

Working Capital Management and Financial Performance of SACCOs in Ngoma Town Council, Nakaseke District

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Abstract

Savings and Credit Cooperative Organisations occupy a central position in Uganda's financial inclusion architecture, yet their financial performance remains constrained by persistent weaknesses in the management of short-term assets and obligations. This study examined the influence of working capital management on the financial performance of SACCOs in Ngoma Town Council, Nakaseke District. Adopting a positivist philosophy and a cross-sectional survey design, data were collected from 108 respondents drawn through stratified random sampling from a target population of 148 comprising SACCO managers, accounts and loans officers, credit committee members, board members, and internal auditors across registered SACCOs in the town council. A structured questionnaire measured four working capital dimensions, namely cash management, accounts receivable and loan portfolio management, accounts payable and savings liability management, and liquidity management, against financial performance assessed through profitability, operational self-sufficiency, portfolio quality, and growth in membership and savings. Data were analysed using descriptive statistics, Pearson correlation, and multiple regression in SPSS version 26. Findings revealed that cash management recorded the highest mean while accounts receivable and loan portfolio management recorded the lowest. All four dimensions correlated significantly and positively with financial performance, with accounts receivable and loan portfolio management strongest ($r = 0.718$, $p < 0.01$), followed by liquidity management ($r = 0.652$, $p < 0.01$), cash management ($r = 0.564$, $p < 0.01$), and accounts payable and savings liability management ($r = 0.521$, $p < 0.01$). The regression model was significant, $F(4, 98) = 46.27$, $p < 0.001$, explaining 58.3 per cent of variance in financial performance, with accounts receivable and loan portfolio management ($\beta = 0.374$) and liquidity management ($\beta = 0.281$) the dominant predictors. The findings corroborate Natukunda et al. (2023), who found receivable management significant while cash management was not in Sheema Municipality, and extend Bisherurwa and Lule (2023), whose Makindye Division study attributed 40 per cent of financial performance to working capital practices. The study concludes that loan portfolio discipline rather than cash holding drives SACCO performance and recommends strengthened credit appraisal, systematic delinquency follow-up, and compliance with UMRA prudential liquidity thresholds.

Keywords: Working capital management; financial performance; SACCOs; loan portfolio management; liquidity; cash conversion cycle; Ngoma Town Council; Nakaseke District; Uganda.

1.0 Introduction

Working capital management concerns the administration of an organisation's short-term assets and short-term obligations, and the maintenance of a relationship between them that permits the entity to meet maturing commitments while deploying resources productively(Julius, 2024). The subject occupies a distinctive position in financial management because it addresses the operational rather than the strategic horizon, governing the daily conversion of resources into activity and activity back into resources(Promise et al., 2024). Its analytical core is a trade-off that admits no permanent resolution: liquidity and profitability pull in opposite directions, since resources held as liquid buffers are resources not earning returns, while resources fully deployed into earning assets leave the organisation exposed to the obligations that will inevitably fall due. The competence with which an organisation navigates this trade-off, rather than the volume of resources it commands, frequently determines whether it survives(Ahumuza et al., 2025).

The conventional analytical instrument for this problem is the cash conversion cycle, which measures the interval between the outlay of cash for inputs and the recovery of cash from customers, and which decomposes into inventory conversion, receivable collection, and payable deferral periods(Alex & Julius, 2024). In manufacturing and trading enterprises the framework is directly applicable, and a substantial literature has established that shorter cycles are associated with superior profitability. Its translation to financial cooperatives requires careful adaptation, however, since a SACCO holds no inventory in any conventional sense(Gracious, 2023). Its principal asset is the loan portfolio advanced to members, its principal liability is the savings those same members have deposited, and its operating cycle is therefore constituted by the interval between the disbursement of a loan and its recovery with interest(Edgar & Moses, 2023a). This structural distinction is consequential: in a SACCO, the customer and the supplier of funds are the same person, the member, which introduces a governance dynamic that manufacturing frameworks do not anticipate and which complicates the enforcement of repayment discipline(Faridah et al., 2023).

Savings and Credit Cooperative Organisations occupy a central position in Uganda's financial architecture. They constitute the principal formal financial institution available in most rural trading centres and small town councils, where the branch networks of commercial banks do not extend and where the transaction sizes of the population fall below the thresholds at which bank service is commercially viable(Sophie & Crispus, 2024). The Ugandan SACCO movement has expanded substantially over the past two decades, driven initially by the Rural Financial Services Programme and subsequently by the Microfinance Support Centre's wholesale lending, and it now serves a membership that numbers in the millions(Winny et al., 2023). Their institutional form is distinctive: they are member-owned, member-governed, and member-patronised, which means that the same individuals are simultaneously the owners who bear residual risk, the depositors whose savings fund the portfolio, the borrowers who consume that portfolio, and the electors who appoint the board that governs it. This fourfold identity is the movement's principal strength, since it aligns interests and generates the local information that permits lending without collateral, and

simultaneously its principal vulnerability, since it creates pressure on management to accommodate member borrowers whose repayment is delinquent (David et al., 2023).

The regulatory environment within which Ugandan SACCOs operate has changed materially in recent years, and this change frames the present study. The Tier 4 Microfinance Institutions and Money Lenders Act, 2016 established the Uganda Microfinance Regulatory Authority as an autonomous body mandated to license, regulate and supervise Tier 4 institutions, a category which encompasses SACCOs, non-deposit-taking microfinance institutions, self-help groups, and community-based microfinance institutions, while excluding institutions supervised by the central bank (Republic of Uganda, 2016). The Act commenced in July 2017 and UMRA began licensing SACCOs in 2021, though the Authority has observed that some SACCOs continue to operate in contravention of the licensing requirement (UMRA, 2021). The reform was prompted by a documented crisis of confidence, with the Ministry of Finance recording that the microfinance industry's reputation had been damaged by rampant fraud in SACCOs and unethical practices by money lenders (Ministry of Finance, Planning and Economic Development, 2018).

The prudential standards that UMRA now enforces bear directly on working capital management and supply the benchmarks against which practice in this study was assessed. SACCOs are required to maintain minimum core capital of ten per cent of total assets, to hold minimum liquid assets equivalent to fifteen per cent of total savings and short-term liabilities, to limit investment in non-earning assets to a maximum of ten per cent of total assets, and to limit external borrowing to twenty-five per cent of total assets unless approved (UMRA, 2021). These are not abstract regulatory formalities but direct constraints on the liquidity-profitability trade-off, since the fifteen per cent liquidity floor establishes a minimum below which a SACCO may not deploy its resources into earning assets, while the ten per cent non-earning asset ceiling establishes a maximum above which it may not hold them idle. Working capital management in a licensed Ugandan SACCO is therefore the practice of operating within a regulatory corridor rather than optimising freely.

The empirical record on working capital management in Ugandan SACCOs is thin but instructive, and two studies are directly germane. Natukunda et al. (2023), examining SACCOs in Sheema Municipality with a sample of 106 respondents, found that cash management and accounts payable management had insignificant effects on financial performance while accounts receivable management had a significant effect, a pattern of results that inverts the intuitive expectation that cash is what matters in a financial institution (Promise et al., 2024). Bisherurwa and Lule (2023), studying twenty-four purposively selected SACCOs across Makindye Division in Kampala with 120 respondents, found that working capital management practices exerted a combined influence of forty per cent on financial performance, and noted explicitly that empirical evidence supporting the working capital-performance relationship in the Ugandan SACCO context was lacking. Whether the Sheema pattern, in which receivable management dominates and cash management does not, holds in a rural town council setting with a different

membership profile and a different regulatory exposure is the empirical question this study addresses (Christopher et al., 2022).

Ngoma Town Council in Nakaseke District presents a setting in which these questions carry practical weight. Located in the cattle corridor of central Uganda, the town council serves a population whose economic activity combines livestock keeping, seasonal crop production, and small-scale trade, producing an income profile that is both modest and highly seasonal. This seasonality is directly consequential for working capital management, since a membership whose income arrives with harvests and livestock sales cannot service loans on the monthly schedules that conventional loan products impose, which generates the delinquency that erodes portfolio quality. The absence of commercial bank branches in much of the district means that SACCOs are not one option among several but the only formal financial institution available, which raises the stakes of their financial performance beyond the interests of their members to the financial inclusion of the sub-region as a whole.

1.1 Problem Statement

SACCOs operating in Ngoma Town Council are required, under the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 and the SACCO Regulations made thereunder, to maintain core capital of at least ten per cent of total assets, liquid assets of at least fifteen per cent of savings and short-term liabilities, and non-earning assets below ten per cent of total assets (UMRA, 2021). The ideal situation is a SACCO in which cash holdings are sufficient to meet withdrawal demand without idling resources, loans are appraised rigorously and recovered on schedule, savings liabilities are matched appropriately to asset maturities, and liquidity is maintained within the regulatory corridor, such that the institution generates surpluses adequate to build reserves, remains operationally self-sufficient, maintains portfolio quality, and grows its membership and savings base (Christopher & Shamirah, 2025).

The prevailing situation departs from this ideal in ways that are both documented sectorally and observable locally. Portfolio quality has been a persistent weakness in the Ugandan SACCO sector, with delinquency rates that compromise the earning capacity of the principal asset, and the Ministry of Finance, Planning and Economic Development (2018) has attributed reputational damage in the microfinance industry to rampant fraud in SACCOs. In Ngoma Town Council, the seasonality of member incomes generates a structural mismatch between the monthly repayment schedules that loan products impose and the harvest-linked income cycles from which repayment must actually be made, producing arrears that reflect product design rather than member unwillingness (Irumba et al., 2024). Loan appraisal is frequently constrained by the member-owner relationship, in which credit committee members and borrowers are neighbours and fellow members, which impedes the enforcement of objective appraisal criteria and the pursuit of delinquent accounts (Akankwasa et al., 2022). Liquidity is managed reactively, with cash held against anticipated withdrawal rather than planned against projected flows, producing episodes in which the institution is simultaneously illiquid and holding non-earning balances.

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Should this situation persist, the consequences will compound. Delinquent loans that are not recovered convert the SACCO's principal earning asset into a non-performing one, so that the institution's income falls while its obligation to pay interest on member savings continues, a divergence that erodes reserves and ultimately capital (Polycarp et al., 2023). A SACCO that cannot meet withdrawal demand suffers the loss of member confidence, which in an institution funded by member savings is not a reputational inconvenience but an existential threat, since savings withdraw faster than any liquid buffer can accommodate (Amos et al., 2024). Failure to meet UMRA prudential thresholds exposes the institution to regulatory sanction including receivership under the Act. Most consequentially, in a town council where SACCOs constitute the only formal financial institution available, their failure does not redirect members to alternative providers but excludes them from formal finance altogether.

While studies have examined working capital management in Ugandan SACCOs, the evidence base remains thin and geographically concentrated. Natukunda et al. (2023) examined Sheema Municipality and Bisherurwa and Lule (2023) examined Makindye Division in Kampala, the latter noting explicitly that empirical evidence on the relationship was lacking in the Ugandan context. Both settings differ materially from Ngoma Town Council: Sheema is a western municipality with a different agricultural profile, while Makindye is a densely urbanised division of the capital whose members hold salaried and trading incomes rather than the seasonal agricultural incomes that characterise the cattle corridor. Whether the pattern those studies identified holds where member incomes are seasonal and alternative financial institutions are absent has not been established. No known study has examined working capital management in SACCOs in Ngoma Town Council. This study addresses that gap.

1.2 Main Objective

The main objective of the study was to examine the influence of working capital management on the financial performance of SACCOs in Ngoma Town Council, Nakaseke District.

1.3 Specific Objectives

- i. To examine the influence of cash management on the financial performance of SACCOs in Ngoma Town Council.
- ii. To assess the influence of accounts receivable and loan portfolio management on the financial performance of SACCOs in Ngoma Town Council.
- iii. To determine the influence of accounts payable and savings liability management on the financial performance of SACCOs in Ngoma Town Council.
- iv. To establish the influence of liquidity management on the financial performance of SACCOs in Ngoma Town Council.

2.0 Literature Review

2.1 Theoretical Framework

The study is anchored in working capital management theory, complemented by the cash conversion cycle framework and agency theory. Working capital management theory holds that the level of investment in current assets is a managerial choice along a continuum bounded by two extremes. An aggressive policy minimises current asset holdings, maximising the proportion of resources deployed into earning assets and thereby maximising return, at the cost of elevated exposure to the risk of being unable to meet maturing obligations. A conservative policy maximises current asset holdings, purchasing security at the cost of forgone earnings. The theory's central proposition is that neither extreme is optimal and that the appropriate position depends on the volatility of the organisation's cash flows, since an entity facing predictable flows can safely operate nearer the aggressive extreme while one facing volatile flows cannot. Natukunda et al. (2023) applied this framework to Ugandan SACCOs and found that its predictions held unevenly, with receivable management significant while cash management was not.

The framework's application to SACCOs requires a specific adaptation that the manufacturing literature does not supply. In a SACCO the current asset that dominates the balance sheet is not inventory or trade receivables but the loan portfolio, and the current liability that dominates is not trade payables but member savings withdrawable on demand or short notice(David et al., 2023). The volatility of cash flows, which the theory identifies as the determinant of appropriate policy, is therefore a function of two distinct processes: the predictability of member withdrawal, which governs the liability side, and the predictability of loan recovery, which governs the asset side. In an agrarian setting such as Ngoma Town Council both processes are seasonal and, critically, they are correlated, since the harvest that enables members to repay loans is the same harvest that reduces their need to withdraw savings(Derrick et al., 2023). This correlation is theoretically favourable, but its inverse is equally true: in the lean season, delinquency and withdrawal pressure peak simultaneously, which is precisely when the liquidity buffer is most needed and least affordable.

The cash conversion cycle framework decomposes the operating cycle into its constituent intervals and directs managerial attention to each. Translated to the SACCO context, the inventory conversion period has no analogue, the receivable collection period becomes the loan recovery period, and the payable deferral period becomes the effective maturity of member savings(Edgar & Moses, 2023b). The framework predicts that shortening the loan recovery period improves performance by returning funds to the institution for re-lending sooner, thereby increasing the number of times a given quantum of capital can be turned over within a period. Natukunda et al. (2023) reported a regression equation of the form $Y = 1.682 - 0.006X_1 + 0.494X_2 + 0.160X_3$, in which the receivable management coefficient of 0.494 dominated while the cash management coefficient was effectively zero and statistically insignificant, a result directly consistent with the framework's emphasis on the recovery interval rather than on cash holding.

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Agency theory supplies the account of why working capital discipline is difficult to enforce in a cooperative specifically. The theory identifies the costs arising where a principal delegates to an agent whose interests diverge and whose conduct cannot be costlessly observed. In a SACCO the relationships are unusually entangled, since the member is simultaneously principal, in the capacity of owner and depositor, and agent, in the capacity of borrower. A member who defaults expropriates the savings of fellow members, but the enforcement mechanism, namely the credit committee, is composed of those same members, who face social costs in pursuing their neighbours. The theory predicts that this configuration will produce systematically weaker recovery discipline than an arm's-length lender would achieve, which supplies a theoretical explanation for the empirical prominence of receivable management as the binding constraint on SACCO performance.

2.2 Cash Management and Financial Performance

Cash management encompasses the forecasting of cash requirements, the maintenance of holdings adequate to meet anticipated demand, the control of cash handling and reconciliation, and the investment of temporary surpluses (Kazaara & Audrey, 2024). The theorised mechanism connecting it to performance is twofold: adequate cash prevents the failure to meet obligations that would destroy confidence, while excess cash represents forgone earnings, so that performance is maximised at an intermediate holding. The empirical record in the Ugandan SACCO context is, however, unexpectedly weak. Natukunda et al. (2023) found cash management to have an insignificant effect on financial performance in Sheema Municipality, with a coefficient close to zero and a p-value of 0.922, and recommended automated systems, internal controls, and staff training as remedies. This finding warrants interpretation rather than dismissal. The most plausible reading is that cash management in Ugandan SACCOs operates within a narrow band determined by regulatory minima and practical necessity, so that variation across institutions is limited and its performance consequences correspondingly muted. Where UMRA (2021) requires liquid assets of fifteen per cent of savings and short-term liabilities and caps non-earning assets at ten per cent of total assets, the discretionary range within which cash policy can vary is compressed by regulation, and a variable with restricted variance cannot express strong effects.

2.3 Accounts Receivable and Loan Portfolio Management and Financial Performance

In a SACCO, accounts receivable management is loan portfolio management, encompassing credit appraisal, loan approval, disbursement, monitoring, delinquency follow-up, and recovery. The theorised mechanism is direct and arithmetically compelling: the loan portfolio is the institution's principal earning asset, and a loan that is not recovered generates no income while the savings that funded it continue to accrue interest, so that delinquency converts an earning asset into a loss-making one in a single movement (Regan et al., 2024). The empirical evidence is the strongest in this literature. Natukunda et al. (2023) found accounts receivable management to be the only significant predictor of financial performance among SACCOs in Sheema Municipality, with the null hypothesis rejected at $p < 0.05$, and

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the coefficient substantially exceeding those of cash and payable management. Bisherurwa and Lule (2023) similarly found working capital practices collectively explaining forty per cent of financial performance across Makindye Division SACCOs. The convergence of these findings across two dissimilar Ugandan settings, one western and municipal, one urban and metropolitan, indicates that the primacy of portfolio management is a robust feature of the SACCO context rather than a local artefact.

2.4 Accounts Payable and Savings Liability Management and Financial Performance

In the SACCO context the payable side comprises member savings, deposits, and any external borrowing, and its management encompasses the matching of liability maturities to asset maturities, the setting of interest rates payable, and compliance with borrowing limits. UMRA (2021) caps external borrowing at twenty-five per cent of total assets unless approved, which constrains the extent to which a SACCO may fund its portfolio from non-member sources (David et al., 2023). The theorised mechanism is maturity matching: an institution funding long loans with demand savings faces a structural mismatch that no cash buffer can fully insure against. The empirical evidence is weak. Natukunda et al. (2023) found accounts payable management to have an insignificant effect on financial performance. The interpretation supported by the SACCO's institutional structure is that the payable side is less a managerial variable than a given, since member savings arrive according to member circumstance rather than institutional strategy, and a SACCO cannot readily lengthen the maturity of its funding without offering rates that would erode the margin it is seeking to protect.

2.5 Liquidity Management and Financial Performance

Liquidity management encompasses the maintenance of assets convertible to cash at short notice sufficient to meet withdrawal demand, and the planning of inflows against projected outflows. It is distinguished from cash management by its horizon and its instrument set, addressing the structural adequacy of liquid resources rather than the operational handling of cash balances. UMRA (2021) prescribes a minimum liquid asset ratio of fifteen per cent of total savings and short-term liabilities, which establishes the regulatory floor. The theorised mechanism is confidence preservation: a financial institution funded by member savings depends on the belief that those savings are available on demand, and the destruction of that belief precipitates withdrawal at a rate no buffer can accommodate (Alex et al., 2024). The literature on SACCO liquidity emphasises that the constraint binds asymmetrically across the agricultural season, tightening in the lean period when withdrawal demand rises and loan recovery falls simultaneously, which implies that liquidity adequate on an annual average may be gravely inadequate at the seasonal trough.

2.6 Research Gap

The reviewed literature establishes that working capital management influences SACCO financial performance but that the effect is concentrated in receivable and portfolio management rather than distributed evenly across dimensions

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(Natukunda et al., 2023; Bisherurwa and Lule, 2023). Three gaps motivate this study. First, the Ugandan evidence base is thin, with Bisherurwa and Lule (2023) noting explicitly the absence of empirical support for the relationship in the SACCO context. Second, existing studies examine a western municipality and a metropolitan division, neither of which reflects the seasonal agrarian income profile of the cattle corridor. Third, no known study addresses Ngoma Town Council, where SACCOs constitute the only formal financial institution available and their performance therefore carries consequences for financial inclusion beyond their membership. This study addresses these gaps.

3.0 Methodology

3.1 Research Philosophy and Design

The study adopted a positivist research philosophy, premised on the ontological position that working capital practices and financial performance exist independently of the researcher and can be apprehended through systematic measurement. This philosophy is appropriate because both constructs are operationalisable through established multi-item instruments and because the research question concerns the magnitude and direction of relationships rather than the interpretive meaning of financial practice to participants. A quantitative approach was employed accordingly, consistent with Natukunda et al. (2023), who adopted a descriptive design with regression analysis in a comparable SACCO setting.

A cross-sectional descriptive and analytical survey design was adopted within a case study framework centred on SACCOs in Ngoma Town Council. The descriptive component characterised the status of working capital practice and financial performance, while the analytical component estimated the relationships among them. The cross-sectional structure permitted data collection at a single point from a defined population within available resources. The design's principal limitation, the inability to establish temporal precedence and hence definitive causality, is acknowledged; findings are interpreted as associations consistent with theorised causal mechanisms rather than as demonstrated causation. A further limitation warrants explicit statement: financial performance was measured perceptually rather than through audited ratios, a decision necessitated by the requirement for within-population variation across respondents, which aggregate institutional ratios cannot supply.

3.2 Study Population and Sample

The target population comprised 148 individuals with direct engagement in the financial management of SACCOs registered and operating within Ngoma Town Council, distributed across SACCO management, accounts and finance staff, loans officers, credit committee members, board members, and internal audit or supervisory committee members. The population was bounded by the criterion of informed visibility, since respondents were required to assess whether credit appraisal is conducted rigorously and whether liquidity is planned rather than reacted to,

judgements that presuppose participation in those processes. Ordinary members were excluded, as they observe outcomes without visibility of the practices producing them.

A sample of 108 was determined using the Krejcie and Morgan table for a population of 148 at 95 per cent confidence and 5 per cent margin of error. Stratified random sampling was employed with strata defined by functional category, which was essential because vantage points differ systematically: accounts staff observe cash handling, loans officers observe appraisal and recovery, credit committee members observe the social dynamics of approval, and board members observe the governance of the whole. Simple random sampling of the undifferentiated frame would have risked underrepresenting the smaller but analytically indispensable audit and board strata.

Stratum	Population	Sample	Technique
SACCO management	16	12	Stratified random
Accounts and finance staff	27	20	Stratified random
Loans officers	34	25	Stratified random
Credit committee members	31	23	Stratified random
Board members	28	20	Stratified random
Internal audit / supervisory committee	12	8	Stratified random
Total	148	108	

3.3 Data Collection Instrument

Data were collected using a structured, self-administered questionnaire organised in three sections. Section A captured demographic and institutional characteristics including gender, age, education, professional qualification, SACCO of affiliation, position, and years of service. Section B measured the four working capital dimensions: cash management through eight items covering forecasting, holding adequacy, handling controls, reconciliation frequency, and surplus investment; accounts receivable and loan portfolio management through eleven items covering appraisal rigour, approval criteria, disbursement controls, monitoring, delinquency follow-up, and recovery; accounts payable and savings liability management through seven items covering maturity matching, interest setting, and borrowing limits; and liquidity management through nine items covering liquid asset adequacy, cash flow planning, seasonal provisioning, and regulatory ratio compliance. Section C measured financial performance through thirteen items spanning profitability, operational self-sufficiency, portfolio quality, and growth in membership and savings. All substantive items employed a five-point Likert scale.

Items were adapted from instruments employed in comparable Ugandan SACCO research (Natukunda et al., 2023; Bisherurwa and Lule, 2023), with wording aligned to the regulatory vocabulary of the Tier 4 framework, including core capital, liquid assets, and non-earning assets as defined by UMRA (2021). Adaptation rather than wholesale adoption was necessary because generic working capital items referencing inventory turnover or trade credit terms have no analogue in a financial cooperative whose current assets are loans and whose current liabilities are member savings.

3.4 Validity and Reliability

Content validity was established through expert review by two accounting and finance academics and three senior SACCO practitioners including a UMRA-licensed institution's manager, whose ratings yielded a Content Validity Index of 0.87, exceeding the 0.70 threshold. Construct validity was assessed through exploratory factor analysis using principal components extraction with varimax rotation; the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.829 and Bartlett's test of sphericity was significant, confirming factorability. Items with loadings below 0.50 or with substantial cross-loadings were removed, and the retained solution reproduced the hypothesised five-factor structure.

Reliability was assessed through Cronbach's alpha computed on a pilot sample of 20 respondents drawn from SACCOs in a neighbouring sub-county and excluded from the main study. Coefficients were 0.812 for cash management, 0.876 for accounts receivable and loan portfolio management, 0.784 for accounts payable and savings liability management, 0.841 for liquidity management, and 0.903 for financial performance, all exceeding the 0.70 threshold and indicating acceptable internal consistency. Common method bias, a recognised threat where predictor and criterion derive from the same respondent, was addressed procedurally through anonymity assurance and item order mixing, and statistically through Harman's single-factor test, in which the first unrotated factor accounted for 29.8 per cent of variance, below the 50 per cent threshold indicating problematic bias.

3.5 Data Analysis

Completed questionnaires were screened for completeness, coded, and entered into IBM SPSS version 26 (Nelson et al., 2023). Data screening addressed missing values, which were below five per cent and handled through mean substitution, and outliers, identified through standardised residuals and examined for data entry error. Descriptive statistics comprising means, standard deviations, and frequencies summarised respondent characteristics and variable distributions, with mean interpretation guided by a scale in which values from 1.00 to 1.80 denote very low, 1.81 to 2.60 low, 2.61 to 3.40 moderate, 3.41 to 4.20 high, and 4.21 to 5.00 very high. Pearson product-moment correlation established the strength and direction of bivariate relationships. Multiple linear regression estimated the joint and relative contributions of the four independent variables, following the analytical approach employed by Natukunda et

al. (2023). Regression assumptions were tested: normality through Shapiro-Wilk statistics and normal probability plots, linearity through scatterplots of standardised residuals, homoscedasticity through residual plots, multicollinearity through variance inflation factors, and independence of errors through the Durbin-Watson statistic.

3.6 Ethical Considerations

Ethical clearance was obtained from the relevant institutional review committee and administrative permission was secured from the management of participating SACCOs and from the office of the Town Clerk, Ngoma Town Council. Participation was voluntary and based on informed consent following disclosure of the study's purpose, procedures, and the participants' right to withdraw without consequence. Given the commercial sensitivity of questions concerning delinquency, appraisal weakness, and regulatory compliance, anonymity was rigorously protected: no identifying information was recorded, responses were not attributable to individuals or to named SACCOs, questionnaires were returned through sealed collection boxes, and data were stored securely with access restricted to the researcher. No confidential financial records were solicited and no responses were shared with SACCO management, with UMRA, or with any third party. No inducements were offered.

4.0 Results

4.1 Response Rate

Of 108 questionnaires distributed, 106 were returned and 103 were usable after screening, yielding an effective response rate of 95.4 per cent. This substantially exceeds the threshold conventionally regarded as adequate for organisational survey research and supports confidence in the representativeness of the achieved sample. The high rate is attributable to management endorsement across participating SACCOs, on-site administration and collection, the compact geography of the town council, and the professional relevance of the subject matter to respondents.

4.2 Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev	Interpretation
Cash management	103	2.13	4.88	3.64	0.618	High
Accounts receivable & loan portfolio mgmt	103	1.36	4.64	2.72	0.831	Moderate
Accounts payable & savings liability mgmt	103	1.71	4.71	3.18	0.727	Moderate
Liquidity management	103	1.67	4.78	2.96	0.784	Moderate
Financial performance	103	1.62	4.69	2.89	0.752	Moderate

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Source: Primary Data, 2025

The descriptive results presented a coherent and diagnostically valuable portrait of working capital practice among SACCOs in Ngoma Town Council. Cash management recorded the highest mean of 3.64 with the smallest standard deviation of 0.618, a combination indicating both the most favourably rated dimension and the greatest consensus among respondents about its status. This pattern is intelligible in context and consistent with the regulatory environment described by UMRA (2021). Cash handling is the dimension most tightly prescribed by procedure, most readily verifiable through daily reconciliation, and most immediately visible to supervisory committees, since a cash shortage is discovered the same day it occurs. It is also the dimension in which failure carries immediate and personal consequences for the handling officer, which generates a compliance discipline that no policy document need impose. The tight dispersion indicates that respondents across functions perceive cash practice similarly, which is characteristic of a domain governed by explicit procedure rather than by discretion or judgement.

Accounts payable and savings liability management recorded a mean of 3.18, in the moderate band, with a standard deviation of 0.727. The interpretation warranted is of a dimension that is adequately administered but not actively managed. This reading is consistent with the structural position of the payable side in a cooperative, since member savings arrive according to member circumstance rather than institutional strategy, and the SACCO's discretion is correspondingly limited. A moderate rating is what one would expect where an institution executes competently a function over which it exercises little genuine choice, and it aligns with the finding of Natukunda et al. (2023) that payable management exerted no significant effect on financial performance in Sheema Municipality.

Liquidity management recorded a mean of 2.96, in the moderate band, with a relatively wide standard deviation of 0.784. The dispersion is the more informative statistic here, indicating that liquidity practice varies substantially across institutions, which is consistent with a function that depends on the analytical capacity and planning discipline of individual managers rather than on a uniformly enforced procedure. The moderate mean, falling short of the high band despite UMRA (2021) prescribing an explicit fifteen per cent liquid asset floor, suggests that compliance with the regulatory minimum is being achieved reactively rather than through the forward cash flow planning that would permit the institution to anticipate the seasonal trough at which withdrawal demand and delinquency peak simultaneously.

Accounts receivable and loan portfolio management recorded the lowest mean of 2.72, and simultaneously exhibited the largest standard deviation of 0.831, marking it as both the weakest implemented and the most contested dimension. This is the study's most consequential descriptive finding, and its significance is heightened by the fact that the loan portfolio is the SACCO's principal earning asset. The likely constituents of this low rating are the appraisal difficulties that the member-owner relationship generates, in which credit committee members assess applications from neighbours and fellow members; the structural mismatch between monthly repayment schedules and the seasonal harvest-linked incomes from which repayment must be made in the cattle corridor; and the social costs attaching to

delinquency follow-up in a small town council where borrower and recovery officer are known to one another. The wide dispersion suggests that practice varies markedly across SACCOs, which points to institutional rather than environmental determinants and implies that better practice is achievable within the same setting.

Financial performance recorded a mean of 2.89, in the moderate band, and its position was analytically telling. It sat well below cash management, below payable management, and just above the weakest dimension of portfolio management. This ordering is inconsistent with a model in which performance is the average of practice quality and consistent with one in which performance is constrained by the weakest link. A SACCO may handle cash impeccably and administer savings competently, but if its loans are not recovered, the institution does not earn, which is precisely the configurational logic that the SACCO working capital literature predicts.

4.3 Correlation Analysis

Variable	1	2	3	4	5
1. Cash management	1				
2. Accounts receivable & loan portfolio mgmt.	.448**	1			
3. Accounts payable & savings liability mgmt.	.471**	.506**	1		
4. Liquidity management	.524**	.558**	.539**	1	
5. Financial performance	.564**	.718**	.521**	.652**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed), N = 103.

Source: Primary Data, 2025

All four working capital dimensions correlated positively and significantly with financial performance at the one per cent level, providing consistent support for the study's theoretical framework and corroborating the general finding of Bisherurwa and Lule (2023) that working capital practices bear a substantial relationship to SACCO financial performance. The uniformity of significance indicates that no dimension is merely administrative in the sense of bearing no relationship whatsoever to outcomes, though the ordering of the coefficients reveals a pronounced hierarchy that carries the analytical weight of the finding.

Accounts receivable and loan portfolio management exhibited the strongest association with financial performance at $r = 0.718$, a coefficient in the strong range accounting for approximately 51.6 per cent of shared variance (Nelson et al., 2023). This finding is theoretically expected and contextually explicable, and it directly corroborates Natukunda et al. (2023), who found receivable management to be the sole significant predictor of SACCO financial performance in Sheema Municipality. The mechanism is arithmetically direct: the loan portfolio is the institution's principal earning asset, and a loan that is not recovered generates no income while the member savings that funded it continue to accrue

interest payable. Delinquency therefore does not merely reduce income but simultaneously converts an earning asset into a cost-bearing one, a double movement that no efficiency elsewhere in the institution can offset. The magnitude of this coefficient reflects the tight causal coupling between recovery discipline and institutional earnings that characterises financial intermediaries generally and member-funded cooperatives in particular.

Liquidity management recorded the second strongest association at $r = 0.652$, in the strong range. The interpretation requires attention to the mechanism, since liquidity does not itself generate income and might therefore be expected to correlate weakly with performance. The magnitude is better understood as reflecting liquidity's role in confidence preservation and operational continuity: a SACCO that cannot meet withdrawal demand suffers member confidence loss that propagates into deposit flight, and one that must liquidate assets under pressure realises them below value. The substantial inter-correlation between liquidity management and portfolio management at $r = 0.558$ supports a coupled reading, indicating that where portfolios are recovered on schedule, liquidity is more readily maintained, which is the mechanical relationship the cash conversion cycle framework specifies.

Cash management correlated with financial performance at $r = 0.564$, a moderate to strong association but notably ranked third despite this dimension recording the highest implementation mean of 3.64. This divergence between implementation strength and outcome association is among the study's more analytically interesting findings and it corroborates the Sheema pattern reported by Natukunda et al. (2023), who found cash management insignificant with a p-value of 0.922. The interpretation supported by the regulatory context is that cash management operates within a corridor narrowed by UMRA (2021) prudential requirements, which prescribe a fifteen per cent liquid asset floor and a ten per cent non-earning asset ceiling, compressing the range within which cash policy can vary and correspondingly muting its performance consequences. A dimension whose variance is restricted by regulation cannot express strong effects however important it may be in principle.

Accounts payable and savings liability management recorded the weakest association at $r = 0.521$, though this remained moderate and highly significant. Read alongside the descriptive finding that this dimension is adequately administered at a mean of 3.18, the coefficient is consistent with a function that the institution executes competently but over which it exercises limited genuine discretion, since member savings arrive according to member circumstance. This aligns closely with Natukunda et al. (2023), who found payable management insignificant in the SACCO context, and it suggests that the liability side of the SACCO balance sheet is better understood as a constraint within which management operates than as a lever management can pull.

4.4 Regression Analysis

Model Summary			
R	R Square	Adjusted R Square	Std. Error

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.764	.583	.566	.4952
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ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Regression	45.386	4	11.347	46.27	.000
Residual	24.034	98	0.245		
Total	69.420	102			

Predictor	B	Std. Error	Beta	T	Sig.	VIF
(Constant)	0.394	0.243		1.621	.108	
Cash management	0.174	0.071	.143	2.451	.016	1.487
Accounts receivable & loan portfolio mgmt	0.338	0.063	.374	5.365	.000	1.612
Accounts payable & savings liability mgmt	0.152	0.066	.147	2.303	.023	1.534
Liquidity management	0.270	0.070	.281	3.857	.000	1.698

Dependent Variable: Financial Performance. Durbin-Watson = 1.894.

Source: Primary Data, 2025

The regression model was statistically significant, with $F(4, 98) = 46.27$ and $p < 0.001$, confirming that the four working capital dimensions jointly predict financial performance to a degree that could not plausibly arise by chance. The coefficient of determination of 0.583 indicates that the model explains 58.3 per cent of the variance in financial performance, with the adjusted value of 0.566 confirming that this explanatory power is not an artefact of the number of predictors. This figure exceeds the forty per cent combined influence that Bisherurwa and Lule (2023) reported for working capital practices across SACCOs in Makindye Division, a divergence plausibly attributable to the present study's narrower geographic scope and more homogeneous institutional population, which reduces the between-SACCO heterogeneity that would otherwise enter the error term. The unexplained 41.7 per cent reflects factors outside the model, plausibly including governance quality, staff competence, information systems, the agricultural conditions determining member income in a given season, competition from mobile money and village savings associations, and the macroeconomic environment. Diagnostic checks supported the validity of the model: variance inflation factors ranged from 1.487 to 1.698, well below the threshold of concern, and the Durbin-Watson statistic of 1.894 approximated the ideal value of 2, indicating independence of residuals(Nelson et al., 2023).

Accounts receivable and loan portfolio management emerged as the strongest predictor, with a standardised coefficient of 0.374 significant at $p < 0.001$. The unstandardised coefficient of 0.338 indicates that a one-unit improvement in portfolio management, holding other dimensions constant, is associated with a 0.338-unit improvement in financial performance, the largest marginal effect in the model. The retention of this dimension's dominance in the multivariate model, after controlling for the other three, demonstrates that its strong bivariate correlation was not an artefact of association with liquidity but represents an independent contribution. This result directly corroborates Natukunda et al. (2023), whose Sheema Municipality regression yielded a receivable management coefficient of 0.494 that dominated a model in which cash management contributed effectively nothing. The convergence of findings across two dissimilar Ugandan settings materially strengthens the inference that portfolio management is the operative determinant of SACCO financial performance rather than a locally contingent one.

The practical significance of this finding is amplified by its juxtaposition with the descriptive result. Accounts receivable and loan portfolio management was simultaneously the weakest implemented dimension, at a mean of 2.72, and the strongest independent predictor. This combination identifies the largest reservoir of unexploited improvement capacity available to SACCOs in Ngoma Town Council, since marginal returns to improvement are greatest where current implementation is lowest. The economics therefore favour concentrating scarce management attention on credit appraisal and delinquency recovery, whereas cash management, already the strongest performer at a mean of 3.64, faces diminishing returns.

Liquidity management was the second strongest predictor with a beta of 0.281, significant at $p < 0.001$. Its substantial independent contribution, persisting after portfolio management is controlled, indicates that liquidity influences performance through channels beyond its mechanical dependence on loan recovery. These plausibly include the avoidance of distressed asset liquidation, the preservation of member confidence that sustains the deposit base, and the capacity to continue disbursing loans through the lean season when demand is highest, which sustains both member relationships and interest income. In an agrarian setting where withdrawal pressure and delinquency peak simultaneously at the seasonal trough, the capacity to plan for that conjunction rather than react to it is of direct financial consequence.

Cash management recorded a modest beta of 0.143, significant only at $p = 0.016$, ranking third despite being the best-implemented dimension at a mean of 3.64. This inversion between implementation and effect constitutes the study's most theoretically interesting finding and it substantially corroborates Natukunda et al. (2023), who found cash management statistically insignificant in the SACCO context. The explanation supported by the regulatory environment is that UMRA (2021) prudential requirements, prescribing minimum liquid assets of fifteen per cent of savings and short-term liabilities and capping non-earning assets at ten per cent of total assets, compress the discretionary range within which cash policy may vary. Where a variable is confined by regulation to a narrow band, its variance is restricted and its measurable effect correspondingly attenuated. The finding should therefore not be read

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as evidence that cash is unimportant in a financial institution, which would be absurd, but as evidence that cash management has been effectively standardised and no longer discriminates between better and worse performing SACCOs.

Accounts payable and savings liability management recorded the smallest beta at 0.147, significant at $p = 0.023$. Its position is consistent with the structural argument advanced above and with Natukunda et al. (2023), who found payable management insignificant. In a cooperative funded by member savings, the liability side is substantially exogenous to management: savings arrive when members have surplus and withdraw when they do not, and the institution's discretion extends to rate-setting and maturity matching within limits that the membership's circumstances effectively dictate. The regression equation may be expressed as $FP = 0.394 + 0.174(CM) + 0.338(ARLPM) + 0.152(APSLM) + 0.270(LM)$.

5.0 Conclusion and Recommendations

The study concludes that working capital management exerts a substantial and statistically significant influence on the financial performance of SACCOs in Ngoma Town Council, jointly explaining 58.3 per cent of variance. Accounts receivable and loan portfolio management is the dominant driver and simultaneously the weakest implemented dimension, identifying it as the principal constraint and the greatest opportunity. Liquidity management follows as a substantial independent contributor. Cash management, despite the strongest implementation, contributes least among the significant predictors, a pattern consistent with the restricted variance that UMRA prudential regulation imposes and corroborating the Sheema findings of Natukunda et al. (2023).

It is recommended that SACCOs in Ngoma Town Council concentrate improvement effort on loan portfolio management, since this is where marginal returns are greatest. Credit appraisal should be strengthened through documented, objective criteria applied uniformly, and appraisal decisions should be insulated from the social pressure that the member-owner relationship generates, potentially through the rotation of credit committee membership or the involvement of an appraisal officer without local kinship ties. Loan products should be redesigned to align repayment schedules with the seasonal income cycles of the cattle corridor, since the present monthly schedules impose a structural mismatch that generates delinquency reflecting product design rather than member unwillingness, and a schedule aligned to harvest would recover loans that a monthly schedule converts into arrears. Delinquency follow-up should be systematised through defined ageing thresholds triggering defined actions, so that recovery is procedural rather than discretionary and the officer pursuing a neighbour acts under institutional instruction rather than personal initiative. Liquidity should be planned rather than reacted to, through cash flow forecasting that anticipates the seasonal trough at which withdrawal demand and delinquency peak together, and provisioning should be set against that trough rather than the annual average, while maintaining the fifteen per cent liquid asset ratio that UMRA (2021)

prescribes. Cash management should be maintained at its current adequate level but not further intensified at the expense of the dimensions demonstrated here to matter more.

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