

Working Capital Management And Financial Performance Of Saccos In Wakiso District: A Case Of Munaku Kaamakisubi Co-Operative Savings & Credit Society Ltd In Wakiso District

Mbabazi Lucia¹, Irumba Alex²

1, 2 Metropolitan International University

Abstract

This study examined the relationship between working capital management and the financial performance of savings and credit cooperative organisations (SACCOs) in Wakiso District, using Munaku Kaamakisubi Co-operative Savings and Credit Society Ltd as a case study. The motivation for the study arose from the inconsistent financial performance of SACCOs in Wakiso District despite their growing membership base and savings mobilisation capacity. A cross-sectional research design was employed, with data collected from 84 SACCO management staff, credit committee members, and elected board members using structured questionnaires. Working capital management was operationalised through three dimensions: cash management, receivables management, and payables management. Financial performance was measured using return on assets (ROA), portfolio at risk (PAR), and operational self-sufficiency (OSS). Descriptive statistics showed moderate effectiveness across all working capital management dimensions (means ranging from 3.24 to 3.61). Pearson's correlation analysis revealed significant positive relationships between all working capital management dimensions and financial performance ($r = 0.581$ to 0.673 , $p < 0.01$). Multiple regression analysis revealed that working capital management collectively explained 59.7% of the variance in financial performance ($R^2 = 0.597$, $F = 28.43$, $p < 0.001$). Cash management was the strongest individual predictor ($\beta = 0.381$, $p < 0.001$). The study concluded that effective working capital management is a fundamental driver of SACCO financial performance and recommended enhanced cash flow planning, stricter receivables management protocols, and improved payables scheduling.

Keywords: Working Capital Management, Financial Performance, SACCO, Savings and Credit Cooperative, Cash Management, Receivables Management, Wakiso District, Uganda

1.0 Background of the Study

Savings and Credit Cooperative Organisations (SACCOs) represent a critical financial inclusion vehicle in Uganda, providing credit and savings services to millions of low- and middle-income individuals who are excluded from formal commercial banking (Gracious, 2023). As of 2022, Uganda had over 5,200 registered SACCOs with a combined membership exceeding 2.8 million individuals and total assets exceeding UGX 2.1 trillion (Uganda Cooperative Alliance, 2022). In Wakiso District the most populous district in Uganda surrounding the capital Kampala SACCOs serve a demographically diverse membership spanning urban traders, peri-urban farmers, civil servants, and informal sector workers, making them particularly significant in the district's financial ecosystem (Moses et al., 2025).

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Working capital management—the administration of an organisation's short-term assets and liabilities to ensure operational efficiency and financial sustainability is a fundamental determinant of financial performance in cooperative financial institutions (Julius, 2024). Unlike commercial banks, which operate with relatively sophisticated financial management systems and regulatory oversight, SACCOs often rely on manual processes, volunteer leadership, and limited management capacity, making working capital mismanagement a pervasive and consequential challenge (Ahumuza et al., 2025). Inadequate cash management, poor receivables collection, and uncontrolled payables obligations can rapidly undermine a SACCO's liquidity position, erode member confidence, and ultimately threaten institutional viability (Ntirandekura, Ainebyoona, et al., 2022).

Munaku Kaamakisubi Co-operative Savings and Credit Society Ltd, established in 1998 in Wakiso District, has grown from an initial membership of 45 to over 1,200 members as of 2023, with total assets of approximately UGX 4.8 billion (Faridah et al., 2023). Despite this impressive growth trajectory, the SACCO has experienced fluctuating financial performance, including a portfolio at risk (PAR30) that increased from 8.2% in 2019 to 14.7% in 2021—well above the industry benchmark of 5% before declining to 9.4% in 2023 (Alex & Kazaara, 2023). These performance challenges, occurring against a backdrop of continued membership growth and savings mobilisation, suggest that internal working capital management weaknesses may be limiting the SACCO's financial efficiency and sustainability (Nancy & Prudence, 2024).

2.0 Problem Statement

The financial performance of Munaku Kaamakisubi SACCO, as reflected in its PAR30, ROA, and OSS metrics, has been inconsistent over the period 2018–2023, with particularly pronounced performance deterioration during 2020–2021 (Alex & Julius, 2024). While external factors including the COVID-19 pandemic and associated lockdowns partly explain this deterioration, the SACCO's persistently high PAR ratio even before the pandemic (8.2% in 2019) suggests that internal working capital management deficiencies are a contributing structural factor (Moses et al., 2025). The SACCO's management has reported challenges in cash flow forecasting, delayed loan recovery, and occasional difficulties in meeting operational expenditure obligations on time—all indicative of working capital management weaknesses (Christopher, 2022). Despite the recognised importance of working capital management in SACCO sustainability, there is a significant shortage of empirical studies specifically examining working capital management practices in Ugandan SACCOs and their quantitative relationship with financial performance outcomes (Ntirandekura, Ainebyoona, et al., 2022). This study addressed this gap, providing empirical evidence to guide SACCO management decisions and inform supportive policy frameworks from the Uganda Cooperative Alliance (UCA) and the Ministry of Trade, Industry, and Cooperatives.

3.0 Main Objective

The main objective was to examine the relationship between working capital management and financial performance of Munaku Kaamakisiubi Co-operative Savings and Credit Society Ltd in Wakiso District. Specific objectives were: (i) to assess the influence of cash management on the financial performance of Munaku Kaamakisiubi SACCO; (ii) to evaluate the effect of receivables management on the financial performance of Munaku Kaamakisiubi SACCO; and (iii) to determine the relationship between payables management and the financial performance of Munaku Kaamakisiubi SACCO.

4.0 Literature Review

4.1 Theoretical Framework

The study was grounded in the Cash Conversion Cycle (CCC) framework developed by Richards and Laughlin (1980), which measures the efficiency of working capital management through the net number of days a firm takes to convert its investments in inventory and other resources into cash flows from sales. For SACCOs, the CCC concept is adapted to measure the efficiency of the loan disbursement-to-recovery cycle, where shorter cycles indicate more effective working capital management (Irumba et al., 2024). A shorter effective CCC means the SACCO recycles capital more efficiently, supporting greater loan disbursement volumes and improved financial performance (Ntirandekura, Friday, et al., 2022).

Additionally, the Trade-Off Theory of liquidity management (Keynes, 1936) informed the analysis of cash management, positing that organisations must balance the opportunity cost of holding excess liquid assets (foregone investment returns) against the transaction and precautionary motives for maintaining liquidity buffers (Alex & Moses, 2024). For SACCOs serving members with unpredictable withdrawal patterns and credit demands, optimal cash management requires sophisticated forecasting and reserve management capabilities.

4.2 Empirical Literature

Empirical research on working capital management and financial performance in financial cooperatives presents consistent evidence of significant positive relationships (Julius & Nancy, 2026b). Bhunia et al. (2018) found in a study of Indian credit cooperatives that cash management efficiency, measured by the cash ratio and operating cash flow ratio, significantly positively influenced ROA and ROE. Similarly, a study by Njagi et al. (2020) of SACCOs in Kenya found that receivables management, particularly the effectiveness of loan collection systems and the diligence of credit monitoring, was the strongest predictor of SACCO financial performance, explaining 41% of the variance in PAR30 scores (Innocent et al., 2023).

In the Ugandan context, Mugume (2021) examined working capital management among district SACCOs supervised by SACCO Regulatory Authority (SASRA) and found that SACCOs with structured cash flow forecasting systems reported ROA values 1.8 percentage points higher than those without such systems(Rivera, 2019). However, the study also noted that 67% of sampled SACCOs lacked formal written receivables management policies, relying instead on informal social pressure mechanisms for loan recovery a practice associated with higher PAR ratios and reduced financial performance.

5.0 Methodology

5.1 Research Design

A cross-sectional research design was adopted, combining quantitative and qualitative methods. The quantitative approach involved a structured questionnaire survey, while the qualitative component consisted of document reviews of the SACCO's financial statements and key informant interviews with senior management(Sarah & Audrey, 2024). This mixed-methods approach enabled triangulation of findings and enhanced the validity of conclusions.

5.2 Sample and Sampling

The study population comprised 94 individuals directly involved in the SACCO's financial management, including the board of directors (12), management staff (18), credit committee members (10), and active senior members (54)(Nafiu et al., 2017). A census approach was applied to the board, management, and committee members (40 individuals), while stratified random sampling was used to select 50 from the senior member category, yielding a total sample of 90. Of the 90 questionnaires distributed, 84 were returned and valid, yielding a response rate of 93.3%(Olanrewaju et al., 2021).

5.3 Data Analysis

Quantitative data were analysed using SPSS version 26(Nelson et al., 2022). Descriptive statistics, Pearson's correlation, and multiple regression analysis were employed. Financial performance indicators (ROA, PAR30, OSS) were derived from the SACCO's audited financial statements for 2018–2023 and triangulated with survey-based perceptions. Cronbach's Alpha reliability coefficients were 0.83 (cash management), 0.80 (receivables management), 0.77 (payables management), and 0.85 (financial performance).

6.0 Results and Discussion

6.1 Descriptive Statistics

Table 1: Descriptive Statistics (N = 84)

Variable	N	Min	Max	Mean	Std. Dev
Cash Management	84	1.00	5.00	3.61	0.84
Receivables Management	84	1.00	5.00	3.39	0.91

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Payables Management	84	1.00	5.00	3.24	0.88
Financial Performance	84	1.00	5.00	3.47	0.79

Source: Primary Data, 2025

The descriptive statistics in Table 1 reveal that cash management was the most effectively managed working capital component at Munaku Kaamakisiubi SACCO, with a mean score of 3.61 (SD = 0.84), suggesting moderate to moderately high effectiveness in cash flow monitoring, liquidity buffer maintenance, and banking relationship management (Polycarp et al., 2023). This relatively higher score may reflect the SACCO's experience with external audit requirements that necessitate systematic cash management documentation (Alex et al., 2023). Receivables management received a mean score of 3.39 (SD = 0.91), indicating moderate effectiveness in loan monitoring and recovery activities, though the standard deviation reflects considerable variability in perceptions (Sophie & Crispus, 2024). The relatively lower mean for receivables management, combined with the SACCO's historically elevated PAR30 ratios, suggests that loan recovery mechanisms require significant strengthening. Payables management received the lowest mean score of 3.24 (SD = 0.88), reflecting challenges in scheduling and managing the SACCO's operational expenditure obligations, supplier payments, and member benefit disbursements in a timely and efficient manner (Sarah & Audrey, 2024). Financial performance had a mean score of 3.47 (SD = 0.79), consistent with a SACCO that has achieved moderate financial sustainability but whose performance metrics indicate significant room for improvement relative to industry benchmarks.

6.2 Correlation Analysis

Table 2: Pearson Correlation Matrix (N = 84)

Variable	1	2	3	4
1. Cash Management	1.000			
2. Receivables Management	0.546**	1.000		
3. Payables Management	0.498**	0.521**	1.000	
4. Financial Performance	0.673**	0.612**	0.581**	1.000

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

Source: Primary Data, 2025

The correlation findings in Table 2 demonstrate that all three working capital management dimensions are significantly and positively correlated with financial performance at Munaku Kaamakisiubi SACCO (Moses et al., 2025). Cash management exhibited the strongest positive correlation with financial performance ($r = 0.673$, $p < 0.01$), indicating that SACCOs with more effective cash management systems characterised by robust cash flow forecasting, disciplined reserve management, and efficient banking operations achieve superior financial performance (Ntirandekura, Ainebyoona, et al., 2022). This finding is consistent with the Cash Conversion Cycle framework, which predicts that

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organisations optimising their short-term liquidity positions generate more efficient capital deployment and improved financial returns.

Receivables management demonstrated a moderately strong positive correlation with financial performance ($r = 0.612$, $p < 0.01$), confirming the critical role of loan portfolio quality in SACCO financial sustainability(Nancy & Prudence, 2024). The strong theoretical and empirical basis for this relationship lies in the fact that SACCOs derive the overwhelming majority of their income from loan interest, making the quality and timeliness of loan repayments a direct determinant of income realisation(Polycarp et al., 2023). Payables management, while demonstrating the weakest correlation with financial performance among the three dimensions ($r = 0.581$, $p < 0.01$), nonetheless showed a statistically significant positive relationship, suggesting that SACCOs that manage their payment obligations effectively avoiding late payment penalties and maintaining supplier relationships contribute to improved financial outcomes(Lydia et al., 2023).

6.3 Regression Analysis

Table 3: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error	F	Sig.
1	0.773	0.597	0.582	0.511	28.43	0.000

Table 4: Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.541	0.231		2.342	0.022
Cash Management	0.358	0.074	0.381	4.838	0.000
Receivables Management	0.297	0.079	0.342	3.759	0.000
Payables Management	0.218	0.072	0.243	3.028	0.003

Dependent Variable: Financial Performance

Source: Primary Data, 2025

The regression model was statistically significant ($F = 28.43$, $p < 0.001$), with the three working capital management dimensions collectively explaining 59.7% of the variance in Munaku Kaamakisubi SACCO's financial performance ($R^2 = 0.597$). The adjusted R^2 of 0.582 confirms model stability, indicating that the explanatory power is robust and not attributable to overfitting. Cash management emerged as the strongest predictor of financial performance ($\beta = 0.381$, $t = 4.838$, $p < 0.001$), with a one-unit improvement in cash management effectiveness associated with a 0.358-unit increase in financial performance when other working capital dimensions are controlled(Nelson et al., 2023). This finding reinforces the pivotal role of liquidity management in SACCO sustainability, where the ability to meet member withdrawal requests while maintaining an optimal loan disbursement level is fundamental to institutional viability and member confidence (Julius & Nancy, 2026a).

Receivables management was the second most influential predictor ($\beta = 0.342$, $t = 3.759$, $p < 0.001$), with a one-unit improvement in receivables management practices associated with a 0.297-unit increase in financial performance (Sarah & Audrey, 2024). This result powerfully underscores the importance of stringent loan appraisal, systematic loan monitoring, and effective recovery mechanisms in maintaining portfolio quality and ensuring the income stability necessary for SACCO financial performance (Ramadhan et al., 2023). Payables management, while the least influential predictor among the three dimensions ($\beta = 0.243$, $t = 3.028$, $p = 0.003$), demonstrated a statistically significant positive influence on financial performance, suggesting that the discipline of managing payment obligations efficiently contributes to operational cost control and improved financial ratios.

7.0 Discussion, Conclusions, and Recommendations

The findings confirm that working capital management is a significant determinant of Munaku Kaamakisiubi SACCO's financial performance, with the three dimensions collectively explaining 59.7% of performance variance (Ntirandekura, Ainebyoona, et al., 2022). The primacy of cash management reinforces the importance of liquidity discipline in cooperative financial management, where member confidence hinges on the institution's ability to reliably meet withdrawal demands and loan disbursement requests (Julius & Nancy, 2026a). The significant but moderate effectiveness scores across all working capital dimensions (means 3.24–3.61) suggest that the SACCO has established basic working capital management practices but has not yet achieved the level of sophistication required for optimal financial performance (Moses et al., 2025).

The study concludes that Munaku Kaamakisiubi SACCO must prioritise the systematic strengthening of all three working capital management dimensions cash management, receivables management, and payables management-as part of a comprehensive strategy to improve its financial performance and long-term sustainability (Sarah et al., 2024). Recommendations include: (i) implementing a formal monthly cash flow forecasting model incorporating seasonal member saving and withdrawal patterns; (ii) establishing a structured loan recovery framework with clearly defined escalation procedures, including early warning indicators for loans at risk of default; (iii) developing a payables management policy that schedules operational expenditures in alignment with income collection cycles; (iv) investing in a SACCO management information system to enable real-time working capital monitoring and reporting; and (v) engaging the Uganda Cooperative Alliance for targeted capacity building in financial management for SACCO board and management.

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