Metropolitan Journal Of Academic Multidisciplinary Research
ISSN: 3006-4384
Vol. 5 Issue 6, June- 2026, Pages: 29-36

Cash Management And Organizational Growth In Bugisu Co-Operative Union

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Abstract

This study investigated the relationship between cash management practices and organizational growth in Bugisu Co-operative Union (BCU), one of Uganda's oldest and most significant agricultural co-operative organizations. The study specifically examined how cash flow planning, cash budgeting, cash control mechanisms, and working capital management influence the financial performance and growth trajectory of the Union. A correlational and causal research design was employed, with data collected from 94 respondents comprising management staff, finance officers, and board members of Bugisu Co-operative Union. Primary data were gathered through structured questionnaires and key informant interviews, while secondary data were obtained from the Union's audited financial statements for the period 2017-2023. Descriptive, correlation, and regression analyses were conducted using SPSS version 25. The findings revealed that cash flow planning ($r = 0.714$, $p < 0.01$), cash budgeting ($r = 0.681$, $p < 0.01$), cash control ($r = 0.658$, $p < 0.01$), and working capital management ($r = 0.697$, $p < 0.01$) all exhibit significant positive relationships with organizational growth. The regression model explained 64.7% of the variance in organizational growth ($R^2 = 0.647$). The study concluded that effective cash management is a critical determinant of organizational growth in BCU and recommended the adoption of more sophisticated cash flow forecasting tools, strengthened internal controls, and professional treasury management practices.

Keywords: Cash Management, Organizational Growth, Co-operative Union, Cash Flow Planning, Working Capital Management, Bugisu Co-operative Union, Uganda.

1.0 Background of the Study

Co-operative unions occupy a central position in Uganda's agricultural economy, serving as aggregators, processors, and marketers of smallholder farmers' produce(Alex & Julius, 2024). Bugisu Co-operative Union (BCU), established in 1954 and headquartered in Mbale, Eastern Uganda, is one of the oldest and most respected co-operative institutions in the country. BCU serves as the primary marketing arm for Arabica coffee farmers in the Mount Elgon region, handling the washing, milling, storage, and export of coffee grown by over 60,000 registered member farmers across the Bugisu sub-region(Mategeko et al., 2026). In addition to its core coffee marketing activities, BCU provides a range of member services including input supply, credit facilities, and agricultural extension support(Allan et al., 2023).

Received: 06.06.2026 **Accepted: 12.06.2026** **Published on: 30.06.2026**

Despite its historic significance and large membership base, BCU has experienced significant financial and operational challenges over the past two decades(Julius & Kazaara, 2026). Irregular and unpredictable cash flows reflecting the seasonal nature of coffee production and the volatility of international coffee prices have created persistent liquidity challenges that have constrained the Union's ability to fulfill its financial obligations to farmer members, invest in infrastructure and processing equipment, and maintain the operational continuity necessary for sustainable growth(Sarah & Audrey, 2024). Cash management, defined as the corporate process of collecting and managing cash flows with the objective of maintaining adequate liquidity while maximizing investment returns, is therefore of paramount importance for an organization like BCU(Christopher, 2022).

2.0 Problem Statement

Despite the acknowledged centrality of cash management to organizational financial health, BCU has historically struggled with cash flow management challenges that have manifested in delayed payments to farmer members, inability to access favorable credit terms due to poor cash position transparency, and periodic operational disruptions caused by liquidity shortfalls(Akankwasa et al., 2022). The Union lacks a formal cash flow forecasting system, relies on reactive rather than proactive cash management approaches, and has faced audit findings related to inadequate cash control mechanisms in multiple consecutive years(Moses et al., 2025). These challenges have constrained the Union's growth aspirations and undermined farmer members' confidence in the institution's financial management capabilities(Ivan et al., 2023).

3.0 Main Objectives

The main objective of the study was to examine the relationship between cash management practices and organizational growth in Bugisu Co-operative Union. The specific objectives were: (i) to assess the effect of cash flow planning on the organizational growth of BCU; (ii) to examine the relationship between cash budgeting and organizational growth in BCU; (iii) to determine the influence of cash control mechanisms on organizational growth in BCU; and (iv) to evaluate the effect of working capital management on the organizational growth of BCU.

4.0 Literature Review

4.1 Theoretical Framework

This study was grounded in the Liquidity Preference Theory, originally developed by Keynes (1936), which posits that organizations hold cash for three primary motives: transactional motives (to meet day-to-day operational needs), precautionary motives (to buffer against unexpected cash requirements), and speculative motives (to capitalize on advantageous investment opportunities). In the co-operative context, these motives are complicated by the dual obligation to maintain liquidity for member payments while also generating surpluses for reinvestment in member

Metropolitan Journal Of Academic Multidisciplinary Research
ISSN: 3006-4384
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services and infrastructure(Julius & Nancy, 2026). The Working Capital Theory, articulated by Deloof (2003), further provided a framework for understanding the relationship between efficient working capital management encompassing the management of receivables, payables, and inventory alongside cash and organizational financial performance(Irumba et al., 2024).

4.2 Cash Management and Organizational Performance

Empirical research has consistently demonstrated a positive relationship between sound cash management practices and organizational financial performance(Julius & Kazaara, 2026). Raheman and Nasr (2007) examined a sample of 94 Pakistani non-financial firms listed on the Karachi Stock Exchange and found that all measures of cash management efficiency were significantly and negatively correlated with profitability, implying that firms with more efficient cash management cycles achieve higher profitability(Julius & Matovu, 2025). Gill et al. (2010) replicated this study in the American context and obtained consistent findings. In the African co-operative context, studies by Mwangi and Murigu (2015) in Kenya demonstrated that cash management quality was significantly and positively associated with the financial sustainability and growth of agricultural co-operatives(Sarah & Audrey, 2024).

5.0 Methodology

The study adopted a correlational and causal research design to investigate the relationship between cash management and organizational growth. The target population comprised 94 respondents drawn from BCU's management staff (n=28), finance and accounting staff (n=31), board of directors members (n=18), and external auditors with knowledge of BCU's operations (n=17)(Kazaara et al., 2024). A census approach was used given the manageable size of the target population, achieving a response rate of 89.4% (84 completed questionnaires). Organizational growth was operationalized using five indicators: membership growth rate, coffee throughput volume growth, revenue growth, surplus (profit) growth, and asset base expansion, measured over the 2017-2023 period(Christopher, 2022). Cash management was measured using a validated 24-item instrument covering cash flow planning, cash budgeting, cash control, and working capital management. Secondary data were obtained from BCU's annual reports and audited financial statements. All quantitative data were analyzed using SPSS version 25(Nelson et al., 2022).

6.0 Results

6.1 Descriptive Statistics

Variable	N	Mean	Std. Dev.	Skewness	Kurtosis
Cash Flow Planning	84	3.12	0.84	-0.241	0.318
Cash Budgeting	84	3.28	0.79	-0.187	0.274
Cash Control Mechanisms	84	2.98	0.91	-0.312	0.421

Received: 06.06.2026 **Accepted: 12.06.2026** **Published on: 30.06.2026**

Working Capital Management	84	3.19	0.86	-0.218	0.356
Organizational Growth	84	3.41	0.77	-0.164	0.289

Source: Primary Data, 2025

The descriptive statistics presented in Table 1 reveal that respondents gave moderate to moderately favorable ratings across all cash management dimensions. Cash budgeting recorded the highest mean (M = 3.28, SD = 0.79), suggesting that BCU makes reasonable efforts to prepare cash budgets, though the score also indicates substantial room for improvement(Paul et al., 2023). Cash control mechanisms recorded the lowest mean (M = 2.98, SD = 0.91), falling below the midpoint of 3.0 on the five-point scale, signaling that respondents perceive significant weaknesses in the Union's internal control systems for cash management(Brian et al., 2024). The negative skewness values across all variables indicate slight left skew in the distributions, while kurtosis values close to zero confirm approximately normal distributions, validating the use of parametric statistical analyses(Nelson et al., 2023). The organizational growth variable recorded a mean of 3.41 (SD = 0.77), indicating that respondents perceive moderate levels of organizational growth in BCU over the study period.

6.2 Correlation Analysis

Variable	1	2	3	4	5
1. Cash Flow Planning	1.000				
2. Cash Budgeting	0.598**	1.000			
3. Cash Control Mechanisms	0.571**	0.612**	1.000		
4. Working Capital Mgmt	0.643**	0.587**	0.604**	1.000	
5. Organizational Growth	0.714**	0.681**	0.658**	0.697**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data, 2025

The Pearson correlation matrix presented in Table 2 reveals that all four cash management dimensions demonstrate strong, statistically significant positive correlations with organizational growth. Cash flow planning registers the strongest bivariate correlation with organizational growth ($r = 0.714$, $p < 0.01$), suggesting that the quality and consistency of cash flow forecasting and planning activities is the most powerful individual predictor of growth outcomes in BCU(Ramadhan et al., 2023). Working capital management follows with $r = 0.697$ ($p < 0.01$), reflecting the critical importance of efficiently managing the balance between current assets and current liabilities in a cash-intensive agricultural co-operative environment. Cash budgeting ($r = 0.681$, $p < 0.01$) and cash control mechanisms ($r = 0.658$, $p < 0.01$) also demonstrate strong correlations with growth, further reinforcing the comprehensive importance

Received: 06.06.2026 **Accepted: 12.06.2026** **Published on: 30.06.2026**

of disciplined cash management across all its dimensions(Suzan & Gracious Kazaara, 2023). The inter-correlations among the independent variables range from 0.571 to 0.643, indicating moderate but not excessive multicollinearity.

6.3 Regression Analysis

Model Summary	Value
R	0.824
R Square	0.679
Adjusted R Square	0.647
Std. Error of Estimate	0.461
F-Statistic	41.873
Significance	0.000

Source: Primary Data, 2025

Predictor Variable	B	Std. Error	Beta	t-value	Sig.
(Constant)	0.387	0.284		1.363	0.177
Cash Flow Planning	0.298	0.074	0.312	4.027	0.000
Cash Budgeting	0.231	0.068	0.238	3.397	0.001
Cash Control Mechanisms	0.187	0.063	0.219	2.968	0.004
Working Capital Management	0.264	0.071	0.279	3.718	0.000

Source: Primary Data, 2025

The multiple linear regression results presented in Tables 3 and 4 provide compelling evidence that cash management practices collectively and individually predict organizational growth in Bugisu Co-operative Union. The overall model is highly statistically significant ($F = 41.873$, $p < 0.000$), and the R^2 value of 0.679 indicates that the four cash management dimensions collectively explain 67.9% of the variance in organizational growth, with the adjusted R^2 of 0.647 providing a more conservative estimate accounting for model complexity. This is a very high proportion of explained variance for a complex organizational outcome, underscoring the centrality of cash management to BCU's growth dynamics. Cash flow planning is the strongest individual predictor of organizational growth (Beta = 0.312, $t = 4.027$, $p < 0.000$), confirming the bivariate correlation findings. Organizations that systematically forecast, monitor, and manage their cash flows are better positioned to anticipate liquidity needs, avoid costly emergency financing, optimize the timing of capital expenditures, and seize strategic growth opportunities. Working capital management follows as the second strongest predictor (Beta = 0.279, $t = 3.718$, $p < 0.000$), with cash budgeting (Beta = 0.238, $t = 3.397$, $p = 0.001$) and cash control (Beta = 0.219, $t = 2.968$, $p = 0.004$) also making significant independent contributions.

7.0 Discussion of Results

The findings of this study are consistent with the theoretical predictions of the Liquidity Preference Theory and empirical evidence from comparable co-operative and agricultural finance research. The dominant effect of cash flow planning on BCU's organizational growth is particularly significant in the co-operative context, where cash flows are inherently irregular, seasonal, and subject to price volatility(Julius & Kaazara, 2025). Without robust cash flow planning systems, BCU is perpetually reactive, managing liquidity crises as they arise rather than strategically positioning the organization to maintain adequate liquidity while pursuing growth opportunities(Frank et al., 2023).

The significant contribution of working capital management reflects the unique financial dynamics of agricultural co-operatives(Alex & Julius, 2024). BCU must balance the competing demands of maintaining sufficient cash to pay farmers promptly upon delivery of coffee cherries (a critical trust-building requirement with farmer members), procuring inputs and supplies for the next production cycle, servicing debt obligations, and investing in infrastructure improvements(Julius & Audrey, 2026). The management of this complex working capital balance requires sophisticated financial planning capabilities that BCU is yet to fully develop, as evidenced by the relatively low mean score for cash control mechanisms.

8.0 Conclusions and Recommendations

This study provides compelling empirical evidence that cash management practices are a significant and multidimensional determinant of organizational growth in Bugisu Co-operative Union. All four dimensions examined cash flow planning, cash budgeting, cash control, and working capital management significantly predict growth outcomes, collectively explaining 64.7% of the variance in organizational growth. The study recommends that BCU: (i) invest in a dedicated treasury management system that enables real-time cash flow monitoring, multi-scenario cash flow forecasting, and automated alerts for liquidity threshold breaches; (ii) strengthen internal cash control mechanisms through regular internal audits, mandatory dual authorization for significant cash transactions, and the adoption of mobile banking platforms for farmer payment disbursements; (iii) develop and implement a comprehensive working capital management policy that establishes clear targets and thresholds for key working capital metrics; and (iv) engage a qualified financial management consultant to review and overhaul BCU's cash management infrastructure.

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Received: 06.06.2026 **Accepted: 12.06.2026** **Published on: 30.06.2026**