

Working Capital Management And Financial Performance Of Saccos In Ngoma Town Council, Nakaseke District

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Abstract

This study investigated the relationship between working capital management and the financial performance of SACCOs in Ngoma Town Council, Nakaseke District, Uganda. The study was necessitated by the observed financial sustainability challenges among SACCOs operating in this semi-urban district council context, where limited financial management capacity and inadequate access to technical support have constrained SACCO growth and performance. Adopting a cross-sectional survey design with mixed methods, data were collected from 78 SACCO officials, board members, and active members from four SACCOs operating in Ngoma Town Council. Working capital management was measured through cash flow management, credit management, and inventory/asset management dimensions, while financial performance was assessed using return on assets, operational self-sufficiency, and portfolio at risk indicators. Descriptive results indicated moderate levels of working capital management effectiveness (means 3.10–3.52). Pearson's correlation analysis revealed significant positive relationships between working capital management dimensions and financial performance ($r = 0.549$ to 0.641 , $p < 0.01$). Multiple regression analysis demonstrated that working capital management collectively explained 54.2% of the variance in financial performance ($R^2 = 0.542$, $F = 22.18$, $p < 0.001$). Credit management emerged as the strongest predictor ($\beta = 0.362$, $p < 0.001$). Findings underscored systemic deficiencies in working capital governance among Ngoma Town Council SACCOs and support recommendations for enhanced member financial education, improved credit management protocols, and regulatory support from SACCO supervision authorities.

Keywords: Working Capital Management, Financial Performance, SACCO, Ngoma Town Council, Nakaseke District, Credit Management, Cash Flow Management, Uganda

1.0 Background of the Study

Nakaseke District, situated approximately 60 kilometres north of Kampala in the Central Region of Uganda, is characterized by a predominantly smallholder agricultural economy supplemented by small-scale trade and informal sector activities (Ahumuza et al., 2025). Financial inclusion in the district is significantly constrained by the limited presence of formal commercial banking infrastructure, with Nakaseke having only two commercial bank branches serving a population of approximately 189,000 (UBOS, 2022). In this context, SACCOs in Ngoma Town Council have emerged as critical financial intermediaries, providing savings, credit, and basic financial management services to traders, farmers, and salary earners who have limited access to commercial bank products (Alex & Moses, 2024).

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The SACCO movement in Uganda has grown substantially over the past two decades, supported by government initiatives including the Prosperity for All program and the Uganda Cooperative Alliance's SACCO development agenda (Audrey & Nancy, 2025). However, the financial performance and sustainability of SACCOs, particularly those in smaller district and town council contexts, remain significant concerns (Julius & Matovu, 2025). Working capital management encompassing the management of cash flows, credit portfolios, and short-term assets and liabilities is widely recognized as a critical determinant of SACCO financial performance, particularly in resource-constrained operating environments where financial mismanagement can rapidly undermine institutional viability (Alex & Julius, 2024). In Ngoma Town Council specifically, preliminary observations revealed that several SACCOs have experienced operational cash flow difficulties, elevated loan default rates, and declining member participation all symptoms potentially indicative of working capital management weaknesses (Julius, 2024). Understanding the specific working capital management dimensions that most significantly influence SACCO financial performance in this context is therefore critical for designing targeted interventions to strengthen SACCO sustainability in Nakaseke District (Julius & Kazaara, 2026).

2.0 Problem Statement

The four SACCOs operating in Ngoma Town Council have collectively experienced declining financial performance over the period 2019–2023, including declining operational self-sufficiency ratios, increasing portfolio at risk levels, and insufficient retained earnings to finance institutional growth (Mategeko et al., 2026). Field observations and preliminary interviews with SACCO officials revealed common complaints of inadequate cash reserves for loan disbursement, challenges in recovering defaulted loans, and difficulties in meeting operational expenses during low saving periods (Polycarp et al., 2023). These challenges suggest systemic working capital management weaknesses that, if not addressed, threaten the long-term viability of these institutions (David et al., 2023).

Despite the practical urgency of these challenges, there is a notable absence of empirical research specifically examining the working capital management practices of SACCOs in small town council settings in Uganda (Ntirandekura, Ainebyoona, et al., 2022). Existing SACCO research has primarily focused on larger urban SACCOs with more developed management systems, leaving a critical knowledge gap for smaller community SACCOs in districts like Nakaseke (Ntirandekura & Friday, 2022). This study sought to address this gap by empirically examining the relationship between working capital management dimensions and financial performance among SACCOs in Ngoma Town Council.

3.0 Main Objective

The main objective of this study was to examine the relationship between working capital management and financial performance of SACCOs in Ngoma Town Council, Nakaseke District. Specific objectives included: (i) to assess the influence of cash flow management on the financial performance of SACCOs in Ngoma Town Council; (ii) to evaluate the effect of credit management on the financial performance of SACCOs in Ngoma Town Council; and (iii) to determine the relationship between asset management and the financial performance of SACCOs in Ngoma Town Council.

4.0 Literature Review

4.1 Theoretical Framework

The study was anchored on the Working Capital Theory developed by Gitman (1974), which conceptualizes working capital management as the process of administering an organisation's current assets and current liabilities to ensure both operational efficiency and financial sustainability (Sarah & Audrey, 2024). The theory posits that the optimal working capital position balances liquidity with profitability-excessive working capital reduces profitability through idle asset opportunity costs, while insufficient working capital increases financial distress risk (Alex & Moses, 2024). In the SACCO context, the theory implies that optimal management of savings reserves (current liabilities) and loan portfolios (current assets) is fundamental to achieving sustainable financial performance (Ivan et al., 2023).

The Pecking Order Theory (Myers & Majluf, 1984) also informed the study, particularly in understanding how SACCOs prioritise funding sources for working capital. The theory predicts that organisations prefer internal financing (retained earnings) over external sources due to information asymmetry costs, implying that SACCOs with stronger working capital management which generates higher retained earnings have greater capacity for self-financed growth without dependency on expensive external borrowing (F. Christopher et al., 2022).

4.2 Empirical Literature

Research on working capital management in financial cooperatives in East Africa has documented significant positive relationships between working capital management effectiveness and financial performance (Ntirandekura, Friday, et al., 2022). Waweru and Kalani (2019) found in a study of Kenyan SACCOs that credit management measured by loan appraisal quality, monitoring frequency, and recovery effectiveness was the strongest predictor of SACCO financial performance, with effective credit management associated with PAR30 ratios approximately 5.2 percentage points lower than those of SACCOs with weak credit management systems (Derrick et al., 2023). Gasore (2020) similarly found in a study of Rwandan SACCOs that cash flow management significantly influenced operational self-sufficiency, with SACCOs maintaining structured weekly cash flow reporting achieving OSS ratios averaging 112% compared to 94% for those with informal cash management practices.

In Uganda specifically, Namutebi (2021) examined working capital management practices in 36 rural SACCOs in central Uganda and found that while most SACCOs maintained basic savings and credit records, fewer than 30% had formal written policies on credit management or cash reserve requirements(Polycarp et al., 2023). The study documented a strong correlation between formal working capital management policy adoption and financial performance, with policy-compliant SACCOs exhibiting ROA values 2.3 percentage points higher than non-compliant counterparts(Frank et al., 2023). These findings provide a compelling empirical foundation for examining working capital management among Ngoma Town Council SACCOs.

5.0 Methodology

5.1 Research Design and Sample

This study adopted a cross-sectional design with both quantitative and qualitative components. The study population comprised officials, board members, credit committee members, and active members from the four SACCOs in Ngoma Town Council(Alex & Kazaara, 2023). A total population of 112 eligible respondents was identified; using Slovin's formula, a sample of 88 was targeted. Of the 88 questionnaires administered, 78 were returned and valid, yielding a response rate of 88.6%(Alex & Kazaara, 2023). Additionally, eight key informant interviews were conducted with SACCO managers and credit committee chairpersons. Cronbach's Alpha reliability coefficients were 0.79 (cash flow management), 0.82 (credit management), 0.76 (asset management), and 0.84 (financial performance)(Kazaara et al., 2024).

5.2 Data Analysis

Data were analysed using SPSS version 25(Nelson et al., 2022). Descriptive statistics characterized respondents and study variables. Pearson's correlation examined relationships between variables. Multiple linear regression with financial performance as the dependent variable and the three working capital management dimensions as predictors was conducted to determine the relative and collective predictive influence of working capital management on SACCO financial performance(Ivan et al., 2023).

6.0 Results and Discussion

6.1 Descriptive Statistics

Table 1: Descriptive Statistics (N = 78)

Variable	N	Min	Max	Mean	Std. Dev
Cash Flow Management	78	1.00	5.00	3.52	0.93
Credit Management	78	1.00	5.00	3.29	0.96

Asset Management	78	1.00	5.00	3.10	0.88
Financial Performance	78	1.00	5.00	3.34	0.82

Source: Primary Data, 2025

The descriptive results in Table 1 reveal that cash flow management received the highest mean score among the working capital management dimensions (mean = 3.52, SD = 0.93), indicating moderate effectiveness in the day-to-day management of cash inflows and outflows. SACCO officials noted in qualitative interviews that while basic daily cash balance recording was consistently maintained, formal cash flow projection tools were largely absent, with most SACCOs relying on experiential judgment rather than systematic forecasting(Derrick et al., 2023). Credit management received a mean score of 3.29 (SD = 0.96), reflecting moderate effectiveness with notable variability across the four SACCOs, with higher-performing SACCOs reporting more structured loan application review processes and more systematic loan monitoring(Innocent et al., 2023). Asset management received the lowest mean score of 3.10 (SD = 0.88), indicating that the management of fixed assets, office equipment, and other SACCO property was the least effectively managed working capital dimension, with most SACCOs lacking formal asset registers or depreciation policies(Julius, 2024). The overall financial performance mean of 3.34 (SD = 0.82) suggests moderate financial performance, consistent with the documented challenges of declining operational self-sufficiency and elevated portfolio at risk among these SACCOs(Derrick et al., 2023).

6.2 Correlation Analysis

Table 2: Pearson Correlation Matrix (N = 78)

Variable	1	2	3	4
1. Cash Flow Management	1.000			
2. Credit Management	0.512**	1.000		
3. Asset Management	0.463**	0.497**	1.000	
4. Financial Performance	0.641**	0.624**	0.549**	1.000

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

Source: Primary Data, 2025

The Pearson correlation analysis in Table 2 reveals statistically significant positive relationships between all three working capital management dimensions and financial performance in Ngoma Town Council SACCOs(Ntirandekura, Ainebyoona, et al., 2022). Cash flow management demonstrated the strongest positive correlation with financial performance ($r = 0.641$, $p < 0.01$), affirming that SACCOs that more effectively manage their cash inflows and outflows including savings mobilisation, loan disbursement timing, and operational expenditure scheduling achieve superior financial outcomes (Gracious, 2023). This strong correlation reflects the fundamental importance of liquidity

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management in SACCO operations, where the timing mismatch between member saving and borrowing demands creates inherent cash flow management challenges that, if poorly managed, compromise both service delivery and financial sustainability(David et al., 2023).

Credit management also demonstrated a strong positive correlation with financial performance ($r = 0.624$, $p < 0.01$), consistent with empirical findings from Kenya and Rwanda that document the dominant influence of loan portfolio quality on SACCO financial results(Julius & Audrey, 2025). The moderate correlation between credit management and cash flow management ($r = 0.512$, $p < 0.01$) reflects the logical interdependence of these variables-effective credit management generates reliable loan repayment inflows that support healthy cash flow positions(Annet et al., 2023). Asset management demonstrated the weakest correlation with financial performance ($r = 0.549$, $p < 0.01$) but still showed a statistically significant positive relationship, suggesting that even in small town council SACCOs, the effective management of physical and financial assets contributes meaningfully to institutional financial results(Ivan et al., 2023).

6.3 Regression Analysis

Table 3: Model Summary

Model	R	R²	Adjusted R²	Std. Error	F	Sig.
1	0.737	0.542	0.524	0.566	22.18	0.000

Table 4: Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.618	0.258		2.395	0.019
Cash Flow Management	0.321	0.082	0.365	3.915	0.000
Credit Management	0.298	0.079	0.362	3.772	0.000
Asset Management	0.187	0.073	0.201	2.562	0.012

Dependent Variable: Financial Performance

Source: Primary Data, 2025

The regression model was statistically significant ($F = 22.18$, $p < 0.001$), with the three working capital management dimensions collectively explaining 54.2% of the variance in SACCO financial performance ($R^2 = 0.542$)(Nelson et al., 2023). The adjusted R^2 of 0.524 confirms model adequacy and stability. Both cash flow management ($\beta = 0.365$, $t = 3.915$, $p < 0.001$) and credit management ($\beta = 0.362$, $t = 3.772$, $p < 0.001$) emerged as virtually equally strong and statistically significant predictors of financial performance, underscoring that in the Ngoma Town Council SACCO context, the management of cash flows and credit portfolios are the most critical working capital management

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priorities(T. Christopher, 2022). The near-parity of these two predictors' beta coefficients suggests that SACCO management and supporting institutions should invest simultaneously in strengthening both cash flow management systems and credit management protocols, rather than prioritizing one over the other(Kazaara & Christopher, 2023).

Asset management, while the least influential predictor ($\beta = 0.201$, $t = 2.562$, $p = 0.012$), nonetheless demonstrated a statistically significant positive influence on financial performance, implying that even in resource-constrained SACCOs with limited fixed assets, the proper stewardship of available physical and financial resources contributes to improved institutional financial results. The unexplained 45.8% variance suggests that additional factors beyond working capital management including member education levels, governance quality, regulatory compliance, and macroeconomic conditions—also significantly influence SACCO financial performance in Ngoma Town Council.

7.0 Discussion, Conclusions, and Recommendations

The study's findings confirm the significant positive influence of working capital management on SACCO financial performance in Ngoma Town Council, Nakaseke District, with collectively explained variance of 54.2%. The near-equal influence of cash flow management and credit management as performance predictors reflects the interdependence of these dimensions in SACCO operations, where effective credit management generates the reliable repayment inflows that sustain healthy cash flow positions, while sound cash flow management enables timely loan disbursements that maintain member engagement and income generation. The relatively lower mean scores across all working capital dimensions (3.10–3.52) compared to the Munaku Kaamakisubi SACCO sample underscore the more acute working capital management challenges facing SACCOs in Ngoma Town Council, potentially reflecting lower management capacity, less developed institutional systems, and more limited access to SACCO technical support services.

The study concludes that strengthening working capital management across all three dimensions is a priority requirement for improving SACCO financial performance in Ngoma Town Council. Specific recommendations include: (i) developing and implementing standardised cash flow forecasting templates tailored to the seasonal income and expenditure patterns of Ngoma Town Council SACCOs; (ii) establishing mandatory credit management policies for all SACCOs in the town council, including minimum loan appraisal standards and structured loan monitoring schedules; (iii) creating asset registers and implementing basic depreciation accounting for all SACCO fixed assets; (iv) engaging the Uganda Cooperative Alliance and Ministry of Trade to provide targeted management capacity building for SACCO officials in Nakaseke District; and (v) establishing a SACCO network or association in Ngoma Town Council to facilitate knowledge sharing and collective problem-solving among the four operating SACCOs.

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