

**FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF SAVINGS AND
CREDIT COOPERATIVES IN NAKAWA DIVISION**

BY

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DECLARATION

I Muliira Edward Emmanuel declare that this research dissertation is my original work and has not been published or submitted to any university or institution of higher learning for any award.

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APPROVAL

This research dissertation titled “Financial Management Practices and Performance of Savings and Credit Cooperatives (SACCOs): A Case Study of Nakawa Division has been done under our supervision and has met the research requirements of Kyambogo University and is now ready for submission.

Dr. Dan Ayebale (PhD)

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Date: 29/06/2021

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Sign...



Date: 29th June, 2021

DEDICATION

This dissertation is dedicated to my lovely wife; Mrs. Rosette Ninsiima Muliira and as well as to my children: Namirembe Leticia Florence, Baweredde Larri Andrew, Damulira Isaac Rayan, and Batenda Grace Elizabeth. They provided me the necessary support and environment conducive to achieve this goal.

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ABBREVIATIONS AND ACRONYMS

AGM	Annual general meeting
CSOs	Community service organizations
EACM	East African Common Market
ICA	International insurance Alliance
KCCA	Kampala Capital City Authority
KRAs	key Result Areas
MBO	Management by Objectives
SACCOs	saving and credit cooperatives
SMEs	Small and medium enterprises
USAID	United States Agency for International Development

ABSTRACT

This study explored the effect of financial management practices on the performance of savings and credit cooperatives in Nakawa division. The study specifically analyzed the effect of cash management on performance of SACCOs, the effect of credit risk management on the performance of SACCOs and assessed the contribution of financial planning on performance of SACCOs in Nakawa division. The research design used was a mixed study design and both qualitative and quantitative approaches were used. A sample of 105 SACCO employees and 6 key informants, were used for the study. Data was obtained using a structured questionnaire and interview guide for employees and key informants and there after analyzed using descriptive and inferential statistics for quantitative data while thematic content analysis was used for qualitative data. The findings of the study revealed that cash management had a positive significant influence on SACCO performance (Beta = 0.533, P value = 0.000); a positive significant influence of credit risk management on SACCO performance (Beta =0.227, P value = 0.015); and also a positive significant influence of financial planning on SACCO performance (Beta = 0.380, P value 0.000).

Its therefore recommended that SACCOs should strive to implement better cash management by keeping minimum capital requirements, diversify investments into other cash inflow ventures, ensure effective loan management through good borrower character assessment, and as well as have training on strategic long-term financial planning for improvement in SACCO performance.

CHAPTER ONE

INTRODUCTION

1.0. Introduction

This chapter provides a background and historical, theoretical, conceptual and contextual aspects of the study. The chapter also provides the problem statement, the purpose, significance, objectives, research questions and the scope of the study.

1.1. Background to the study

The background includes the historical, theoretical, conceptual, and contextual aspects of the study.

1.1.1. Historical perspective

The idea of using SACCOs in providing financial services and credit to the poor and vulnerable started in Germany (Kieu, 2004). In 1846 at the time of agricultural crisis in Europe, two community business leaders: Freidrich Reifies and Herman Schultz- Delitsche, started the first saving and credit cooperatives (SACCO) movement (USAID, 2006). This was done to provide cheaper and accessible financial services to peasants and artisans felt crushed under the heavy weight of indebtedness. SACCOs gave cheaper loans to poor laborers and farmers to buy articles of their requirement from the rich business men dominated by Jews. The community based SACCOs in German reduced the suffering of the people who were living in rural areas and this model was subsequently adopted by the poor people in the urban areas of the world (ICA, 2016). Given the fact that SACCOs operated less as CSOs; little emphasis was placed on the effective management and performance of these enterprises at that time.

According to Adero and Oluoch (2017) in 1970s interest in the performance of SACCOs become an issue when they were adopted by a number of countries as an economic empowering strategy for the poor and small businesses. Experts started transforming SACCOs into well performing financial cooperative enterprises that are locally-owned and people-centered businesses (ICA, 2016). The idea of using SACCOs as catalysts for economic empowerment of the poor and the vulnerable increased their need to perform well (Wambui, 2016). In the 1990s, when microfinance become a popular model of development policy and poverty reduction, SACCOs started adopting financial management practices that would enable them to become an important avenue for providing microfinance services for the economic empowerment of the poor and the vulnerable groups in the world (Muriithi & Omagwa, 2018).

In Africa, cooperatives societies were started and operated by the colonial rulers under the regulations stipulated by business practice laws (Wambui, 2016). Central government started placing emphasis on the performance of SACCOs in 1955, when Africans were allowed to grow cash crops (Buwule & Mirembe, 2017). When they gained momentum of growth due to the increased and diversified market, policies to enhance their effectiveness and performance were put in place (Friedman, 2007). In most parts of Africa, SACCOs are a popular microfinance mechanism for poverty reduction through improving access to finance and financial services and have clear guidelines to sustain their effectiveness (Alfred, 2011).

In the East African Common Market (EACM) today, Savings and Credit Cooperatives (SACCOs) are recognized as an important avenue of economic growth and development (Anania & Gikuri, 2015). Almost in all countries in East Africa, SACCOs are used, as a means of

empowering the poor and vulnerable groups to achieve financial stability (Wambui, 2016). Hence, central governments have put in place financial management guidelines to enable these organizations to improve the livelihoods of the poor through their democratic operations and people oriented financial services.

In Kenya, by applying good financial management practices, SACCOs have played a significance role in facilitating the provision of financial services to the people through savings and providing credit for investment opportunities to individuals, institution and members within the group. In Tanzania, SACCOs follow the modern micro financing practices and act as financial intermediaries, particularly mediating from urban and semi- urban to rural areas and between the savers and borrowers while ensuring that the loan resources remain in the communities from which the savings were mobilized (Gathurithu, 2015). Since 2007 in Uganda, SACCOs are expected to be a major rural development financing infrastructure strategy aimed at providing development financial services to the rural poor (Buwule, 2017).

1.1.2. Theoretical background

The Principal-Agent was used for this study. Coase (1937) highlights that this theory provides important principles of managing business enterprises that can enhance their performance. In the 1970s Jensen and Meckling's (1976) refined the principal-agent theory by highlighting the principles of separation of powers as being important to the performance of business organizations. Kiel & Nicholson (2003) denotes that the theory suggests the existence of professional managers to manage enterprises on behalf of the owners. This separation of powers

encourages responsibility and accountability among managers which improves the performance of an enterprise.

Therefore, according to the Principal-agent theory, for SACCOs to perform well, the members of SACCOs who are the owners (principals) of the organization should hire a management body as their agents and encourage this body to apply relevant management practices to achieve the goals of the enterprise. The Principals should delegate the stewardship of the business to the management body, and ensure that it acts in the best interest of the principals by maximizing their profits or meeting their performance goals. In this regard shareholders (owners and members of the SACCO) anticipate the agents to use effective financial management practices and make decisions in the best interest of the principals and maximize the performance of the enterprise.

1.1.3. Conceptual background

The main concepts for this study were financial management practices and performance of SACCOs. Financial management refers to the control of cash and credit so that the organization may have the means to carry out its objective as satisfactorily as possible, (Howard & Opton, 2018). Financial management practice is a managerial accounting strategy focusing on maintaining efficient levels of funds, current assets and current liabilities (Kieu, 2004). With regard to SACCOs, financial management are practices by the organization to ensure that it has adequate cash flow for meeting the loan obligations of members and operating expenses. Finance management as a very important component in the management of SACCOs directly affects the liquidity, profitability and growth of these organizations (Buwule & Mirembe, 2017). To meet

their goals of supporting members, achieve financial independence, SACCOs must have good management of working capital, assets, financial reporting and analysis and financial planning. In this study financial management practices for SACCOs will be conceptualized as effective cash management, credit risk management and financial planning.

According to Armstrong (2000) ‘performance is defined as a multidimensional construct relating to the outcomes of work done by an individual or institution’. Organizational performance therefore relate to the extent of achievement of strategic goals contributed by various stake holders wholesomely (Bushman, & Smith, (2001). In this study, the performance of SACCOs will be perceived from an organizational level. Hence, SACCO performance will be conceptualized as the extent to which they do their key tasks of providing the best and safest services to members at the most efficient cost. The services that will be studied are increase in members, increase in operational capital and capital assets, and organizational profitability (Muriithi & Omagwa, 2018).

1.1.4. Contextual perspective

In Uganda, SACCOs started operating as Community Based Financial institutions based in sub-counties in 2007 and have then been growing in number and importance in economic developing of the vulnerable, poor and rural communities. SACCOs as a cooperative movement in Uganda were reactivated due to the increased outcry by the majority of the poor and vulnerable populations for cheaper and user-friendly financial services to facilitate their economic development (Nyamugabwa, 2019). The Government of Uganda adopted a Financial Services Strategy for the poor and vulnerable groups in 2007 and SACCOs were identified as the vehicle

for moving this strategy. Thus, many urban areas and sub counties within Uganda have establishments of SACCOs with large populations of the poor (Birungi, 2014). SACCOs were preferred to other more formal financial services such as commercial and rural development banks because their establishment costs are much cheaper than setting up commercial banks (Uganda Debt Network, 2019). They are also a more practical means to support rural financial services in remote communities not easily reached by commercial banks (Alfred, 2011). Hence, SACCOs are able to meet the unique demands of local conditions and are transferable in almost any environment (Jaramogi, 2019). They also serve both literate and illiterate people; and cultivate a saving and financial management culture among communities that would otherwise – face bigger daunting challenges in making savings (Nzotta, 2004).

While the government has provided support to about 735 SACCOs since 2007, only about 39% were still operating by 2017 and they were located in western and central and eastern parts of the country (Buwule & Mirembe, 2017). SACCOs in the Kampala area and neighboring districts were still struggling due to political interference, gaps in supervision and corruption in managing their loan portfolios (UDN, 2019).

According to the KCCA ministerial policy statement (2014) Nakawa division is the largest urban division in the authority with a very large proportion of vulnerable groups getting business development loans from SACCOs. Also, the KCCA ministerial policy statement (2018) indicates that the division has one of the biggest failure rates of SACCOs in KCCA and many have stopped operating. This scenario has negatively affected the livelihoods. Therefore, a study was needed to establish how effectively financial management practices could enable SACCOs in

Nakawa division to contribute positively and substantially to poverty reduction and the socio-economic transformation of the people in this area.

1.2. Problem statement

Generally, SACCOS are formed to promote savings and make credits available to the members (Mumanyi, 2014). To achieve this, most SACCOs in Nakawa division have obtained financial resources and management skills training from KCCA and the Uganda microfinance support centre (Mubiru, 2020). Despite the above, SACCOs are having challenges to meet their performance goals. During the 2015 Nakawa division SACCOs Annual General Meeting (AGM), members raised complaints on delay in issuing loans to members, longer time for savings withdrawals, inaccurate loans and saving information and loss of documents submitted to the head office.

The Uganda Debt Network (2019) showed that more than 50% of SACCOs in the Kampala region had failed. In addition to this, one of the biggest failure rates (47%) of SACCOs is in Nakawa division (UDN, 2019). Some SACCOs in the division had stopped operating and others were on the verge of stopping their operations due to financial management related challenges. Unfortunately, a collapse of these enterprises, could negatively affect the livelihoods and financial independence of the people who depended on them since these SACCOs are one of the easiest sources to get money to fund their businesses and day to day activities. Hence there was need for information that could help SACCOs in Nakawa division have a better performance. This created a knowledge gap that this study sought to fill.

1.3. Purpose of the study

The purpose of this study was to explore the role played by financial management practices in the performance of savings and credit cooperatives in Nakawa division in KCCA.

1.4. Specific objectives

To achieve the purpose, the study was guided by the following objectives;

1. To analyse the effect of cash management on performance of SACCOs in Nakawa division.
2. To establish the effect of credit risk management on the performance of SACCOs in Nakawa division.
3. To assess the contribution of financial planning on performance of SACCOs in Nakawa division.

1.5. Hypotheses of the study

This study tested the following hypotheses;

1. H_0 : There is no significant effect between cash management and performance of SACCOs in Nakawa division.
2. H_0 : There is no significant effect between credit risk management and performance of SACCOs in Nakawa division.
3. H_0 : There is no significant effect between financial planning and performance of SACCOs in Nakawa division.

1.6. Scope of the Study

The scope of the study is presented under the content, geographical, and time.

1.6.1. Content scope

The study explored the relationship between financial management practices and performance of SACCOs but concentrated on aspects of cash management; credit risk management and financial planning that contribute to better performance of SACCOs. This content has been specifically drawn since SACCOs greatly involve management of finances but the line of connection between the two was not yet well defined in Nakawa Division.

1.6.2. Geographical scope

The study was conducted in Nakawa division located in KCCA, Kampala area. This area was studied because it had a mixture of SACCOs ranging from SMEs, youth and women empowerment. This enabled collecting information from a variety of respondents, which would provide a more representative state of affairs with regard to financial management practices and performance of SACCOs.

1.6.3. Time scope

The study considered financial management practices and SACCOs performance from 2017 up to 2020. This period was appropriate to capture financial management issues in SACCOs since they had been getting government support from the central government and the research questions can be effectively explored.

1.7. Conceptual framework

Financial management practices was the independent variable; consisting of cash management, credit risk management and financial planning. The dependent variable was the performance of SACCOs. This relationship can be graphically conceptualized as in Figure 1.1 below.

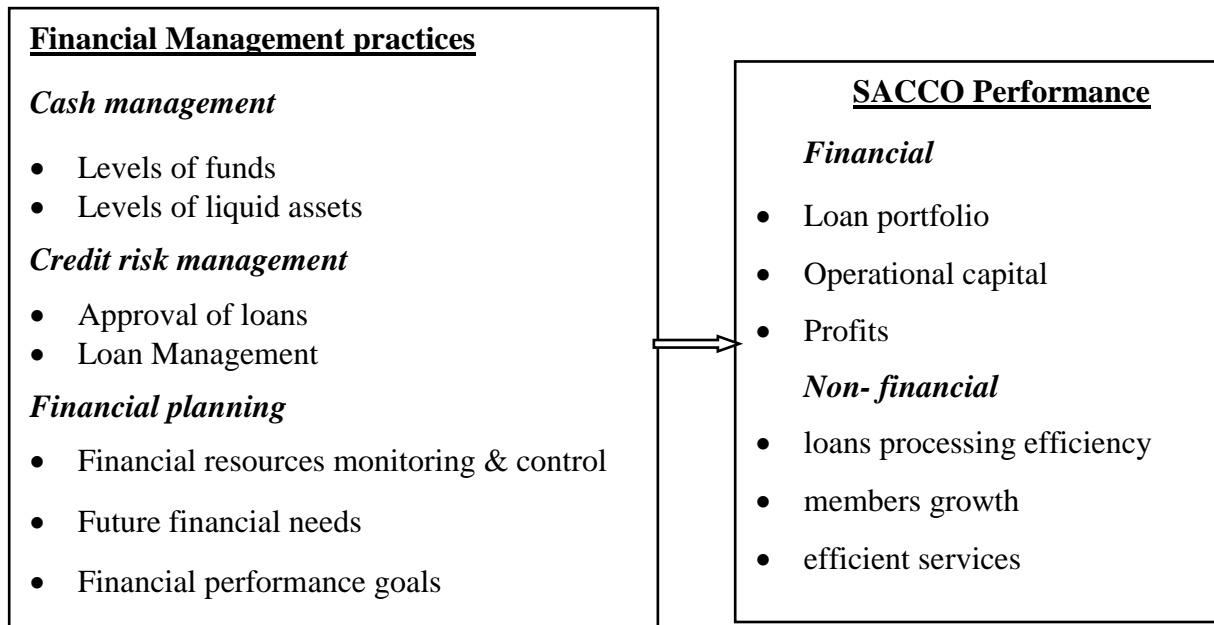


Figure 1.1: Conceptual framework adapted from (Ndikubwimana, 2019).

The diagram above shows that SACCOs being able to effectively do cash and credit risk management as well as financial planning, can subsequently help them to achieve their performance goals of, increased loan portfolio, increased operational capital, profits (financial) and quick loans processing member's growth and efficient services (non-financial). The achievement of these goals can enable SACCOs to grow and operate sustainably.

1.8. Significance of the Study

Findings could be used to evaluate the effectiveness of financial management practices of SACCOs in Uganda. The findings could highlight the strengths and weaknesses of the loan management practices of SACCOs.

The findings could enable the responsible central government ministry of Finance, Planning and Economic Development to initiate programmes that improve the performance of SACCOs.

The findings will also be used by the Uganda Micro Finance Support Centre, a central government institution responsible for supporting SACCOs, to evaluate financial challenges they face before extending credit to these organizations.

SACCOs would use this to assess the practicality of their financial management practices, identify weaknesses and use the suggested recommendations to improve their performance.

The results may offer important insights to other private sector companies in Uganda on the role of the financial management practices in their profitability and growth.

The study may supplement to existing literature on financial management practices of SACCOs performance in Uganda's literature. This information may be used by management lectures and students of universities in their studies and research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the literature related to the research problem is reviewed. In this section, the theory and literature on the relationships are addressed as well as the gaps in the existing literature being addressed.

2.1 Theoretical review

This study was based on the Principal-agent theory. According to this theory, owners of an enterprise hire professionals to run the enterprises on their behalf so as to enable them achieve their performance goals (Kiel & Nicholson, 2003). With regard to SACCOs, the members of SACCOs who are the owners (principals) of the organization hire a management body as their agents and encourage them to be responsible to the organization.

However, in order for the management body to effectively act on the behalf of the principles, the theory highlights the importance of a clear and good governance relationship between the management body and stakeholders in order to create value for the enterprise. A key aspect of this relationship is the owners showing the roles of the managers and providing management guidelines to enhance the performance of the enterprise. Usually, the agent may yield to self-interest, opportunistic behavior and violate the contract between the interests of the principals and the agents' ends (Odhiambo, 2012). Agents are likely to have different motives from

principals. They may be influenced by factors such as financial rewards and relationships with other parties that are not directly relevant to principals. This can for instance, result in a tendency for agents to be more optimistic about economic performance of the organization or their performance under contract than the reality would imply. Agents may also be more risk averse than principals and as a result of these differing interests, agents may have an incentive to bias information flow. Conflicts or problems arise when, in the perception of a firm's owners, the professional managers do not manage the firm in the best interests of the owners (Davis, Schoorman & Donaldson, 1997).

Therefore, the principal- agency theory argues that the purpose of financial management practices should be to minimize the potential for managers to act in a manner contrary to the interests of shareholders. The theory also advocates the setting up of rules and incentives to align the behavior of managers to the desires of owners (Hawley & Williams, 1996). However, it is almost impossible to write a set of rules for every scenario encountered by managers. Also, it may not be possible to have managers who have integrity, competence, reliability, and good judgment, independence of mind, and dedication to the cause to run an enterprise.

2.2 Conceptual review

2.2.1. SACCOS

Savings and Credit Cooperative societies (SACCOS) are voluntary associations or Cooperative financial institution owned and controlled by their members (Buwule & Mirembe, 2017). These organizations are operated to promote savings, credit at low interest rates and provide other financial services to its members (Waweru, 2011). SACCOS are formulated on saving together to

avail money for loaning among members thereafter. SACCOs offer a broad range of services to its member's financial services which include business accounts such as fixed deposits accounts, savings accounts (Nyamugabwa, 2019). The key financial services include providing loans, savings and insurance services.

The reason why SACCOs are preferred to other types of microfinance institutions is that they are able to give members loans at interest rates lower than those charged by other financial providers (Nuwagaba, 2012). In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks, such as rural or poor areas (Mutya, 2018). This has made SACCOs more attractive to customers, thus deeply entrenching themselves in the financial sectors of many countries (Munyiri, 2006). In fact, the core objective of SACCOs is to ensure members empowerment through mobilization of savings and disbursement of credit (Nzotta, 2004).

2.2.2. Performance of SACCOs

Performance refers to the attainment achieved by an individual team, organization or process (Adero & Oluoch, 2017). Performance is the ability to operate efficiently and to survive profitably in an environment that may be competitive. Performance is also perceived as that capacity to grow and to positively react to environmental opportunities and threats (Alfred, 2011). Hence performance of an organization such as a SACCOs is perceived as how efficiently the enterprise is using its resources in achieving its objective. Given the fact that SACCOs are owned by a group or team, their performance is better perceived in organizational terms. Campbell, McCloy, Oppler, and Sager (1993) clarifies the notion of organizational performance

that this stated with the Management by Objectives (MBO) school of thought that emphasizes that performance standards are measured along tasks and Key Result Areas (KRAs).

With regard to SACCOs, their performance is perceived in financially and non-financially as increase in number of loans issues, capital base, profitability, non-financial services delivery and growth in the number of members (Nzotta, 2004). Financial performance of a SACCOs is measuring its objectives and achievements in monetary terms. Financial performance among SACCO is a subjective measure of how well the enterprise can use its assets from its primary mode of business and generate revenues (Nuwagaba, 2012). Furthermore, this term is used as a general measure of the overall financial state over a given period of time. Some of the key indicators of the financial performance of a SACCO is the increased loan portfolio and quick processing of loans (Nzotta, 2004). The performance of a SACCO can also be indicated by the sustained increase in members. Purposely, SACCO performance here was perceived as the ability to operate efficiently through faster loan processing, portfolio growth and easy increase in number of members.

2.2.3. Financial management practices

Financial management is the pillar of the effectiveness of SACCOs (Muriithi, & Omagwa, 2018). Financial management is the center to the success of any business and inefficient financial management, leads business enterprises to serious problems (Lakew & Rao, 2014). According to Nuwagaba (2012) careless financial management practices are the main cause of failure for business enterprises. Regardless of whether it is an owner-manager or hired-manager, if the financial decisions are wrong, profitability of the company will be adversely affected.

Consequently, a business organization's profitability could be damaged because of inefficient financial management. Nzotta (2004) argued that financial management helps to improve the profitability position of business organizations with the help of strong financial control devices such as budgetary control, ratio analysis and CVP analysis.

Alfred (2011) argued that financial management practices involve good financial stewardship. Financial stewardship is doing routine financial decision-making based on sound business practices. Mudibo (2005) and Nyamugabwa (2019) had an observation that financial stewardship should be keen on major financial decisions like on cash management, credit risk management through efficient loan and assets management and prudent financial planning. Credit risk management refers to the systems, procedures and controls which a SACCO puts in place to ensure the efficient collection of customer payments and minimize the risk of non-payment (Nzotta, 2004). Financial planning is ensuring that an organization has the necessary financial resources to achieve its objectives. Hence, financial management practices in this study was taken to be; what the enterprise does to increase its wealth, sustain its value and satisfy the shareholders' demands. This included practices such as responsible updating of accounts, ensuring correctness of accounts, advance planning and reporting to members.

2.3 Empirical review of Literature

2.3.1 Cash management and performance of SACCOs

Cash management involves ensuring that the working capital, assets and liabilities are well controlled and coordinated to achieve the objectives of the organization (Mutya, 2018). The most important financial resources for SACCOs involves managing assets such as cash, accounts

receivable, inventories, fixed assets, and investments in other organizations. According to Muriithi and Omagwa (2018) the major capital of SACCOs is the members' savings, loans from commercial banks and funds given by central government to support the start of the enterprise.

Anania and Gikuri (2015) add that the security that is given by members as they get loans, and the labour provided by members who have technical skills are important assets for SACCOs. Hence to achieve their objectives, SACCOs need to have a system of collecting, managing, processing and retrieving this information. This financial information is used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), and auditors and regulatory and tax agencies to provide the needed support by SACCOs. Studies (Bushman & Smith, 2001; Kieu, 2004) show that SACCOs that have accounting Information System (AIS) have better Cash management.

A study by Adero and Oluoch (2017) showed that a good accounting and record keeping enables effective management of funds by SACCOs which builds trust of the members in the organizations. Another study by Wambui (2016) revealed that SACCOs that used AIS were able to have financial and statistical reports that are timely and accurate for internal management decision-making, and useful to external parties such as creditors and investors. This subsequently increased the amount of saving and loans given out by these enterprises. However, Adero and Oluoch (2017) cited poor cash management, accounting systems and record keeping as affecting effective Cash management in SACCOs.

A study by Anania and Gikuri (2015) done among SACCOS in Kenya showed that SACCOS had a tendency of ignoring good accounting such as such as keeping up-to-date records and making timely, correct and complete records. In another study done in Tanzania it was discovered that most SACCOs did not have skilled and educated accounts staffs that have capacity of doing standard accounting works (Mutya & Josephie, 2018). They use volunteers who had no adequate knowledge in accounting; as a result, they were not able to do good management of liquidity. This affected the performance of these SACCOs and most of them collapsed. Hence effective cash management is the wheel to the performance of SACCOs.

However, it was not clear whether SACCOs in Nakawa division, had cash management systems and qualified account staff and whether they used to provide good direction to the performance of these enterprises. The purpose of cash management in these enterprises was to achieve the appropriate level and structure of cash, and marketable securities, consistent with the nature of the business's operations and objectives (Brigham, Gapenski, and Dave, 1999).

Nyabwanga (2011) asserts in his study, cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2004). Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (as cited in Ross & Odambu, 2008) there is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold. As Nyabwanga (2011) asserts, setting up of cash balance policy ensures prudent cash budgeting and investment of surplus cash.

According to Ahimbisibwe (2009) in his study on financial practice as a determinant of growth of SACCOs wealth content, it was discovered that growth of SACCO wealth depended on financial stewardship, capital structure and funds allocation strategy. Both studies did not address the issue of cash management, loan repayment and investment on non-core activities which the current study tries to address (Duncan & Omete, 2015).

2.3.2 Credit risk management and performance of SACCOs

One of the key roles of SACCOs is to receive deposits from members, cumulate them and then give them out as capital on a small interest to meet the financial needs of recipients and at the same time make some profits (Kantengwa, 2009). This is what is called the loan fund. This means that the loan portfolio is the largest asset and the predominant source of revenue for SACCOs (Muriithi & Omagwa, 2018). When a SACCO grants credit to its customers, it incurs the risk of nonpayment. Credit risk or default risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions (Richardson, 2002).

Many small businesses have neither the resources nor the expertise to operate a sound credit management system (Birungi, 2014). Therefore, as small money management and lending institutions, SACCOs have high exposure to credit risk which is the risk that borrowers are unable to pay or risk of delayed payments as well as operational risks. Therefore, this poses as one of the greatest sources of risk to a SACCO's sustainability. The management of the SACCO must have and implement policies, processes, and practices to control the risks of individual

loans and portfolios (Odhiambo, 2012). Risk management should be a dynamic process that should be developed during normal times and tested at the wake of risk. It requires careful planning and commitment on part of all stakeholders.

According to Mutya (2018) credit risk arises whenever a lender is exposed to loss from a borrower or counterparty who fails to honour their contracted debt obligation, as agreed, in a timely manner. Hence, the biggest risk for SACCOs is lending money and not getting it back. Credit risk is a particular concern for SACCOs because most of their lending is unsecured that is, traditional collateral is not often used to secure microloans (The Uganda Debt Network, 2019). The people covered are those who cannot avail credit from banks and such other financial institutions due to the lack of the ability to provide guarantee or security against the money borrowed (Nuwagaba, 2012). Therefore, Wambui (2016) shows that SACCOs must have sound loan management that entails the identification of existing and potential risks inherent in lending activities. Hence sound loan management is a prerequisite for the stability and continuing profitability of SACCOs, while deteriorating credit quality is the most frequent cause of poor financial performance and condition. According to Buwule and Mirembe (2017) in SACCOs that had collapsed in Uganda, the majority had bad debts due to relaxed credit standards. They had delays in collecting cash from debtors as they fell and it increased bad debts affecting customer relations. Among SACCOs if loan payment is made late, then profitability is eroded and if payment is not made at all, then a total loss is incurred.

Karagu & Okibo (2014) had a study geared towards finding the financial factors influencing performance of SACCOs in Kenya. This established that majority of SACCOs had challenges of

loan default. It therefore recommended that Sacco's should put in place loan recovery strategies and introduce collateral securities as a way of eliminating or reducing loan defaulting.

To control credit risks, SACCOs are required to ensure that they follow standard lending practices (Basel, 2013). However, this has been a challenge to most SACCOs in Africa. In a study by Anania and Gikuri (2015) it was discovered that leaders SACCOs had a tendency to ignore standard lending policies and procedures and issue loans without recording the borrowers' details. In a study by Tucker and Miles (2004) it was discovered that SACCOs were over lending to members even if their savings do not enable them to do so. Hence, failure to maintain good quality of loan books lead into delinquency risk, credit risk and payment default risk.

SACCOs in Uganda must, therefore, ensure that they minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders (Turyahebya, 2013). On that basis, it is simply good business to put credit management at the front end by managing strategically even though some well-constructed loans may develop problems due to unforeseen circumstances on the part of the borrower; however, SACCO managers must endeavour to protect loans by every means possible in order to preserve their performance (Birungi, 2014). SACCOs must have good loan portfolio managers, who can prudently approve loans and carefully monitor loan performance (Nuwagaba, 2012). Therefore, there was need to find out if credit risk management in SACCOs in Nakawa division was good enough to ensure effective loan management.

2.3.3 Financial Planning and performance of SACCOs

Financial planning is a process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of an organization (Cheruiyot, Namusonge, & Sakwa, 2018). SACCOs need both short-term and long-term planning to ensure that they achieve their operational and strategic goals. The short-term financial plans are operational and are visualized in one period – from one to two years (Muriithi & Omagwa, 2018). The long-term financial plans are strategic and serve as script in the preparation of the short-term financial plans. The long-term plans go from two to ten years. According to Mutya (2019), financial planning helps the SACCOs in reducing the uncertainties or risks which can be a hindrance to sustainability. This helps in ensuring stability and profitability of the enterprise. In general, respondents financial planning is achieved by making a financial plan. A financial plan is a budget or plan for spending and saving future income (Karagu & Okibo, 2014).

Buwule and Mirembe (2017) argue that a financial plan helps SACCOs to measure the results of its policies and operations in monetary terms. A good financial plan for SACCOs, ensure that they avoid Poor controls, audit trails leading to limited risks and liability. Following a financial plan avoids wastage and extravagant spending, and loss of resources through possible fraud, irregularity or improper spending (Bushman &Smith, 2001).

Muriithi and Omagwa (2018) state that budgets are important tools of financial management employed to direct and control the affairs of SACCOs. In a recent study by Anania and Gikuri (2015) it was discovered that SACCOs that made and followed their budget were able to maintain fiscal discipline, attain allocation efficiency and operational, and technical efficiency.

They also investigated whether budgeting as an element of financial planning has an impact on the financial performance of SMEs in Kenya. The results of the study indicated that the financial planning lead to a strong relationship with organizational performance of the enterprises. Hence, the success of any business depends on the manner the financial plans are formulated and implemented (Muriithi & Omagwa, 2018).

Muia and Simon (2008) carried out another study sought to establish effect of financial management practices on financial performance of Saccos in Mombasa County, Kenya. In this study, it was revealed that financial planning was one of the key determinants for SACCO profitability but not always given priority. Sacco members were not for this financial planning decision. On addition to the above, Duncan & Omete (2015) also examined the relationship between financial planning and performance of commercial oriented public service organizations in Kenya. The study established existence of a relationship between focusing on organization objectives, allocation of resources, risk management and financial performance. This study revealed that less SACCOs could actually have well laid financial plans but focused on cash management. This leaves a gap to assess the relevance of financial planning in SACCO performance.

Karagu & Okibo (2014) in their study geared towards finding the financial factors influencing performance of SACCOs in Kenya found that funds misappropriation influences performance of Sacco's. The study concluded that Sacco's need to improve on their internal audit department and other internal control measures. It also established that financially planned investment decisions made by Sacco's influence their performance. It was also found that Sacco's should

put in place loan recovery strategies and introduce collateral securities as a way of eliminating or reducing loan defaulting.

Studies from other organizations show that financial planning is the key to the success of any organization or business, since it enables managers to forecast the future and prepare for any changes or conditions. Relating this to Uganda, it was not clear whether and how SACCOs did their financial planning. There were questions on whether SACCOs had the skills and manpower for monitoring, controlling and evaluation of various activities in their palms. A study was needed to establish these facts.

2.4 Summary of Literature Review and Gaps

The literature review in this chapter had indicated that effective cash management policies on holding and maintaining relevant cash levels in an enterprise such as a SACCO can increase the needed operational cash and enable it give quick and good loans, which enhances members' growth. The management of credit risk by identification, assessment and control of credit can reduce bad loans and losses for enterprises, thus enhancing profits. Financial planning could enable the enterprise to achieve financial stability and sustainability. However, some gaps in relation to financial management practice and performance of SACCOs were identified in the review.

Literature did not consider deficiency in financial management skills and specific financial management practices for SACCOs. Also, the mechanisms for financial planning and regulation of activities like cash and credit management in SACCOs had not been clearly pointed out.

Finally, the likelihood for Sacco's managers to perform better under self-regulation was neglected. These issues needed to be explored so as to establish how they were likely to affect the performance of SACCOs in Nakawa division.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter presents, describes, and justifies the appropriateness of the procedures and processes that were followed in conducting this research. The research paradigm, design, sampling techniques, data collection instruments and procedures are described and justified. This section also explains data management and analysis techniques.

3.1 Research design

A mixed method research design was used for this study. According to Flick (2014) a mixed method research design places emphasis on understanding the research problem and answering the question using suitable approaches, which was the intention of this study. Therefore, as recommended by Auriacombe and Mouton (2007) any research techniques and procedures that would best meet this purpose were appropriate. Both qualitative and quantitative research components were used. Quantitative data analysis methods were used to measure and analyse causal relationships between the independent and dependent variables (Pandey & Pandey, 2015). On the other hand, qualitative methods were used to bring in the diversity of views from key informants. This brought into the study the voice of study participants and ensured that the findings were grounded in participants' experiences. The study targeted information from a variety of respondents with the aim of having accurate contextualised information.

3.2 Study and target population

The population for this study was SACCOs located in Nakawa division of KCCA. According to KCCA (2018) Nakawa division has 74 SACCOs under the supervision of the authority. The study targeted all the 74 enterprises in the area. The unit of analysis was SACCO performance while the unit of inquiry was the SACCO managers, accounts and loan officers. Hence the major focus of this study was the informants in the managerial position of the SACCO. This was because they are the ones who ran the enterprises and therefore understand well the financial and performance issues of the enterprises.

3.3 Sample size and sampling techniques

3.3.1 Quantitative sample

Krejcie and Morgan (1970) sample determination table was used to determine the sample size. According to Krejcie and Morgan (1970) for a population of 74, 63 is a representative sample. Therefore, the total numbers of SACCOs that were selected to participate in the study was 63 enterprises. Simple random sampling was used to select SACCOs that participated in the study. Simple random sampling was utilized in order to give equal chances to all SACCOs in the area be selected so as to reduce the bias when collecting data and also increase the validity of the results. Out of the 63 SACCOs that were targeted, 54 enterprises actually participated in the study. Therefore, the actual number of enterprises that participated in the study was 54 and a total of 105 respondents completed the questionnaires.

3.3.2 Qualitative sample

The qualitative sample consisted of KCCA officers responsible for supervising SACCOs in Nakawa division and officers from the Uganda micro finance support centre, a central

government department in charge of providing support services to these enterprises. These respondents were selected purposively basing on their good understanding of the financial management and performance issues facing SACCOs (Sekaran, 2009). The sample size for this category of respondents was determined using saturation. According to Trochim (2006) data saturation is when data is collected from the sample until no new information is being collected. The researcher then stops the process of data collection at that point. Respondents from which data has been collected make the sample size (Ary & Razavieh, 2002). A total of 6 key informants participated in the study. They included 4 KCCA officers in charge of business development of Small business organizations (SBOs) and 2 senior officers from the Microfinance Support Centre (MSC). The KCCA officers included 2 Nakawa division commercial managers and 2 commercial agents. The officers from MSC were co-coordinating Officers in charge of Kampala Area.

Data was obtained from primary sources. This was because the study had to involve original data that would be backed up with other source documents. This was needed due to the fact that reliable data must have reliable information to its support (Auriacombe, & Mouton, 2007). Information on financial management practices of SACCOs and how this had affected the achievement of their performance goals was collected.

Table 3.1: Summary of Sample Determination

Target Population	Target Sample	Actual Sample	Number of respondents	Sampling Technique
74 SACCOs*	63 SACCOs**	54	105	Simple Random
6*	6**	6	6	Purposive
TOTAL			111	

* *KCCA (2018) Records*

** *Krejcie and Morgan (1970) sample determination table*

Source: Primary Data 2019

According to the table above, the targeted sample was 63 SACCOs but only 54 SACCOs were used constituting a response rate of 85.7%.

3.4 Data collection methods

According to Lavrakas (2008) data collection techniques allow researchers to systematically collect research data. Survey methods were used to collect data. A survey method is a research method involving use of standardized instruments in collecting data (Curtis, 2008). A survey was adopted because the study involved a large number of respondents, who were targeted as individuals (Flick, 2014). Quantitative data was collected using questionnaires and qualitative data using interviews. Oral interviews were used. Questions were asked face to face with key informants using open ended questions with the aim of getting information and responses written down for analysis. The motivation for using oral interviews in this study was that, they enable direct interaction between the interviewer and the participants. Also, more information is collected and correct data is obtained as feedback is given immediately and clarification is made where necessary (Amin, 2005).

3.5 Data collection instruments

The data was collected using two instruments, interview guides and questionnaires.

3.5.1 Structured questionnaire

A structured self-administered questionnaire was used to collect quantitative data. After being briefed the respondents were given a structured questionnaire to complete. Structured questionnaires were used because they enable the researcher to collect specific data.

Questionnaires also gave time to respondents to reflect on answers to avoid hasty responses, in order to enhance the accuracy of the data that was collected (Mugenda & Mugenda, 1999).

As advised by Hair, Bush and Ortinau (2000) the questionnaire had items derived from the study objectives and Likert scale responses. The respondents ticked the responses that best described the study variables. Section A of the questionnaire provided profile information of the respondents and the enterprises. Section B measured the independent variable, financial management practices and section C measured the performance of SACCOs.

3.5.2 Interview guide

An in-depth oral interview was conducted using the interview guide. This was used to ensure that reliable qualitative information was gathered because it facilitates a deeper investigation into the topic under study and collection of accurate information from the respondents who were selected to participate as key informants due their wealth of experience and knowledge (Flick, 2014).

3.6 Quality control of instruments

Quality Control is done to ensure that instruments collect data based on the study purpose and objectives (Curtis, 2008).

3.6.1 Validity of instruments

The instruments were first tested to ensure their face and content validity. Validity is the extent to which the research results are related to the study variables (Curtis, 2008). Good validity implies that there is a significant causal relationship between variables and results. To ensure validity, item interpretation and consistency were analyzed. The questions found vague were

eliminated or rephrased. Any ambiguities, misunderstanding and inadequacies were eliminated (Amin, 2005). With regard to face validity the words that were used in the instruments were simple, clear and related to the research problem.

A content validity test was used to establish the validity of the instruments. The content validity index was measured using the formula: Content validity index (CVI) = Number of items declared valid/Total number of items. The results showed that the average content validity index for the ‘questionnaire was 0.83. The content validity for the interview guide was 0.85. As recommended by Ary, Jacobs, & Ravzavieh (2002) and Amin (2005) the CVIs for all the instruments were above 0.7 a value recommended for research instruments.

3.6.2 Reliability

A Cronbach’s alpha coefficient test of reliability was used to establish reliability of the questionnaire. The higher the coefficients, the more reliable the instrument. The instrument was taken to be reliable, if it had a minimum coefficient of 0.5 (Mugenda & Mugenda, 2003).

The pilot sample for establishing the reliability of the questionnaire was 12 respondents from SACCOs in Nakawa division. The results are presented in Table 3.2

Table 3.2: Reliability coefficients (Cronbach’s alphas) for the questionnaire

Variable	No. of items	Alpha (α)
Cash management	8	.759
Credit risk management	8	.701
Financial planning	8	.734
SACCO Performance	8	.849

Source: Pilot data from the field 2020

The sub scale values were; cash management=.759, credit risk management=.701, financial planning = .734, and SACCO Performance = .849. Therefore, the instrument was reliable enough for this study.

3.7 Data collection procedure

Using the authority letter from the university, the researcher introduced himself to the administrative officers of SACCOs. He explained the purpose of the research and its benefits and requested for permission to sample respondents. On meeting the target respondents, the researcher assured them of confidentiality in relation to the information they provided. Respondents who completed questionnaires were requested to provide written consent by signing the consent form. A self-administered questionnaire was given to the respondents with the help of research assistants in order to obtain quantitative data. After administration of questionnaires, the researcher retrieved the questionnaires after 2 days and checked for completeness of all answers. The questionnaires were then arranged for data analysis.

Interviews were done a week after the collection of questionnaires. All interviews were carried out at the official locations of key informants and during the time of convenience of the respondents (Flick, 2014). One research assistant was used to collect interview data. The Assistant was first trained for one week on the researcher question and techniques of effective interviewing. This person accompanied the research during the pilot phase to ensure that he/she fully understood the research questions, was able to use effective interview techniques so as to collect reliable data.

3.8 Measurement of variables

In relation to quantitative data, the variables were measured using adapted instruments from earlier studies. Instruments were adapted in order to conform to the socio-economic environments of SACCOs (Curtis, 2008). This was important because the available instruments had been used in western and Asian countries, environments that were slightly different from the research area (Wambui, 2016; Muriithi & Omagwa, 2018; Kieu, 2004). A five-point Likert scale was used to measure cash management, credit risk management, financial planning practices and SACCO performance. The responses were measured on the five-point scale on which 1 represented ‘strongly disagree’ and 5 ‘strongly agree’.

3.9 Data management, processing and analysis

This section presents how data was managed, processed and analysed.

3.9.1 Data management

With regard to qualitative data, it was transcribed and then coded so that general descriptive statements were obtained. The coding process was guided by the techniques of Creswell (2014) whereby open, axial and selective coding was done. Concepts were classified according to their probable causes and effects. The researcher then established why something was said, which subsequently led to understanding respondents’ perceptions of issues.

3.9.2 Data processing and analysis

A number of assumptions for regression analysis to be conducted were satisfied (normality and multi-collinearity tests) to ensure valid results.

Table 3.3: Tests of Normality

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Cash Management	105	3.3405	.63134	-.344	.236	-.500	.467
Credit Risk management	105	3.2321	.65008	.005	.236	-.729	.467
Financial Planning	105	3.1619	.64881	-.134	.236	-.523	.467
SACCO Performance	105	3.2524	.77405	-.052	.236	-1.217	.467
Valid N (listwise)	105						

Source: Primary Data 2020

Basing on the results in Table 3.3, the Skewness and Kurtosis for the different study variables had a Skewness between -1 and 1 as well Kurtosis between -2 and 2 which reflects that the data was normally distributed.

Multi-collinearity tests were also carried out to test for collinearity of the independent variables used in the study. Collinearity occurs when two or more independent variables used in the study are highly correlated with each other (Hair, Ringle, & Sarstedt, 2013). Multi-collinearity was assessed by computing the Variance Inflation Factor (VIF), which measures how much the variance of a regression coefficient is inflated due to multicollinearity in the model (Hair et al., 2013)

Table 3.4: Collinearity diagnostics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Cash Management	.844	1.185
	Credit Risk Management	.792	1.263
	Financial Planning	.699	1.430

Source: Primary Data 2020

The results in Table 3.4 revealed that the independent variables (Cash management, Credit risk management, and Financial Planning) were not highly correlated since the Variance Inflation Factor (VIF) was below the threshold of 5.

3.9.3 Quantitative data analysis

Returned questionnaires were edited, cleaned and coded and thereafter data entered into the computer and analyzed using SPSS version 25/26 statistical software. Quantitative data analysis was done at univariate and bivariate levels. Analysis at univariate level was based on descriptive statistics, specifically frequencies, percentages, the mean and standard deviation. The mean scores for the three variables, the mean response rates and their standard deviations were calculated.

At the bivariate level, linear regression was done. Simple regression analysis was done to establish the effect and contribution that financial management practices made on the

organizational performance of SACCOs. Regression analysis was used to show the effect of the Independent on the dependent variable.

The effect was estimated using simple regression line of; $Y = b_0 + b_1X_1 + b_2X_2 + \dots$; Where;

Y=Dependent Variable (Performance of SACCOs), X=Explanatory Variables (Cash, Credit risk management, financial planning), b_1 = Slope of gradient (regression Coefficient), b_0 = intercept (value of Y when X is Zero) (constant).

3.9.4 Qualitative data analysis

Data was examined and classified under themes derived from the objectives. Clusters of text (verbatim) with similar meaning were presented together and analysed in relation to the study (Mugenda, 2005). The intensity and frequency with which certain ideas are mentioned was ascertained. The reasoning and meaning behind the ideas was established (Curtis, 2008). This led to understanding the respondents' perceptions and beliefs regarding the research questions. The frequency of concepts showed the measure of direction or bias in data interpretation (Trochim, 2006). The researcher then identified patterns through a rigorous process of data familiarization, theme development and revision. Following Mugenda and Mugenda (1999) guidelines, the researcher's interest was to analyze information in a systematic manner so as to come up with meaningful conclusions and recommendations.

3.10 Ethical Consideration

The researcher diligently ensured that this research is conducted with integrity, honesty and truthfulness. The ethical considerations laid down by Kyambogo University and SACCOs were fully complied with. Basing on the recommendations of Cooper and Schindler (2010) the

procedures underlying social science research ethics were followed during data collection. The specific ethical standards that were considered are discussed in detail below.

First, participation in the research was voluntary, and research participants had the right to decline participation. Therefore, before distributing the study questionnaires to respondents, the researcher sought for consent from respondents, explained the purpose of the study and assured them of confidentiality. In addition, the researcher discussed the intended data collection period with subjects before giving them questionnaires to complete.

Unauthorized disclosure of study findings sometimes damages the esteem and reputation of subjects. However, the researcher addressed this by restricting its accessibility to only authorized persons with need to know, hence confidentiality ensured.

Further, the respondents were adequately informed before the research commenced regarding how they would be treated throughout the research, how risks would be managed and the benefits of participating in this study. Respondents were given adequate time to reflect on the information they provided so as to minimize coercion and undue effect.

3.11 Limitations of the study

Although the research results make a great contribution to the body of knowledge, there are some limitations to their application. As the limitation of questionnaires and interviews, they were restricted by time and respondents' attitudes. Some respondents had a tendency to hide information to make them feel safer. This was more evident during the interviews sessions.

However, the researcher assured them that data would only be used for research purposes and would be treated confidentially. This motivated respondents to provide more detailed information. Some respondents had missed the objectivity of the questions and had a tendency to answer in a wrong way, which made it more difficult to gain more useful information. However, respondents were encouraged to carefully respond to all items as the information would be used to improve their company's sales performance and probably their remuneration.

The data used in the study was of a snapshot nature that examined a particular phenomenon at a particular time (Saunders, Lewis & Thornhill, 2009). But the information given was valid and reliable hence useful in answering the research question.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF THE STUDY FINDINGS

4.0. Introduction

This chapter presents and interprets the findings of the study which examined the effect of cash management, credit risk management, financial planning on SACCO Performance among SACCOs in Nakawa division. The descriptive statistics of mean and standard deviations are presented. Pearson correlation and simple linear and multiple regression analyses are presented.

4.1. Characteristics of enterprises and respondents

In the study, the information of the enterprises and respondents is presented.

4.1.1. Profile of enterprises

The respondents gave information on about the enterprises. This information is summarized in the table below.

Table 4.1: Loans given, sources of capital, years in existence and nature of management

Variable		Frequencies/ Percentages	
Loans given out	Category	Frequency	%
	Commercial loans	4	3.8
	SME development loans	62	59.0
	Personal loans	20	19.0
	All types of loans	19	18.2
Sources of operation capital	Members' savings	59	56.2
	Microfinance support Centre (MSC)	8	7.6
	Commercials banks	38	36.2
Years SACCO has spent in existence	=<3 years	30	28.6
	4-7 years	53	50.5
	8-11 years	14	13.3
	=>12 years	8	7.6
Number of staff	0-4	87	82.9
	5-9	17	16.2
	=>11	1	1
Nature of management	SACCO owners	87	82.9
	Hired professionals	18	17.1

n=105**Source: Primary data, 2020****Type of Loans given out**

The respondents were asked to indicate the type of loans given out by their enterprise. The results in Table 4.1 show that, majority (59.0%) gave out SME development loans, followed by 19.0% who gave out personal loans, and 18.1% who gave out all types of loans and finally by 0.4% who gave out commercial loans. This implies that loans were mainly for SME development.

Sources of operation capital

The respondents were asked to indicate the sources of their operations capital. This was done to establish whether they got any support from government and the extent to which they needed to have very good financial management practices. The findings in Table 4. 1 revealed that most (56.2%) of the respondents got their capital from members savings, 36.2% from commercial banks and only 7.6 % of the enterprise got capital form the Microfinance support centre. This implies that the source of capital used within the SACCOs was from members' savings and commercial banks.

Years SACCO has been in existence

Respondents were asked to give the number of years their enterprise has been in existence. This was done to ascertain the level of experience the enterprises had in SACCO operations. The results in Table 4.1 show that the majority (50.5%) mention 4- 7 years, 28.6% said 3 years and below, 13.3% mentioned 8- 11 years and 7.6% mentioned 12years and above. Generally, most of the enterprises that provided information had been in SACCO operations long enough and so had a good understanding of the issues affecting these enterprises in Uganda.

Number of Staff employed by SACCOS

The majority (82.9%) of SACCOs included in the study employed 0-4 people, 16.2% has between 5-9 people and only 1% of them had over 11 employees. Generally, most of the SACCOs employed less than five people.

Nature of management

As indicated in Table 4.1 the majority (82.8%) were managed by their owners and only 17.2% were able to hire professional management. This implies that majority of SACCOS are managed by their owners and few of them hire professionals.

4.1.2. Profile of respondents

The respondents were asked to indicate their gender, age, designation and work tenure.

Table 4.2: Gender, Age, Designation and Tenure

Variable		Percentages	
Gender	Category	Frequency	%
	Male	43	40.9
	Female	62	59.1
Age	21-30 years	3	2.8
	31-40years	32	30.5
	41-50years	47	44.8
	51-60 years	18	17.1
	Above 60 Years	5	4.8
Designation	Administrator	5	4.8
	Accounts	64	61.0
	Auditor	6	5.7
	Loans officer	30	28.6
Tenure in SACCOS	3 Years and below	38	36.2
	4-7	50	47.6
	8-11	14	13.3
	12-15	3	2.9

n=105

Source: Primary data from the field, 2020

Gender of respondents

The results in Table 4.2 above show that the majority (59.1%) were female and the rest (40.9 %) were male. This implies that the study was gender sensitive

Age category of respondents

Table 4.2 show that a bigger percentage of respondents were aged 41-50 years (44.8%), followed by 30.5% who were aged 31-40 years. Other respondents were aged 51-60 years (17.1%), 60 years and above (4.8 %) and 21- 30 years (2.8%). This implies that majority of the respondents were aged above 36 years and so were mature enough to understand issues that were being investigated.

Designation of respondents

The respondents also indicated their roles in the enterprise. In the table above, it is shown that the majority (61.0%) were working in the accounts section, 28.6% were loans officers, 5.7% were auditors and the rest (4.8%) were administrators. Therefore, this implies that majority of respondents were directly dealing with the financial issues of the SACCOs and so had a good knowledge of these issues.

Tenure in SACCOs

Respondents were also asked to indicate the number of years they had worked in SACCOs. Table 4.2 above shows that a bigger percentage (47.6%) had spent 4-7 years in SACCOs, 36.2% had spent 3 years and below, 13.3% had spent 8-11years, 2.9 % had spent 12-15years, while none had spent 16 years and above in SACCOs. This therefore implies that a bigger percentage

of respondents had worked in SACCOs long enough and they had a good understanding of their working environment.

4.2. Descriptive statistics

4.2.1. Descriptive statistics on cash management

The status of cash management among SACCOs was explored first. The respondents indicated the extent to which they agreed with each of the 8 statements on effective cash management by SACCOs. The items related to the extent to what is done to maintain efficient levels of funds and liquid assets. The more the items on which respondents generally agreed, the higher the level of Cash management. The findings are presented in Table 4.4.

Table 4.3: Mean responses and standard deviation on cash management

Aspect	Mean	Std. Deviation
Maintaining optimal cash at hand to do its operations	2.9619	1.16787
Having adequate liquid assets	2.8095	1.46166
Ensuring liabilities don't exceed value of assets	3.4762	1.03863
Members saving used only for intended purpose	3.4571	1.13535
Specific cash handling policies and procs followed	3.7333	1.04022
Funds given by CG used only to support enterprise growth	2.962	1.1345
Use modern accounting info	3.5714	1.06389
Uses skilled accounting staff	3.7524	.90703

n=105

Source: Primary data from the field (2020)

Regarding the issue of the SACCO always maintaining optimal cash at hand to do its operations, the findings in Table 4.3 above show that respondents disagreed (mean response = 2.96, SD= 1.17). As far as the SACCO always having adequate liquid assets, the respondents disagreed (mean response =2.81, SD= 1.46). With regard to the issue of ensuring that liabilities do not exceed value of assets, this was averagely done (mean response = 3.48, SD= 1.04). In relation to ensuring that members' savings are used only for their intended purpose, this was averagely agreed (mean response =3.46, SD= 1.14)

The findings in Table 4.3 further revealed that respondents had an average response (mean response = 3.73, SD = 1.04) regarding whether SACCO ensures that specific cash handling policies and procedures are followed. With regard to using funds given by central government only to support the growth of the enterprise, the respondents disagreed (mean response = 2.96, SD = 1.13). In relation to using modern Accounting Information System (AIS) to maintain correct and complete cash, this was fairly done (mean response = 3.57, SD = 1.01) and respondents averagely agreed to using skilled accounting staff with the capacity to do standard accounting works (mean response = 3.7, SD = 0.91). The findings generally show that SACCOs had modest cash handling practices, but had challenges in efficient cash utilization.

Interviews with key informants generally agreed with the views of respondents in the quantitative findings. The informants revealed that poor cash utilization was negatively affecting service delivery in SACCOS. Informant KI01 intimated that;

“The majority of clients of SACCOS tend to come from low income groups and this makes it difficult for these enterprises to cover operating costs”. Informant KI03 added that, *“a big percentage of SACCOS in the area also depend so much on funding from commercial banks for their operating capital”* which is expensive to service. An informant from MSC, KI06 added that *“a number of SACCOS had closed due to limited financial resources to service the needs of their clients due to spending much on servicing loans from commercial banks”.*

Hence members’ contributions were not enough to serve the cash needs of SACCOS and borrowing from commercial banks and MSC at high interest rates made it difficult for these enterprises to have adequate operations capital. This led to most SACCOS not following policies and procedures while giving out loans, sometimes giving out loans that are much more than the agreed upon amount, yet they did not have strong recovery plans.

Informant KI06 said that *“SACCOS that have been able to manage their finances have stood the test of time”* while those which have failed have either *“collapsed in their first years or stagnated with minimal growth”.* Informant KI05 added that *“In enterprises where managers play their administrative roles in managing cash at hand and cash available for members”, they are able to have surplus money available, for any eventualities.”*

4.2.2. Descriptive statistics on credit risk management

The status of Credit risk management among SACCOs was explored first. The respondents indicated the extent to which they agreed with each of the 8 statements on effective credit risk management by SACCOs. The items related to what is done to ensure prudent approval of loans and management of loan performance. The more the items on which respondents generally agreed, the higher the level of credit risk management. The findings are presented in Table 4.6.

Table 4.4: Mean responses and standard deviation on Credit Risk management

Aspect	Mean	Std. Deviation
Cash collected on due date	2.5238	1.51337
Follows standard lending practices	3.1619	.81008
Loans issued only after recoding details	3.2095	1.04417
Money lent only when savings can enable	2.7905	1.11541
Maintaining good quality loan books	3.7429	1.06544
Inculcating client discipline	3.1619	1.20195
Skilled loan managers approving loans	3.5143	1.27938
Only skilled loan managers monitor loan performance	3.7524	1.09000

n=105

Source: Primary data from the field (2020)

The findings from respondents in table 4.4 above show that with regard ensuring that cash is collected from debtors on the due date, respondents disagreed (mean response = 2.53, SD= 1.51) and had an average response to whether the SACCO follows standard lending practices (mean response = 3.16, SD= 0.81) and issues loans only after recording relevant borrowers' details

(mean response = 3.21, SD= 1.04). It was also found out that respondents disagreed on the SACCO lending out money only when savings can enable it do so (mean response = 2.79, SD= 1.12) and inculcating client discipline to avoid bad loans averagely done (mean response = 3.16, SD= 1.20).

Furthermore, maintaining good quality of loan books was average (mean response = 3.74, SD= 1.07) just as using skilled loan managers to always prudently approving loans (mean response = 3.51, SD= 1.28) and using only skilled loan managers carefully monitoring loan performance (Mean response = 3.75, SD= 1.09). Therefore, the findings show that SACCOs had modest loan approval practices but had problems with management of loan performance.

Interviews with key informants revealed that SACCOs had difficulties in managing loan performance, which has led to a big number of defaults. Informant KI06 intimated that “*most SACCOs did not have a risk limit. The accountants and loan officers often give out loans as they please*”. Informant KI 02 added that “*SACCOs did not have a system of continuously monitoring the activities of loans officers*”. This contributed to most SACCOs having many unpaid loans. Informant KI02 summarized this problem when he said that “*the majority of SACCOs did not have training in risk management*“, so they were not able to anticipate risks, since what mattered to them is having many loans given out and a large number of members.

Informant KI04 revealed that “*SACCOs that were doing well advising the borrowers on what amount to borrow, how effectively to use that money, what business to invest in and when*” and they had very few default rates. So therefore, SACCOs which trained their members on effective

use of borrowed money had positive growth, increased frequency of loans taken by members, and increased profits.

4.2.3. Descriptive statistics on financial planning

The status of financial planning among SACCOs was explored first. The respondents indicated the extent to which they agreed with each of the 8 statements on effective financial planning by SACCOs. The items related to preparing for future financial needs and control financial resources to meet financial performance goals. Table 4.8 below gives the descriptive statistics of financial planning measures.

Table 4.5: Mean responses and standard deviation and on financial planning

Aspect	N	Mean	Std. Deviation
Regular forecast for future financial need done	105	2.9238	1.51083
Having clear financial goals	105	2.8190	1.41272
Following a prepared budget	105	3.2190	.84331
Regular monitoring and controlling of resources	105	3.4571	1.06544
Setting financial targets to be achieved in a time bound period	105	2.9333	1.10303
Maintaining efficient distribution of resources	105	3.3714	.99283
Raising and allocation of resources	105	3.0952	1.07885
Controlling of expenditure	105	3.4762	1.11023

n=105

Source: Primary data from the field (2020)

The findings in Table 4.5 show that as far as SACCOs' doing regular forecasts for future financial needs and preparing for them is concerned, respondents disagreed (mean response =

2.92, SD= 1.51) and also disagreed to having clear financial goals(mean response = 2.82, SD= 1.41). Respondents also disagreed to setting financial targets to be achieved within a time bound period (mean response = 2.93, SD= 1.10) and raising financial resources was average (mean response = 3.10, SD= 1.08). It was further discovered that respondents were not clear to their SACCO following a prepared budget (mean response = 3.22, SD= 0.84), regularly monitoring and controlling financial resources (mean response = 3.46, SD= 1.07) and maintaining an efficient distribution of financial resources (mean response = 3.37, SD= 0.99). Respondents averagely agreed to controlling expenditures (mean response = 3.47, SD= 1.1). Hence the findings reveal that SACCOs are not doing well in the area of planning and preparing for their financial needs.

The key informants indicated that most SACCOs did not have a Planning culture, since they did not have long term goals. Informant KI05 intimated that the short-term view of most SACCOs prevented them from doing forecast of future demands of an organization and needed changes”.

Informant KI02 added that

“The growth rate of SACCOs in Nakawa division would be relatively good if they had proper financial structures that can plan for them and as well manage finances”.

Informant KI05 said that *“SACCOs in Nakawa have many members, but failure to plan had led to collapse of the enterprises”.*

This was due to the fact that members lose trust and direction of the group and thus opt to leave it.

However, informant KI02 intimated that “some SACCOs had all their activities agreed upon in members meetings and major decisions taken after consent of members were doing well”. Informant KI05 said that “*the few SACCOs that have managed to follow financial planning, have been in position to invest their surplus resources in other projects earning then profits other than interest on loans from members*”. On contrary, informant KI03 added that “*those SACCOs that have no clear financial planning goals have registered retarded growth in terms of membership and savings*”, hence affecting overall organizational performance.

4.3. Regression findings on study objectives

Regression analysis was carried out to determine the predictability potential of the independent variables on the dependent variable that’s to say, to examine the effect of cash management, credit risk management, and financial planning on performance of SACCOS in Nakawa.

The following table indicates the coefficients of the independent variables studied. These were tabulated as follows.

Table 4.6: Results of multiple regression coefficients.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.465	.363		-1.278	.204
Financial planning	.380	.098	.318	3.886	.000
Cash Management	.533	.091	.435	5.833	.000
Risk Management	.227	.092	.191	2.480	.015

4.3.1. The effect of Cash management and SACCO Performance in Nakawa Division

The model findings show that cash management has a positive and statistically significant effect on SACCO performance in Nakawa Division ($B=0.533$, $P\text{-value}<0.05$). The model findings reveal that a unit increase in cash management results into an increase in SACCO performance by 0.533.

This may imply that an improvement in cash management would lead to an improvement in the performance of SACCOs in Nakawa Division.

4.3.2. The effect of credit risk management on performance of SACCOs in Nakawa division

The model findings show that credit risk management has a positive and statistically significant effect on SACCO performance in Nakawa Division ($B=0.227$, $P\text{ value }0.000$). The model findings reveal that a unit increase in management of credit results into an increase in SACCO performance by 0.227.

This may imply that an improvement in credit risk management would lead to an improvement in the performance of SACCOs in Nakawa Division.

4.3.3. The effect of financial planning on performance of SACCOs in Nakawa division

The model findings show that financial planning has a positive and statistically significant effect on SACCO performance in Nakawa Division ($Beta =0.380$, $P\text{ value }= 0.015$). The model findings reveal that a unit increase in financial planning results into an increase in SACCO performance by 0.380.

This may imply that an improvement in financial planning would lead to an improvement in the performance of SACCOs in Nakawa Division.

Table 4.7: ANOVA findings of the model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32.780	3	10.927	37.369	.000b
	Residual	29.532	101	.292		
	Total	62.312	104			
a. Dependent Variable: SACCO Performance						
b. Predictors: (Constant), Financial Planning, Cash Management, Risk Management						

In testing the significance of the model, the P-value value obtained was 0.000 which was less than 0.05 level of significance and this indicates that the model was statistically significant in predicting the influence of the predictor variables on SACCO performance. The findings in table 4.7 above show that the model fits well the data on predictor variables and the dependent variable.

Table 4.8: Model summary results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725 ^a	.526	.512	.54074

a. Predictors: (Constant), RM, CM, FP

According to the table 4.8 above, Cash management, Credit risk management, and financial planning explain 51.2% of the total variations in SACCO performance and the remaining 48.8% of the variations are explained by other factors. This indicates that the model was a good fit, thus Cash management, Credit risk management, and financial planning significantly predict SACCO performance in Nakawa Division.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATION

5.0. Introduction

This last chapter focuses on the discussion of the study findings, conclusion and recommendations of the study.

5.1. Summary

The model findings show that cash management has a positive and statistically significant effect on SACCO performance in Nakawa Division ($B=0.533$, $P\text{-value}<0.05$). The model findings reveal that a unit increase in cash management results into an increase in SACCO performance by 0.533.

Though credit risk management had the least effect among the variables studied, it was discovered that credit risk management practices contributed a positive significant effect ($Beta = 0.227$, $P\text{ value} = 0.015$) on SACCO performance.

Financial planning emerged the second predictor with a positive significant effect ($Beta = 0.380$, $P\text{ value} 0.000$) of SACCO performance.

5.2. Discussion of findings

The study findings are discussed according to the specific objectives.

5.2.1. The effect of cash management on SACCO Performance in Nakawa Division

This effect resulted from SACCOs following cash handling procedures that ensure that members' savings are used only for their intended purpose and skilled accounting staff are in charge of SACCO cash handling and loan management.

This finding is in line with Adero and Oluoch (2017) who showed that using professional accounts staff and standard accounting procedures enables SACCOs do effective management of funds. This builds trust of the members which increases the loan portfolio and the number of members. Also, Wambui (2016) shows that having timely and accurate cash information enables SACCOs to do quick decision-making on loans that are supposed to be approved. This subsequently increases the amount of saving and loans given out by these enterprises.

However, the study revealed that SACCOs in Nakawa division had challenges in efficient cash utilization. Mutya and Josephie (2018) attribute this to lack of skilled and educated accounts staffs with the capacity of doing standard accounting works. The findings revealed that this could be a problem among SACCOs in Nakawa, since the majority of them were run by the members themselves. Interviews also showed that most of these enterprises were not able to hire professional accountants and auditors due to lack of funds.

5.2.2. The effect of credit risk management on the performance SACCOs in Nakawa division

The positive effect resulted from loan managers who always prudently approve loans, monitor loan performance and maintain clear loan records. This is in line with Odhiambo (2012) who

discovered that use of loan management policies and practices does control the risks of individual loans and portfolios, thus reducing nonpayment and bad loans. When a SACCO has a few bad loans, it is likely to have more operational capital and this increases the number of loans given out and profits. Wambui (2016) also shows that SACCOs implementing sound loan management enables a SACCO identify potential risks inherent in lending activities, which enhances the performance of loans. Good loans performance contributes to more profits and members growth.

However, descriptive results and interviews showed that SACCOs in Nakawa had challenges with the management of loan performance. According to Buwule and Mirembe (2017) this problem had contributed to collapse of many SACCOs in Uganda. SACCOs had many bad debts due to relaxed credit standards. Interviews with key informants showed that delays in collecting cash from debtors as they fell and giving loans to friends who has poor business skills increased bad debts affecting operations capital. This eroded the profitability leading to loss. This finding also agrees with Anania and Gikuri (2015) who said that when leaders in SACCOS ignore standard lending policies and procedures and issue loans to borrowers who do not qualify, the likelihood of having bad debts increase. Tucker and Miles (2004) also say that this increase delinquency risk, credit risk and payment default risk, negatively affecting profitability of the enterprise.

5.2.3. The contribution of financial planning on performance SACCOs in Nakawa division

It was revealed that preparing for future financial needs and controlling financial resources does contribute to 38.0% improvement in SACCO performance. This positive contribution resulted

from effective control of expenditures. This finding agrees with Muriithi and Omagwa, (2018) who said that good short-term financial plans help SACCOs to meet their financial obligations. However, Mutya (2019) argues SACCOs to place more emphasis on long-term strategic financial plans to help SACCOs reducing the risks and ensuring stability and profitability of the enterprise.

Interviews revealed that financial planning was still a problem in SACCOs in Nakawa division. Most of them had a short-term view of things and did little planning to sustain the enterprise. It was discovered that some enterprises had wastage and extravagant spending which led to loss of operational capital. This agrees with Bushman and Smith (2001) that lack of long-term planning increase irregularity and improper spending, leading to losses. Muriithi and Omagwa (2018) state that budgets are important tools of financial management employed to direct and control the affairs of SACCOs. Also as indicated by Anania and Gikuri (2015) many SACCOs in Nakawa were not following a budget which made it difficult for them to maintain fiscal discipline, attain allocation efficiency and operational, and technical efficiency. This scenario had contributed to some SACCOs in Nakawa being on the verge of closure.

5.3. Conclusion

Basing on the findings and discussion, it can be deduced that financial management practices of SACCOs play a very significant role in their performance. Generally implementing financial management practices in SACCOs contributes to about 51.2% increase in SACCO performance. This confirms the conceptual frame work that guided the study. Following cash handling policies and procedures that ensure that members' savings are used only for their intended purpose and

skilled accounting staff ensuring standard accounting works and loan management increases SACCO performance. Having professional and skilled loan managers who prudently approve loans, regularly monitor loan performance and maintain clear loan records positively affects SACCO performance. Controlling SACCO expenditures, with view of avoiding loses and meeting performance goals contributes to better SACCO performance.

Hence SACCOs keeping minimum capital requirements, better loan management by doing good borrower character assessment, and training as well as checking on feasibility, profitability and the capacity to repay reduces the chance of misusing the loan. Strategic long-term financial planning reduces wastage of operational capital, increase profitability and members' growth.

5.4. Recommendations

Given that the independent variables are found to be significant, there is need to strengthen cash management, credit risk management and financial management. This could be done through the following ways.

Cash management had a significant effect on SACCO performance. Therefore, SACCOs must invest in other cash inflow ventures like events management and other businesses so as to maintain good flows at all times to meet their customer requirements. SACCOS could also advocate for special interest rates to be able to acquire cheaper operation capital from commercial banks so as to maintain adequate cash for their operation and build their cash reserves even further. SACCOs need cheaper collateral security from MSC, so as to improve

their performance. A Sacco stabilization and Savings Protection Funds should be started to act as a buffer for liquid cash to SACCOs that may have cash needs.

In order to improve credit risk management, active members of the board of directors must continuously monitor the activities of the SACCOs and provide reports to the board of directors. There must be well defined risk limits and communicated to all the relevant management committees. The board of directors should continuously monitor the capital, asset quality, management efficiency, earnings, liquidity and the sensitivity to the market of SACCOs. Besides this, occasional trainings in risk management must be done for both administrators and employees as to mitigate opportunities of unforeseen risks that would otherwise negatively impact on SACCO performance.

Since financial planning was also seen as an important predictor with a positive significance to SACCO performance, then SACCOs should take up financial planning as the overall part of management function and where possible regularly organize financial planning training because of its tremendous roles like forecasting the future and preparing for it. SACCOs should have a financial policy and or framework for proper monitoring, controlling and evaluation of financial their resources. SACCOs need training in financial planning so that they can avoid misuse of operational capital and easily draw financial plans to further propel the SACCOs performance.

5.5. Areas of Further Research

This study focused on how cash management, credit risk management and financial planning influenced SACCO performance. However, additional research can be conducted when a

moderating variable application of ICT is introduced in SACCO management. Additional research can be conducted on the other determinants of SACCO performance for example government policies and Microfinance Support Centre (MSC) contribution.

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APPENDICES

Appendix 1: Research Questionnaire

Introduction

Dear Respondent

My names are **Muliira Edward Emmanuel**, a Kyambogo University student pursuing a master of Business Administration. It is a requirement that I undertake a research project. My research topic is titled “**Financial Management Practices and Performance of Savings and Credit Cooperatives (SACCOS): A case study of Nakawa Division in KCCA**”. The purpose of this study and its findings is purely academic. I kindly request you to spare some of your precious time to answer the following questions. The activity will take about 10 minutes and I would appreciate your honest opinions. Be assured that your responses will be completely anonymous and therefore any information you provide will be treated with strict confidentiality. This questionnaire has sections A, B and C, so I kindly request you to respond to all questions.

Thank you.

SECTION A: Profile of enterprises and respondents

Please tick or circle the appropriate answer about your personal information in the box provided below

Enterprise information

1. Nature of loans given out

Commercial loans	1
Agricultural loans	2
SME development loans	3

Personal loans	
All types of loans	4

2. Main sources of operations capital

Members' savings	1
Microfinance support Centre (MSC)	2
KCCA	3
Commercials banks	4
NGOs	5
Private sources	6

3. Years SACCO has spent in existence

3 Years and below	1
4-7	2
8-11	3
12 Years and Above	4

4. Number of staff employed by the SACCO

5. Nature of management

SACCO owners	1
Hired professionals	2

Personal Profile of Respondents

6. What is your gender?

Male	1
Female	2

7. What is your age category? (Years)

21-30	1
31-40	2
41-50	3
51-60	4
Above 60 Years	5

8. Tick your appropriate designation in the SACCO

Administrator	1
Accounts	2
Auditor	3
Loans officer	4

9. How long have you been employed in this SACCO?

3 Years and below	1
4-7	2
8-11	3
12-15	4
16 Years and Above	5

SECTION B: Financial Management practices

The table below has statements that indicate aspects on management of cash deposits, credit risks as well as financial planning. Please indicate the extent to which you agree with the following statement by ticking; 1=strongly disagree (SD), 2= Disagree (D), 3=Not sure (NS), 4=Agree (A), 5= strongly Agree (SA).

Statement		SD	D	NS	A	SA
A	Cash management	1	2	3	4	5
1)	Our SACCO always maintains optimal cash at hand to do its operations.	1	2	3	4	5
2)	Our SACCO very often has adequate liquid assets.	1	2	3	4	5
3)	Our SACCO always ensures that liabilities do not exceed value of assets	1	2	3	4	5
4)	Our SACCO at all times ensures that members' savings are used only for their intended purpose	1	2	3	4	5
5)	Our SACCO always ensures that specific cash handling policies and procedures are followed.	1	2	3	4	5
6)	Our SACCO at all times utilizes funds given by central government only to support the growth of the enterprise.	1	2	3	4	5
7)	Our SACCO always uses modern accounting Information System (AIS) to maintain correct and complete cash records	1	2	3	4	5
8)	Our SACCO only uses skilled accounting staff with the capacity to do standard accounting works	1	2	3	4	5
B	Credit risk management					

1)	Our SACCO always ensures that cash is collected from debtors on the due date	1	2	3	4	5
2)	Our SACCO very often follows standard lending practices	1	2	3	4	5
3)	Our SACCO issues loans only after recording relevant borrowers' details.	1	2	3	4	5
4)	Our SACCO only lends out money when savings can enable it do so	1	2	3	4	5
5)	Our SACCO always maintains good quality of loan books	1	2	3	4	5
6)	Our SACCO often inculcates client discipline to avoid bad loans	1	2	3	4	5
7)	In Our SACCO skilled loan managers always prudently approve loans	1	2	3	4	5
8)	In Our SACCO, only skilled loan managers carefully monitor loan performance.	1	2	3	4	5
C	Financial planning practices					
1)	Our SACCO always does regular forecasts for future financial needs and prepares for it	1	2	3	4	5
2)	Our SACCO often has clear financial goals	1	2	3	4	5
3)	Our SACCO at all times follows a prepared budget	1	2	3	4	5
4)	SACCO continually does regular monitoring and controlling of Our financial resources	1	2	3	4	5
5)	Our SACCO very often sets financial targets to be achieved within a time bound period	1	2	3	4	5
6)	Our SACCO at all times maintains an efficient distribution of financial resources	1	2	3	4	5
7)	In Our SACCO we always do raising and allocation of financial resources	1	2	3	4	5
8)	In My SACCO at all times we do control expenditures	1	2	3	4	5

SECTION C: SACCO performance

Please rate the current performance of your SACCO in the aspects below by ticking;

1=strongly disagree (SD), 2= Disagree (D), 4=Agree (A), 5= strongly Agree (SA).

Statement		SD	D	NS	A	SA
	SACCO performance	1	2	3	4	5
1)	Our SACCO is growing faster in terms of number of members	1	2	3	4	5
2)	Our SACCO is earning more profits from interest charged on loans than other enterprise in the area.	1	2	3	4	5
3)	Our SACCO is fast in terms of saving and lending to members	1	2	3	4	5
4)	Our SACCO has more assets compared to other enterprises in the area.	1	2	3	4	5
5)	Our SACCO is growing faster than other enterprises in terms of operational capital	1	2	3	4	5
6)	Our SACCO is growing fast in terms of loan portfolio.	1	2	3	4	5
7)	Our SACCO often provides efficient non-financial services to customers	1	2	3	4	5
8)	Our SACCO is very effective in doing its daily operations.	1	2	3	4	5

Appendix 2: Interview Guide for Key informants



INTERVIEW GUIDE

Dear Sir/ Madam

My name is **Muliira Edward**. I am conducting a study entitled: “**Financial management practices and performance of Savings and Credit Cooperatives (SACCOs): A case study of Nakawa Division in KCCA**”. Considering your experience, I have identified you as a key informant in my study; hence I am kindly requesting you to participate in my research. Kindly note that, the questions that you will be requested to respond to will be in line with the given objectives of this study. You should feel free to honestly answer the questions to the best of your knowledge. Any information that is obtained in connection with this study remains confidential and can only be disclosed with your permission and will be used for academic purposes only.

Section A

1. Please describe to me the nature of SACCOs in Nakawa division.
2. Generally, what is the organizational performance status of the SACCOs in the area?
(In terms of members growth, amount of loans given out, profitability etc....)
3. Tell me about the financial management practices adopted by these organizations?
(In terms of cash management, credit risk management, financial planning and their application)
4. What is the relationship between cash management of SACCOs in Nakawa division and organizational performance (may give examples).
5. What is the relationship between application of credit risk management and organizational performance in SACCOs in Nakawa division? (can elaborate please).

5. What is the relationship between financial planning practices and organizational performance of SACCOs in Nakawa division? (May elaborate).
6. What strategies can be put in place to increase organizational performance of SACCOs in Nakawa division? (Explain in detail).
7. Any other information

Appendix 3: Krejcie and Morgan (1970) sampling guide

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size "S" is sample size.

Source: Amin (2005).

Appendix 4: Profile of Key Informants

Informant	profile
KI01	Commercial manager
KI02	Commercial manager
KI03	Division agent
KI04	Division agent
KI05	MSC coordinator
KI06	MSC coordinator