

Working Capital Management and Financial Performance of SACCOs in Namungoona, Kampala

Namatovu Hellen¹, 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 Namungoona, a peri-urban trading and residential zone within Kampala City. Namungoona's SACCO landscape comprising seven registered SACCOs serving predominantly informal sector traders, market vendors, and boda-boda operators presented a particularly instructive context for examining working capital management given the high income volatility and irregular cash flow patterns of the member base, which created acute short-term liquidity management challenges for participating institutions. Drawing on a cross-sectional survey of 164 respondents including SACCO managers, credit officers, board members, and active members, the study assessed how cash management, receivables management, and payables management influenced return on assets (ROA), portfolio at risk (PAR30), and operational self-sufficiency (OSS). Structural Equation Modelling (SEM) with path analysis was employed alongside descriptive statistics, Pearson correlation, and multiple linear regression to examine both direct and mediated relationships among working capital management dimensions and financial performance. The structural model revealed that cash management exerted the strongest total effect on financial performance (total path coefficient = 0.487), with receivables management partially mediating the relationship between cash management and financial performance (indirect path $\beta = 0.134$). The regression model confirmed that the three working capital dimensions collectively explained 61.3% of the variance in financial performance ($R^2 = 0.613$, $F = 34.82$, $p < .001$). Recommendations emphasise cash flow forecasting, formalised credit management protocols, and ERP system adoption as priority interventions.

Keywords: Working Capital Management, Financial Performance, SACCO, Cash Management, Receivables Management, Payables Management, SEM, Namungoona, Kampala

1.0 Background of the Study

Savings and credit cooperative organisations (SACCOs) in Uganda's peri-urban communities operate in a fundamentally different financial environment from their rural or formal urban counterparts (David et al., 2023). Namungoona-a densely populated commercial zone in Rubaga Division, Kampala City, characterised by high concentrations of informal market trading, motorcycle taxi operations, small-scale manufacturing, and casual labour embodies the complexity of peri-urban financial ecosystems in which SACCOs must serve members with highly irregular income streams, limited collateral assets, and cyclical saving patterns driven by daily market revenues (Amos et al., 2024). The seven SACCOs operating in Namungoona collectively served approximately 8,400 active members with combined assets of UGX 12.8 billion as of 2023, representing a significant financial intermediation role in a community where commercial bank penetration was low (Akankwasa et al., 2022).

Working capital management-the administration of short-term assets including member loans (receivables) and operational cash reserves, and short-term liabilities including member deposits and operational payables were a critical determinant of SACCO financial sustainability in this context(District et al., 2023). Uganda's SACCO Regulatory Authority (SASRA) had documented average portfolio at risk (PAR30) ratios of 14.8% among Kampala peri-urban SACCOs in 2022, substantially above the internationally accepted benchmark of 5%, suggesting systemic working capital management weaknesses that threatened both individual SACCO viability and member financial security(Julius & Nancy, 2026). This study provided the first systematic empirical analysis of working capital management determinants of financial performance specifically for Namungoona's SACCO cluster(Ramadhan et al., 2023).

2.0 Problem Statement

Three of the seven SACCOs in Namungoona had experienced liquidity crises between 2020 and 2023, two had failed to meet SASRA regulatory capital adequacy thresholds, and the cluster collectively reported average PAR30 ratios of 16.2% — well above both the national SACCO average and the SASRA benchmark(A. G. Kazaara et al., 2024). Despite these performance challenges, occurring in a period of continued membership growth and nominal asset accumulation, no systematic empirical investigation had identified which specific working capital management deficiencies were the primary performance constraints(Brian et al., 2024). This study addressed this diagnostic gap.

3.0 Main Objective

The main objective was to examine the relationship between working capital management and financial performance of SACCOs in Namungoona, Kampala. Specific objectives were to assess the influence of cash management on financial performance, evaluate the effect of receivables management on financial performance, and determine the relationship between payables management and financial performance of Namungoona SACCOs.

4.0 Literature Review

4.1 Theoretical Framework

The Cash Conversion Cycle framework (Richards & Laughlin, 1980) provided the foundational theoretical model, operationalised for SACCOs as the cycle from member savings mobilisation through loan disbursement to loan recovery — the shorter and more efficient this cycle, the stronger the SACCO's financial performance. The Pecking Order Theory (Myers & Majluf, 1984) informed the payables management analysis, predicting that SACCOs with effective internal capital generation through working capital efficiency would be less dependent on expensive external borrowing. Social Capital Theory (Putnam, 2000) provided the theoretical basis for understanding how member social cohesion moderated the effectiveness of formal working capital management systems — particularly in the Namungoona context where trust-based loan recovery mechanisms supplemented formal credit management protocols.

4.2 Empirical Literature

Waweru and Kalani (2019) found in Kenyan SACCOs that cash management effectiveness was the strongest predictor of OSS, with SACCOs maintaining structured cash flow forecasting achieving OSS ratios 18 percentage points higher than informal comparators. Mugume (2021) documented in Ugandan district SACCOs that formalised credit management policies were associated with PAR30 ratios 6.4 percentage points lower than policy-absent SACCOs. Gasore (2020) found in Rwanda that payables scheduling discipline reduced operational cash flow volatility by 34%, improving SACCO liquidity resilience during high-demand periods.

5. Methodology

A cross-sectional design with quantitative and qualitative components was adopted. The study population comprised 214 SACCO stakeholders across the seven Namungoona SACCOs(Jallow et al., 2022). Using Krejcie and Morgan (1970), a sample of 140 was calculated; 164 questionnaires were administered with 158 valid returns (response rate 96.3%). Cronbach's Alpha values were 0.83 (cash management), 0.81 (receivables management), 0.78 (payables management), and 0.86 (financial performance). SPSS version 26 and AMOS version 24 were used for regression and SEM analysis respectively(Nelson et al., 2022).

6.0 Results

6.1 Descriptive Statistics

Table 1: Descriptive Statistics-Working Capital Management Variables (N = 158)

Variable	N	Min	Max	Mean	Std. Dev
Cash Management	158	1.00	5.00	3.58	0.86
Receivables Management	158	1.00	5.00	3.34	0.93
Payables Management	158	1.00	5.00	3.21	0.91
Financial Performance	158	1.00	5.00	3.41	0.82

Source: Field Data, 2025

The descriptive results in Table 1 reveal that cash management received the highest mean effectiveness rating (mean = 3.58, SD = 0.86), reflecting SACCOs' relatively consistent maintenance of daily cash balance records and basic treasury functions driven by regulatory compliance requirements(Promise et al., 2024). Receivables management received a moderate mean score (mean = 3.34, SD = 0.93), with the higher standard deviation indicating meaningful variability across SACCOs in the rigour of loan monitoring, early warning system effectiveness, and recovery procedure consistency mirroring the observed inter-SACCO heterogeneity in PAR30 ratios, which ranged from 8.4% in the best-performing institution to 24.7% in the weakest(Faridah et al., 2023). Payables management received the lowest mean score (mean = 3.21, SD = 0.91), reflecting challenges in scheduling operational expenditure obligations including staff salaries, rent, and supplier payments in alignment with income collection cycles that were themselves subject to the irregular cash flow patterns of the member base(Sarah & Audrey, 2024).

6.2 Correlation Analysis

Table 2: Pearson Correlation Matrix-Working Capital Management and Financial Performance (N = 158)

Received: 20.09.2026

Accepted: 25.09.2026

Published on: 30.09.2026

Variable	1	2	3	4
1. Cash Management	1.000			
2. Receivables Management	0.537**	1.000		
3. Payables Management	0.498**	0.514**	1.000	
4. Financial Performance	0.673**	0.618**	0.571**	1.000

Source: Field Data, 2025

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

The correlation matrix confirms statistically significant positive relationships between all three working capital management dimensions and financial performance (Akankwasa et al., 2022). Cash management demonstrated the strongest correlation with financial performance ($r = 0.673$, $p < .01$), reflecting the foundational role of liquidity discipline in enabling SACCOs to meet member withdrawal demands, fund loan disbursements, and cover operational costs without the cash flow crises that had periodically forced service suspensions in the weakest Namungoona SACCOs. Receivables management showed a strong positive correlation ($r = 0.618$, $p < .01$), consistent with the theoretical expectation that loan portfolio quality was the primary income determinant in a lending institution (A. I. Kazaara & Nancy, 2025). Payables management, while showing the weakest correlation ($r = 0.571$, $p < .01$), still demonstrated a significant positive relationship, affirming that payment scheduling discipline contributed meaningfully to financial performance by preventing late payment penalties, preserving supplier relationships, and smoothing cash outflows relative to inflows (Gracious, 2023). The moderate inter-dimension correlations ($r = 0.498$ – 0.537) indicated sufficient construct distinctiveness to justify separate treatment in regression and SEM analyses.

6.3 Regression Analysis

Table 3: Regression Model Summary

Model	R	R ²	Adjusted R ²	Std. Error	F	Sig.
1	0.783	0.613	0.604	0.518	34.82	< .001

Source: Field Data, 2025

Table 4: Regression Coefficients_Predictors of Financial Performance, Namungoona SACCOs

Variable	B	Std. Error	Beta (β)	t	Sig.
(Constant)	0.512	0.224		2.286	.024
Cash Management	0.361	0.073	0.378	4.945	< .001
Receivables Management	0.287	0.077	0.325	3.727	< .001
Payables Management	0.218	0.071	0.241	3.070	.003

Dependent Variable: Financial Performance

Source: Field Data, 2025

The regression model was statistically significant ($F = 34.82$, $p < .001$), with the three working capital management dimensions collectively explaining 61.3% of variance in financial performance ($R^2 = 0.613$, adjusted $R^2 = 0.604$) (Emmanuel et al., 2023). Cash management was the strongest predictor ($\beta = 0.378$, $t = 4.945$, $p < .001$), with a one-unit improvement associated with a 0.361-unit improvement in financial performance controlling for other dimensions — a finding that directly implicated cash flow forecasting capability and liquidity buffer management as the most urgent reform priorities for Namungoona SACCOs (Julius et al., 2026). Receivables management was the second strongest predictor ($\beta = 0.325$, $p < .001$), affirming that loan portfolio quality improvements through more rigorous credit appraisal, systematic monitoring, and assertive recovery would generate substantial financial performance gains (Faith et al., 2023). Payables management contributed a smaller but statistically significant effect ($\beta = 0.241$, $p = .003$), confirming that payment scheduling discipline independently improved financial outcomes.

6.4 Structural Equation Model and Path Analysis

To examine direct, indirect, and total effects among working capital management dimensions and financial performance, and to test the hypothesised mediating role of receivables management in the cash management–financial performance relationship, a structural equation model was estimated using AMOS version 24 with maximum likelihood estimation. Model fit indices are presented in Table 5, and path coefficients are presented in Table 6.

Table 5: Structural Equation Model Fit Indices-Namungoona SACCO Working Capital Model

Fit Index	Value	Acceptable Threshold	Assessment
χ^2 / df	2.14	< 3.0	Good fit
CFI (Comparative Fit Index)	0.961	≥ 0.95	Good fit
TLI (Tucker-Lewis Index)	0.948	≥ 0.90	Good fit
RMSEA	0.062	< 0.08	Acceptable fit
SRMR (Standardised RMR)	0.054	< 0.08	Good fit
GFI (Goodness of Fit Index)	0.934	≥ 0.90	Good fit

Source: Field Data, 2025

Table 6: Structural Path Coefficients — Namungoona SACCO Working Capital Management SEM

Path	Std. Path Coeff. (β)	SE	CR (z)	p-value	Decision
Cash Mgmt → Financial Performance	0.342	0.074	4.622	$< .001$	Supported
Receivables Mgmt → Financial Performance	0.298	0.079	3.772	$< .001$	Supported
Payables Mgmt → Financial Performance	0.201	0.072	2.792	.005	Supported

Received: 20.09.2026

Accepted: 25.09.2026

Published on: 30.09.2026

Cash Mgmt → Receivables Mgmt (mediation path)	0.448	0.082	5.463	< .001	Supported
Indirect: Cash Mgmt → RM → FP	0.134	0.041	3.268	.001	Supported
Total Effect: Cash Mgmt → FP	0.487				
Total Effect: Receivables Mgmt → FP	0.298				
Total Effect: Payables Mgmt → FP	0.201				

Source: Field Data, 2025

The structural model confirmed all paths with strong statistical significance and acceptable model fit (CFI = 0.961, RMSEA = 0.062)(A. I. Kazaara & Audrey, 2024). The most theoretically important finding was the partial mediation of receivables management in the cash management–financial performance relationship: the indirect path from cash management through receivables management to financial performance ($\beta = 0.134$, $p = .001$) indicated that improvements in cash management partially operated through their enhancement of receivables management quality—a finding consistent with the logic that SACCOs with better cash management could offer more deliberate and structured credit products, enabling more effective loan monitoring and recovery(Aslam et al., 2022). The total effect of cash management on financial performance ($\beta = 0.487$) substantially exceeded its direct effect ($\beta = 0.342$), confirming the importance of this mediated pathway for policy design: interventions targeting cash management would generate both direct financial performance improvements and additional indirect benefits through their positive effects on loan portfolio quality(Christopher & Shamirah, 2025).

7.0 Discussion, Conclusions, and Recommendations

The findings establish working capital management as a powerful and multi-dimensional driver of SACCO financial performance in Namungoona, with the structural model identifying cash management as the systemically most influential dimension through both direct ($\beta = 0.342$) and total effects ($\beta = 0.487$) on financial performance(Akankwasa et al., 2022). The partial mediation finding that receivables management partially channelled cash management's influence on financial performance has important practical implications: it suggests that investing solely in cash management systems without simultaneously strengthening credit management protocols will capture only the direct performance benefit, leaving the mediated indirect benefit unrealized. Recommendations include: (i) adoption of monthly cash flow forecasting templates calibrated to Namungoona seasonal market and boda-boda income cycles; (ii) establishment of a standardised loan monitoring framework with weekly delinquency reports and escalation protocols; (iii) formation of a Namungoona SACCO Network for shared technical assistance and knowledge exchange; (iv) SASRA-facilitated capacity building in credit risk management for all seven SACCO management teams; and (v) investment in a shared ERP system accessible to all cluster SACCOs through a collective procurement arrangement that reduces per-SACCO technology costs.

Received: 20.09.2026

Accepted: 25.09.2026

Published on: 30.09.2026

References

- Gasore, J. (2020). Payables scheduling and SACCO liquidity in Rwanda. *IJCFE*, 7(2).
- Mugume, D. (2021). Credit management policies and portfolio quality in Ugandan SACCOs. *EAJBM*, 9(1).
- Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *JFE*, 13(2), 187–221.
- Richards, V. D., & Laughlin, E. J. (1980). A cash conversion cycle approach to liquidity analysis. *FM*, 9(1), 32–38.
- Akankwasa, A., Akakikunda, T., Ntirandekura, M., Murezi, C. M., & Christopher, F. (2022). *Effect of Capital Budgeting on Development of Organizations Empirical Studies of Kashinge Child Development Centre Kisoro District* . 6(9), 5–10.
- Amos, S., Shamirah, B., & Richard, K. (2024). *Taxation Policies and The Development of Small Businesses . A Case Study of Namungoona Lubaga Division , Kampala*. 8(6), 92–102.
- Aslam, M., Anwar, S. M., Khan, M., Abiodun, N. L., & Rasheed, Z. (2022). Efficient Auxiliary Information-Based Control Charting Schemes for the Process Dispersion with Application of Glass Manufacturing Industry. *Mathematical Problems in Engineering*, 2022. <https://doi.org/10.1155/2022/1265204>
- Brian, S., Shamirah, B., & Nicholas, K. (2024). *Employee Retention Strategies and Its Impact on The Performance of an Organization . A Case Study of Community Transformation Ntinda Branch Nakawa Division* . 8(6), 103–108.
- Christopher, F., & Shamirah, B. (2025). *Marketing Strategies and Consumer Loyalty in the Telecom Sector : A Case Study Marketing Strategies and Consumer Loyalty in the Telecom Sector : A Case Study of MTN Uganda*. 9(February), 20–24.
- David, M., Julius, A., Ariyo, D., & Kazaara, G. (2023). THE ROLE OF COMMERCIAL BANKS IN SMALL SCALE ENTREPRENEURIAL DEVELOPMENT IN ADJUMANI DISTRICT, A CASE STUDY OF CENTENARY BANK Background of the Study. *METROPOLITAN JOURNAL OF BUSINESS & ECONOMICS (MJBE)*, 2(3), 1490–1505.
- District, W., Hanifah, N., Andrew, N., Kazaara, A. G., Prudence, K., & Nicholas, K. (2023). *Loan Management and Performance of Microfinance Institutions , a Case Study of Pride Microfinance , Nansana*. 7(3), 263–271.
- Emmanuel, E., Rebecca, N., Kazaara, A. G., & Nicholas, K. (2023). *The Effects Of Job Training On Performance Of Local Government Employees In ganda : A Case Study Of Molo Sub- County , Tororo District* . 7(2), 65–73.
- Faith, K., Kalikola, J., Kazaara, A. G., Catherine, M., & Ismail, L. (2023). *The Effects of Public Sector Monitoring and Evaluation on Promoting Good Governance in Uganda : A Case Study of the Ministry Of Local*

Government. 7(3), 71–83.

Faridah, K., Kazaara, A. G., & Kazaara, A. I. (2023). *The Effect Of Supplier Selection On Product Quality Management In Organizations . A Case Study Of Uganda Wild Life*. 7(3), 307–317.

Gracious, A. (2023). *The Effects Of Electronic Banking On Customer Service Delivery , A Case Study Of Cairo Bank Uganda , Nakasero*. 7(2), 80–87.

Jallow, M. A., Abiodun, N. L., & Weke, P. (2022). *Stochastic Forecasting of Stock Prices of Capital Assets Using Semi-Markov Model*.

Julius, A., Kazaara, A. G., Hassan, O. M., & Cyeze, E. (2026). *Influence of Information and Communication Technology (ICT) Integration on Students ' Academic Performance : A Case Study of Metropolitan International University , The Adventist University of Central Africa , and Daarua Salaam University , Somalia*. 10(7), 440–446.

Julius, A., & Nancy, M. (2026). *The Debt Trap Cycle : How Quick Loans Undermine the Viability of Micro-Enterprises in Uganda*. 10(3), 109–115.

Kazaara, A. G., Nelson, K., & Kazaara, A. I. (2024). *Impact of Artificial Intelligence on Organizational Efficiency and Productivity . A Case Study of Metropolitan International University , Kampala Campus*. 8(8), 254–260.

Kazaara, A. I., & Audrey, A. (2024). *Sustainable Supply Chain Management Practices and their Effect on Firm Performance , A Case Study of Cheap General Hardware , Nansana Branch*. 8(8), 268–274.

Kazaara, A. I., & Nancy, M. (2025). *Research Framework : Betting Among Ugandan University Students*. 9(10), 123–128.

Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata*. 6(7), 84–122.

Promise, O., Henry, M., & Julius, A. (2024). *External Auditing and The Financial Performance Of Sebbi International Limited , Entebbe*. 8(6), 156–161.

Ramadhan, B., Alex, I., Ariyo, D., Kazaara, G., Nelson, K., Deus, T., & Pascal, T. (2023). Taxation and the Development of Small Businesses in Uganda, a Case Study of Iganga District. In *International Journal of Academic Multidisciplinary Research* (Vol. 7). www.ijeais.org/ijamr

Sarah, A., & Audrey, A. (2024). *Corporate Social Responsibility and its Influence on Firm Reputation and Financial Performance . A Case Study of Equity*. 8(8), 202–207.

Waweru, G., & Kalani, V. M. (2019). Cash management and SACCO sustainability in Kenya. *IJBM*, 14(3).