLE 5

TABLE 4

POSITION	A	B	C = (A/B)
	NUMBER OF PERSONS	TOTAL COMPENSATION	AVERAGE OF COMPENSATION
DIRECT ADMINISTRATIVE COSTS			
MARKETING AREA			
DIRECTORS OF MARKETING			
MARKETING TECHNICIANS			
RECEPTIONISTS			
TELLERS			
HEAD TELLER			
TELLERS			
SECURITY			
SECURITY GUARDS			
INDIRECT ADMINISTRATIVE COSTS			
MANAGEMENT			
GENERAL MANAGERS			
ASSISTANT MANAGERS			
REGIONAL OFFICE MANAGERS			
BRANCH OFFICE MANAGERS			
CREDIT AND FINANCE			
DIRECTORS OF FINANCE			
DIRECTORS OF CREDIT			
DIRECTORS OF COLLECTIONS			
LOAN ANALYSTS			
LOAN COLLECTORS			
BACK OFFICE GROUP			
INTERNAL AUDITORS			
CHIEF ACCOUNTANTS			
ADMINISTRATIVE DIRECTORS			
ADMINISTRATIVE ASSISTANTS			
DIRECTORS OF MIS			
ASSISTANT INTERNAL AUDITORS			
AUXILIARY ACCOUNTANTS			
COMPUTER TECHNICIANS			
SUPPORT SERVICES			
JANITORS AND MESSENGERS			
TOTAL			

TABLE 5

COST ELEMENTS	ALLOCATION CRITERIA
AVERAGE SAVINGS VOLUME	
I. FINANCIAL COSTS	
INTEREST	Interest paid
INSURANCE	Insurance paid
TAXES ON INTEREST	Taxes paid
SHARES DIVIDENDS	Dividends paid
II. DIRECT ADMINISTRATIVE COSTS	
A. HUMAN RESOURCES	
MARKETING	% of time dedicated to savings activities
TELLERS	% of time dedicated to savings activities
SECURITY	% of time dedicated to savings activities
B. MARKETING	
ADVERTISING	Real costs of advertising
PROMOTION	Real costs of savings promotions
STUDIES	Real costs of market studies
C. COMMISSIONS	
COMMISSIONS	Commissions paid on new savings
III. INDIRECT ADMINISTRATIVE COSTS	
A. HUMAN RESOURCES	
MANAGEMENT	% of time dedicated to savings activities
BACK OFFICE AND CREDIT AND FINANCE	% of time dedicated to savings activities
SERVICES SUPPORT	% of time dedicated to savings activities
B. ADMINISTRATIVE SERVICES	
ELECTRICITY, WATER, GARBAGE REMOVAL	% of physical space occupied
TELECOMMUNICATIONS	% of physical space occupied
OFFICE MAINTENANCE	% of physical space occupied
MIS SUPPORT	Transactions
MATERIALS AND SUPPLIES	Transactions
VEHICLE MILEAGE	% of time use of vehicles
VEHICLE MAINTENANCE	% of time use of vehicles
TAXES	% of physical space occupied
C. DEPRECIATION	
BUILDINGS	% of physical space occupied
VEHICLES	% of time use of vehicles
OFFICE FURNITURE	% of physical space occupied
COMPUTERIZATION	Transactions
OFFICE RENT	% of physical space occupied
D. PROTECTION	
ROBBERY AND GENERAL LIABILITY INSURANCE PREMIUMS	Transactions
EXTERNAL AUDIT AND SUPERVISION FEES	% of time of auditors and inspectors dedicated to savings
PROPERTY INSURANCE PREMIUMS	% of physical space occupied
PROVISION CASH SHORTFALLS	Transactions
TOTAL OPERATING COSTS	

A TOTAL OPERATING COSTS	B ALLOCATION FACTOR %	C = (A x B) OPERATING COSTS OF SAVINGS MOBILIZATION	D %
AVERAGE SAVINGS VOLUME (1)			
SUM OF FINANCIAL COSTS (2)			2/1
	100%		
	100%		
	100%		
	100%		
SUM OF DIRECT ADMIN. COSTS (3)			3/1
SUM OF HUMAN RESOURCE COSTS			
SUM OF MARKETING COSTS			
	100%		
	100%		
	100%		
	100%		
SUM OF INDIRECT ADMIN. COSTS (4)			4/1
SUM OF HUMAN RESOURCE COSTS			
		H4 Table 4	
		(H5 + H6) Table 4	
		H7 Table 4	
SUM OF ADMINISTRATIVE SERVICES COSTS			
	Table 3 Allocation Factor		
	Table 3 Allocation Factor		
	Table 3 Allocation Factor		
	Table 2 Allocation Factor		
	Table 2 Allocation Factor		
	Record of Use of Vehicles		
	Record of Use of Vehicles		
	Table 3 Allocation Factor		
SUM OF DEPRECIATION COSTS			
	Table 3 Allocation Factor		
	Record of Use of Vehicles		
	Table 3 Allocation Factor		
	Table 2 Allocation Factor		
	Table 3 Allocation Factor		
SUM OF PROTECTION COSTS			
	Table 2 Allocation Factor		
	Estimated by Auditors & Supervisors		
	Table 3 Allocation Factor		
	Table 2 Allocation Factor		
SUM OF COLUMN		SUM OF COLUMN	SUM OF COLUMN

