

Liquidity Management and Financial Performance of SACCOs in Bushenyi District

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Abstract: The main objective of this paper is to examine the association between elements of liquidity management and the financial performance of SACCOs in Bushenyi District. This research was conducted through a cross-sectional survey involving a sample of 72 Savings and Credit Cooperative Societies (SACCOs) located in the Bushenyi District. A sample of 61 SACCOs operating in Bushenyi was determined using Krejcie and Morgan's Table, with accountants, managers, and credit officers serving as the units of analysis, resulting in a total population of 183 respondents. The research instrument's validity was assessed using the content validity index, and its reliability was evaluated through Cronbach's alpha coefficient, a measure of the consistency in obtaining similar results from the same respondents when administering the instrument at different times. In accordance with the research objectives, inferential statistics, specifically correlation and regression analyses, were conducted. The findings reveal a statistically significant positive correlation between cash ratios, liquidity ratios and financial performance. Lastly, the research outcomes demonstrate a statistically significant positive relationship between the comprehensive liquidity management elements and financial performance. This suggests that any favorable change in the management of liquidity within SACCOs is associated with a positive change in financial performance. Therefore, enhancing liquidity management can aid in maximizing the use of cash on hand, while efficient cash budgeting can guarantee good planning and resource allocation. Due to their weakly positive associations with liquidity management, debtor management, as well as bank reconciliation statements, must also be considered; this will improve the financial performance of SACCOs.

Keywords: *Liquidity management, financial performance, SACCOs, Bushenyi district.*

1. Introduction

The central focus of concern for business practitioners across diverse organizational types, including Savings and Credit Cooperatives (SACCOs), has undeniably revolved around financial performance due to its profound implications on the overall well-being and, ultimately, the longevity of these entities (Mmari & Thinyane, 2019). Within the realm of micro-financing institutions, Savings and Credit Cooperative Societies (SACCOs) assume a pivotal role in the mobilization of financial resources earmarked for various developmental endeavors (Mumanyi, 2014). The fundamental mission of SACCOs resides in facilitating the empowerment of their members by means of aggregating savings and disbursing credit (Ofei, 2001). In essence, the overarching objective underpinning the establishment of SACCOs is to propagate savings while concurrently furnishing the capacity to extend loans at interest rates that undercut those levied by alternative financial service providers to their constituent members. To bolster the expansion and sustainability of SACCOs within the Ugandan landscape, the government introduced initiatives such as the Project for Financial Inclusion in Rural Areas (PROFIRA) and the Uganda Cooperative Alliance (UCA) (Muriithi, 2014).

However, these efforts have left a lot to be desired as the financial performance of SACCOs across the country remains a great challenge (Flosbach, 2015; UCA Annual Report, 2016). A similar scenario appears to exist in other Eastern African nations. For instance, Ondieki et al. (2017) noted that SACCOS in Kenya encountered a multitude of challenges, including issues such as deficient record-keeping, a high illiteracy rate among their members, loan backlogs, insufficient capital, and outstanding audit fees. In Tanzania, SACCOs also grapple with challenges such as inadequate management, a lack of operational capital, instances of embezzlement, elevated loan delinquency rates, and subpar business performance (Mwakajumulo, 2011; Maghimbi, 2010). The existing body of literature highlights that persistent subpar financial performance within SACCOs may be attributed to suboptimal liquidity management practices (Mvula, 2013; Flosbach, 2015). Researchers such as

Kimathi (2014), Gryglewicz (2011), and Ibe (2013) have collectively defined liquidity management as the organization's capacity to ensure the availability of funds for meeting its short-term obligations. Furthermore, prior studies expound upon the imperative for financial institutions to uphold adequate reserves of cash, readily convertible assets, and potential credit lines to fulfill both expected and unforeseen liquidity requirements (Campello et al., 2011). Furthermore, Campello et al. (2011), and Abioro (2013) concur that the principal yardsticks for evaluating liquidity management encompass metrics like capital ratio, cash ratio, quick ratio, and investment ratio.

Nonetheless, it is worth noting that SACCOs exhibit distinctive structural and philosophical characteristics, thereby necessitating an altered approach in assessing their performance compared to conventional financial institutions such as banks. This study diverges somewhat from prior literature by concentrating on appraising the influence of liquidity management practices on the financial performance of SACCOs. Specifically, it delves into evaluating the repercussions of liquidity planning, as exemplified by cash budgets, on the financial performance of SACCOs. Additionally, it scrutinizes the ramifications of liquidity monitoring and control, encompassing aspects like operating cash flow management, bank reconciliation, and debtors' management, on the financial performance of SACCOs. Furthermore, the current study will focus on SACCOs in the Bushenyi district, one of western Uganda's districts where literature is extremely scarce. According to Njeru, (2016), to effectively and efficiently enhance their financial performance, SACCOs have to pay greater emphasis on proper management of their liquidity levels and positions, hence the current study.

Context: Uganda is recognized as a prominent nation in the cooperative movement, as acknowledged by the (ACCOSCA, 2011), boasting a network of 10,800 SACCOs and engaging approximately 6 million members. These SACCOs operate under the regulatory framework of the Uganda Cooperatives Act of 1992, which governs all cooperatives in the country. The responsibility for maintaining a registry of cooperatives and overseeing their operational stability is vested in the Ministry of Trade, Tourism, and Industry (MTTI) as mandated by the CGAP report (2005). This sector accounts for 31% of the total national savings and contributes approximately 46% to the national GDP (Ochanda, 2013). Within Uganda, SACCOs continue to play a pivotal role in the provision of financial services, boasting a wider outreach compared to, many other financial institutions (ICA, 2005). They function as financial organizations offering products similar to, if not the same as, banks, with many of them having been established long before most commercial banks (Gathurithu, 2011).

In June 2010, Bushenyi District was recognized as the district with the most successful Savings and Credit Cooperative Organizations (SACCOs) in the country, boasting a total of 72 SACCOs characterized by their superior savings, high share capital, and high loan portfolios. Notably, SACCOs in Bushenyi exhibited noteworthy average savings amounting to sh350 million each, in contrast to SACCOs in Acholi and Lango (sh80 million) or Buganda (sh200 million). Among the leading SACCOs in Bushenyi, Kitagata Financial Services Cooperative Society Ltd stood out with a share capital of sh322 million, voluntary savings of sh327 million, and a loan portfolio of sh698 million from 2,833 members. Additionally, Bugongi SACCO in Sheema, encompassing 2,257 members, registered sh22 million in savings, share capital of sh330 million, and a loan portfolio of sh626 million, while Bunyaruguru, with 2,060 members, accumulated savings of sh174 million and maintained a loan portfolio of sh289 million (Madinah, 2023). It is noteworthy that in 2010, Sheema and Bunyaruguru (Rubirizi) were subsequently separated from Bushenyi District to become independent districts (Tabaro, Katusiimeh & Molenaers, 2018).

According to a study by the Association of Microfinance Institutions of Uganda (2014) on the missing Savings and Credit Cooperative Organizations (SACCOs) and Micro-Finance Institutions (MFIs) from the Tier 4 institution census conducted in 2005/2006, the majority of SACCOs in Western Uganda, specifically in the Bushenyi district, had collapsed primarily because of mismanagement and misappropriation of funds by SACCO management. This mismanagement significantly impacted the performance of SACCOs in the Bushenyi district, resulting in a loss of confidence among members and increased defaults. Additionally, the compromising of institutional policies and procedures by board members, who engaged in excessive borrowing without repayment, exacerbated the situation. Furthermore, some SACCOs remained dormant due to high member defaults and a lack of available funds for lending, causing these SACCOs to temporarily suspend operations as they sought to recover funds from defaulters. The question arises as to whether the

mismanagement and misappropriation of funds in Bushenyi SACCOs can be attributed to deficiencies in liquidity planning, monitoring, and control. Consequently, the need for this investigation is evident.

2. Literature Review and Hypothesis Development

Liquidity Management and Financial Performance: Liquidity refers to a business entity's capacity to meet its cash payment obligations on time (Kimathi, 2014). Various financial ratios and methodologies have historically been employed to assess liquidity (Islam et al., 2017). For instance, in research conducted by scholars Khokhar (2015) and Bolek (2013), liquidity was gauged through liquidity ratios, including the current ratio and quick ratio, where the primary components of these ratios were current assets and current liabilities. Maqsood et al. (2016) analyzed data extracted from the financial statements of eight distinct banks, covering the period from 2004 to 2015. Their primary objective was to investigate the influence of liquidity management on the performance of the banking sector. The research utilized regression and correlation techniques as analytical methods. Liquidity was measured using the current and cash ratios as independent variables, while performance was assessed using the return on assets as the dependent variable. The findings of this study unequivocally demonstrated that liquidity management had a significant impact on the banking industry's performance. Salim and Bilal (2016) initiated a comprehensive investigation with the primary aim of examining the ramifications of liquidity management on the financial performance of the Omani banking sector. Over five years, spanning from 2010 to 2014, they meticulously collected financial data from the statements of four banks. The researchers applied multiple regression analysis to efficiently analyze and evaluate this dataset. They identified statistically significant correlations among the bank's metrics, including ratios such as liquid assets to deposits, liquid assets to short-term liabilities, and return on equity. Additionally, their investigation exposed a strong connection between the bank's ratios, such as loans to total assets, deposits to short-term liabilities, loans to client deposits, and return on assets. Nevertheless, it is essential to highlight that the study did not uncover any statistically significant relationship between the liquidity positions of Omani banks and the net interest margin (NIM).

Khan and Mutahhar Ali (2016) have produced clear evidence that confirms a favorable and significant association between liquidity and financial performance. In their thoroughly researched study, liquidity was evaluated using the current ratio and quick ratio, and performance was examined using measures like the gross profit margin and net profit margin ratios. The data for this analysis was sourced from the annual accounts of HABIB Bank Limited, spanning five years from 2008 to 2014, with the data subjected to thorough statistical analysis using SPSS. Ismail (2016) undertook a study to evaluate how liquidity management affected the performance of Pakistani companies that make up the KSE 100 Index. Data for this study came from balance sheet studies of companies' audited annual reports from 2006 to 2011 and audited annual reports of corporations conducted by the State Bank of Pakistan. The regression analysis's findings demonstrated that a greater current ratio was linked to better return on assets (ROA) performance, proving that the current ratio had a statistically significant and favorable impact on the ROA of the tested firms.

Priya and Nimalathan (2013) conducted a thorough investigation to determine the influence of changes in liquidity levels on the profitability of Sri Lankan manufacturing enterprises. They included listed manufacturing enterprises in Sri Lanka in their investigation, which lasted five years, from 2008 to 2012. These researchers used correlation and regression techniques to analyze the data, and their findings showed a strong and significant correlation between liquidity and profitability among Sri Lanka's listed industrial businesses. Al Nimer, Warrad & Al Omari (2015) identified a significant relationship between bank profitability and liquidity within Jordanian banks. They specifically employed the quick ratio as an independent variable to measure liquidity, while return on assets (ROA) served as the dependent variable to assess profitability. Data from 15 Jordanian banks listed on the Amman Stock Exchange (ASE) over five years, ranging from 2005 to 2011, contributed to this investigation. The researchers analyzed the data using simple regression analysis, and the results indicated that liquidity had a noteworthy impact on the profitability of Jordanian banks. Similarly, Alshatti (2015) conducted a study aimed at assessing the impact of liquidity management on the profitability of Jordanian commercial banks.

The research findings revealed a mix of positive and negative effects. To be more specific, the study utilized the Return on Equity (ROE) metric to evaluate the influence of the investment ratio and quick ratios on

profitability, while the Return on Assets (ROA) metric was employed to assess the positive impact of the capital ratio on profitability. Nevertheless, it is essential to highlight that the study also indicated adverse effects of the remaining independent variables on both measures of profitability, namely ROE and ROA. In a similar vein, Lartey, Antwi & Boadi, (2013) looked into the connection between profitability and liquidity in banks listed on the Ghana Stock Exchange. Using time series analysis, the study found that between the years 2005 and 2010, the profitability and liquidity of the listed banks both showed a deteriorating tendency. Additionally, the study discovered a very slight positive association between profitability and liquidity in Ghana's listed banks. In their research, Akter and Mahmud (2014) looked at the relationship between liquidity and profitability in Bangladesh's banking sector. The return on assets ratio was used to determine profitability, whereas the current ratio was used to determine liquidity. The study gathered income statements and balance sheets from specific commercial banks, which were publicly accessible on the institutions' official websites. The sample consisted of twelve specific banks. Various analytical techniques, including correlation, regression, and descriptive statistics, were employed to analyze the data using SPSS version 16.0. The primary findings of the investigation indicated the absence of a significant relationship between profitability and liquidity across all categories of Bangladeshi banks. From the literature above, it is clear that the management of cash no doubt impacts positively on the survival and growth of firms. In other words, for a firm to effectively manage its liquidity there should be good knowledge of cash budgeting plus liquidity monitoring and control, two key components to financial stability and solvency that are essential to the financial performance of a business.

Cash Budgets and Financial Performance: Cash budgets can be described as forecasts of an organization's cash flow or a comprehensive plan outlining the acquisition and utilization of cash resources over a specified period. According to ACCA (2012), a cash budget provides a summary of expected cash inflows and outflows for a firm over a defined timeframe. Similarly, Brigham and Houston (2014) define a cash budget as a table that presents cash flows, including receipts, disbursements, and cash balances, for a firm over a specific period. In essence, a cash budget identifies all components of cash receipts and includes a schedule to track cash payments to suppliers in relation to purchases. Consequently, the preparation of cash budgets is a reliable means of assessing a firm's liquidity over time, ultimately contributing to improved financial performance. Numerous studies have examined the connection between cash budgeting and financial performance. For instance, Akande, Olusola, and Oluwaseun (2014) examined the impact of budgeting systems on the success of entrepreneurial enterprises, with a specific focus on the perspectives of small business proprietors in Lagos, Nigeria. 4,585 SMEs were registered in Lagos State as of March 2014, hence 120 business owners were chosen for the study from that pool using a multi-stage random sampling methodology. In the course of the research, which involved the administration of well-constructed questionnaires, descriptive statistical techniques including basic percentages were employed.

Additionally, non-parametric statistical assessments such as the Chi-square test were utilized to evaluate the formulated hypotheses. The study's outcomes revealed a statistically significant and positive relationship between budgeting processes and the financial performance of micro and small enterprises. In a different context, Mulani, Chi, and Yang (2015) explored the implications of budgeting on the performance of small and medium-sized enterprises (SMEs) in India. The study conducted an exhaustive analysis to evaluate the repercussions of budgeting on firm performance. Employing questionnaires and a gamut of statistical tools for data analysis, the study assembled a sample of 168 firms culled from the SME sector in India, representing districts in Mumbai, Pune, and Solapur. The research brought to light that the performance of Indian SMEs was subject to the nuances of budgetary goals, and heightened clarity in these objectives contributed to an upswing in performance. Mohammed and Ali (2013) unveiled a statistically significant and positive relationship between budgeting and company performance in their research titled "The Relationship between Budgeting and Performance of Remittance Companies in Somalia." According to their findings, a one-level improvement in budgeting effectiveness was associated with a 0.514 increase in business performance, as indicated by a correlation coefficient of 0.514. The likelihood of this link occurring by accident was calculated to be 0.00.

Onduso (2013), who investigated the topic of "The Impact of Budgets on the Financial Performance of Manufacturing Companies in Nairobi County," The research employed a cross-sectional survey approach and administered questionnaires to gather data from a sample of 18 manufacturing companies listed on the

Nairobi Securities Exchange. The results of the study indicated that the proficiency of management and the effective utilization of budgets significantly influenced financial performance, as assessed by the Return on Assets (ROA) metric. These results are consistent with what the current study found. In alignment with the findings of Wijewardena and De Zoysa (2001), it becomes apparent that the level of implementation can impact how planning and budgetary control affect performance differently across diverse organizations. Their study centered on two critical financial metrics: sales growth and return on investment (ROI), utilizing data from a sample of 2000 manufacturing SMEs in Australia. The results unveiled a substantial and positive correlation between effective budget management and both budget planning and sales growth.

Notably, no discernible disparities were observed between budget planning and ROI, as well as budgetary control and ROI. The researchers hypothesized that, although businesses with extensive planning or control practices reported increased sales growth, these enhanced revenues did not necessarily lead to higher profitability due to inherent internal inefficiencies. Mutegi (2012), sought to determine how budgetary restraints affected the financial performance of construction enterprises in Kenya between 2008 and 2010. A sample of 26 construction firms was chosen for the study from a population of 47 construction businesses. The analysis used a linear regression model with secondary data. The study's main finding was that budgetary limitations had a big impact on how financially successful Kenyan construction companies performed. Consequently, within the current study's context, it is expected that any enhancement in liquidity planning through cash budgeting will be positively associated with an improvement in financial performance. Hence, the hypothesis postulates that:

H1: There is a positive impact of cash budgets on the financial performance of SACCOs.

Liquidity Monitoring and Financial Performance: Liquidity monitoring within credit institutions has become a prominent topic of discussion among regulators, particularly in the banking sector, following the onset of the liquidity crisis in August 2007. Numerous authors have concentrated their efforts on macro stress test exercises in this context (Otieno, Nyagol & Onditi, 2016; Song'e, 2015). However, there is a notable scarcity of literature addressing the frameworks implemented by central banks and financial regulators for monitoring liquidity risk at the level of individual banks (Kamuinjo, 2021). According to Stragiotti (2009), some tools were put in place to monitor the liquidity of any financial institution and these include, operating cash flow management, Bank reconciliation statements and debtor's management to enable tracking cash movements and financial performance as well as liquidity risks. The Liquidity monitoring tools are intended to assist supervisors in the assessment of a financial institution's liquidity management and financial performance (Pohl, 2017). These are explained further below;

Operating Cash Flow Management and Financial Performance: Efobi (2008) emphasizes the significant role that cash flow management plays in a company's operations and financial performance. According to Uwonda and Okello (2013), cash flow management serves as the core element for both short-term and long-term survival, as well as for achieving financial objectives. Essentially, cash flow management entails the determination and assessment employed by firms to monitor, summarize, and optimize net cash receipts while minimizing cash disbursements and expenditures. It is typically facilitated through the preparation of a cash flow statement, which provides insights into the operating and financing activities of a company (Bhandari & Iyer, 2013). Many businesses prepare cash flow statements for internal liquidity management (Owolabi, & Obida, 2012). Several studies have explored the relationship between cash flow and financial performance, including Yahaya & Lamidi (2015) initiated an inquiry into the association between cash flow and the financial performance of banks listed in Nigeria. Their investigation encompassed an analysis of the relationships between cash flow from operational activities and post-tax profits, cash flow from investment activities and post-tax profits, as well as cash flow from financing activities and post-tax profits. This study spanned nine years, extending from 2005 to 2013, and involved the examination of a sample comprising four banks listed on the Nigerian Stock Exchange (NSE).

Correlation analysis was employed to unveil the strength of these relationships. The outcomes of this analysis revealed a robust and statistically significant correlation between cash flow from operational activities and the performance of the selected institutions. Conversely, the link between bank performance and cash flow from investment and financing activities exhibited a negative and insufficient relationship. Aghaei and Shakeri (2010) conducted a study to assess the role of cash flow capability and earnings accruals in

predicting cash flow for established companies listed on the Tehran Stock Exchange during the period from 2003 to 2007. In their research, they employed a causal research methodology and utilized a multiple regression model to evaluate secondary data, which included variables such as earnings, cash flow, and accrual components. Their findings shed light on the predictive capabilities of accrual components, earnings, cash flow, and cash flow for future cash flow. Notably, the models built around accruals and cash flow demonstrated stronger predictive abilities than the one centered on earnings. Furthermore, their study uncovered that liquidity ratios lacked the capacity to forecast future cash flows. Ghodrati and Abyak (2014) undertook an inquiry into the correlation between operational cash flow and shareholder returns, utilizing a dataset comprising 54 companies listed on the Tehran Stock Exchange from 2005 to 2011.

Their study employed regression analysis to explore this relationship by employing cross-sectional data and employing a descriptive-analytic random statistical sample. The outcomes of their research divulged a significant correlation between stockholder returns and the profitability associated with operational cash flow. This relationship was influenced by increased profitability and the information asymmetry related to cash flow, particularly in terms of its association with the economic effectiveness of stockholder returns. Darabi, Adeli & Torkamani, (2012) delved into an exploration of the consequences of cash flow shocks on capital and asset structure, drawing upon data from the Tehran Stock Exchange. This research adopted a descriptive, applied, and regression-based approach. Basic linear regression and Pearson correlation were the analytical tools employed to scrutinize data from a sample comprising 57 listed firms, spanning the years 2005 to 2010. Their findings uncovered a positive correlation between operational cash flows, investments, and dividends. Moreover, the conclusions drawn from their research indicated that financial constraints had minimal impact on the sensitivity of cash flow. Al-Debi'e (2011) launched an analysis of the relative predictive capabilities of current operating cash flows and current earnings in predicting future operational cash flows within service and industrial shareholding businesses listed on the Amman Stock Exchange in Jordan from 2000 to 2009.

The research methodology employed a straightforward regression model applied to panel data, situated within the context of descriptive research. The research outcomes definitively indicated that operational cash flows exhibited superior predictive power in forecasting future operational cash flows, particularly over projection periods of 1 to 3 years. Habib (2011) did an examination focused on assessing the influence of immediate cash flow, sustained profitability, and growth prospects on stock returns, with a specific emphasis on the Australian Stock Exchange. The primary objective of their research was to elucidate the connections between immediate cash flow, enduring profitability, and expansion opportunities. Their analysis encompassed a comprehensive evaluation of 7,229 companies listed on the Australian Stock Exchange, spanning from 1992 to 2005. The data analysis was meticulously executed through the utilization of a multiple regression model. The research findings unequivocally indicated that companies with greater growth potential and unencumbered free cash flow experienced elevated stock prices. In contrast, profitability exhibited a short-term impact, whereas operating cash flow manifested a favorable correlation with stock returns. Mong'o (2010) conducted a study to explore how cash flow influenced profitability in the context of Kenyan commercial banks from 2005 to 2009. Their research involved the examination of operational, financing, and investing cash flow components as independent variables, while bank earnings, as measured by post-tax profit, constituted the dependent variable.

Multiple regression analysis served as the analytical tool for the secondary data they gathered. The research outcomes unveiled a significant increase in commercial banks' earnings during the research period. To be more precise, the study found that cash flow from investing and financing activities positively contributed to bank profits, whereas operational cash flow had a detrimental effect on them. Nwanyanwu (2015) researched the influence of operating cash flow activities on organizational performance in Nigeria's hospitality and print media sectors. The goals included evaluating how operating cash flows and organizational performance relate to one another, figuring out how loan processing affected organizational performance, and figuring out how equity investments affected organizational success. A questionnaire was used to gather information for the study, which included a sample of 45 hotel and print media companies. The data were examined using descriptive statistics, while inferential statistics made use of correlation analysis. The conclusions showed that operating activities had a big impact on profitability. Therefore, it is essential to analyze cash flows and

monitor liquidity to minimize potential losses that could negatively affect SACCOs' financial performance (Omino, 2014). Accordingly, the hypothesis posits that:

H2: There is a positive effect of operating cash flow management on financial performance.

Bank Reconciliation Statement and Financial Performance: In accordance with Otley (2002), the process of cash/bank reconciliation entails a systematic method for comparing two sets of interrelated cash/bank accounts or records sourced from different systems and diverse origins, to identify and scrutinize disparities and instituting requisite adjustments. Prior research endeavors exploring the ramifications of bank reconciliation on financial performance encompass Muthama's (2016) exploration into the repercussions of employing bookkeeping as a cash management practice on the operational efficacy of public hospitals. This particular study embraced a descriptive survey research design conducted within Kisii County. Its findings illuminated the notable emphasis placed by public hospitals on executing daily cash disbursements and diligently reconciling cash and bank accounts, thereby fostering a climate of accountability. Soaga (2012) initiated an investigation of the fundamentals of cash management in relation to objectives for financial management and financial reporting. The study examined the complex relationships and influences of cash management on the areas of financial management and financial reporting using a descriptive research methodology. The inquiry unearthed a substantive imprint of cash management on corporate viability, its intricate interplay with virtually every facet of financial reports, its catalytic role in augmenting shareholders' wealth, and its pivotal role in enriching liquidity.

Additionally, the study underscored the significance of utilizing net cash flows as a performance yardstick, with an accentuated emphasis on the pivotal role of cash/bank reconciliation in the realm of effective cash management. Cheptumo (2010) delved into an investigation of the response mechanisms to challenges stemming from fraudulent activities confronted by Barclays Bank of Kenya. The study brought to light those proactive fraud detection techniques, encompassing data analysis and continuous auditing methodologies, could efficaciously identify instances of fraudulent conduct entangled with cash reconciliation deficiencies by identifying aberrations, trends, and risk indicators within extensive transactional datasets. In a parallel vein, Onuoha and Amponsah (2012) espoused in their research that proactive fraud detection measures, comprising data analysis and continuous auditing techniques, could adeptly discern fraudulent undertakings entwined with cash reconciliation discrepancies. Moreover, the study underscored that any delays in transaction clearance could potentially engender significant financial losses for the organization, manifesting as interest charges or opportunity costs. Furthermore, such delays could precipitate the erosion of goodwill, bearing severe repercussions on the entity's business relationships. The study, while acknowledging the existence of various approaches to conducting bank reconciliation, ultimately underscored the indispensability of the bank reconciliation process as an instrument for averting losses stemming from lapses in competence exhibited by personnel at either the focal organization or the bank.

Wanjala et al. (2014) investigated the impact of accounting management practices on the operational performance of micro and small-scale butcher enterprises located in the Kimilili sub-county, Kenya. The research unearthed that the majority of these enterprises grappled with suboptimal bookkeeping management practices, attributable to their limited educational attainment and a dearth of accounting acumen. Notably, the study divulged a robust affirmative correlation between operational performance and the employment of bookkeeping management methodologies, thereby culminating in the inference that these practices exerted a profound influence on operational efficacy. Consequently, the efficient and timely administration of bank reconciliation activities was unveiled as a key driver, empowering management to proactively identify and rectify issues that could precipitate inaccuracies in financial reporting records (Onwonga et al., 2017). Thus, we propose the hypothesis that:

H3: There is a positive effect of bank reconciliation statements on the financial performance of SACCOs.

Debtors Management and Financial Performance: In East Africa, service provision by Microfinance Institutions (MFIs) is closely linked to Savings and Credit Cooperative Organizations (SACCOs). MFIs primarily engage in extending microfinance loans and other financial services to individuals willing to pay due to the benefits of not requiring collateral (Gaurav, 2011). Managing debtors is crucial for mitigating the risks associated with bad debts, as defined by Charitou et al. (2010), who describe debtors' management as the strategy involving the design of policies governing credit extension to customers and monitoring those

systems. An effective debt collection policy should ensure that the costs incurred do not exceed the amount originally advanced, as exceeding this amount would indicate business inefficiency (Otley, 2008). Numerous preceding studies have explored the impact of debtors' management on financial performance, including: Ayodele et al. (2014) conducted a study to examine the influence of credit policy on the performance of Commercial Banks in Nigeria, with a specific focus on Zenith Bank. Their research illuminated the fact that robust credit policies can effectively mitigate the occurrence of bad debts.

Byusa & Nkusi (2012) conducted a research study to investigate the consequences of credit policy on the performance of selected Rwandan Commercial banks. The results of their study unveiled that these banks expanded their customer bases, increased their accounts, and strengthened their financial indicators, ultimately leading to higher profits. Dong and Su (2010) engaged in an exploration of the impact of strategies related to debtors' management on the financial performance of enterprises listed on the Vietnam Stock Exchange. Their investigation revealed a negative correlation between debtors' management and profitability, indicating that an extended cash conversion cycle significantly impacts profits. Alshatti (2015) conducted a comprehensive analysis of the effects of credit management on the financial performance of Jordanian commercial banks from 2005 to 2013. The study's results highlighted the influence of credit management on financial performance, as indicated by the Return on Assets (ROA) metric. Gweyi, Olweny, & Oloko (2018) aimed to establish a connection between the management of debtor risk and the financial performance of microfinance banks in Kenya. Their research unveiled a notable negative correlation between debtor risk management and the performance measure of Return on Assets (ROA).

Kimotho & Gekara (2016) investigated the effects of credit management on the financial performance of Kenyan commercial banks. Their study unveiled a negative correlation between profitability and the practices of credit management. Drawing upon the wealth of insights gathered from this extensive literature review, it becomes abundantly clear that effective debtors' management plays a pivotal role in enhancing the financial performance of financial institutions. However, prior research has primarily focused on evaluating the impact of credit management on the financial performance of MFIs, neglecting the critical need to establish robust debtors' management frameworks. Consequently, a significant gap exists in empirical research regarding the influence of debtors' management on the financial success of SACCOs in Uganda. This study embarks on a comprehensive effort to address this gap. As a result, the hypothesis proposed for this study posits that:

H4: There is a positive effect of debtor's management on the financial performance of SACCOs.

3. Methodology

Design, Population and Sample: In this study, a cross-sectional survey design was employed, focusing on a population of 72 SACCOs located in the Bushenyi district (Uganda Cooperative Alliance Report, 2017). To establish the sample size, 61 SACCOs were selected following the criteria outlined by Krejcie and Morgan (1970). The unit of analysis encompassed individuals serving in roles such as manager, accountant, and credit officer, resulting in a total population of 183 potential respondents. Ultimately, the study obtained 151 complete and usable responses, yielding a response rate of 82.5 percent. An examination of the respondents' profiles (Table 2) reveals that the majority of participants were male (56.3 percent, n=151), while the remaining respondents were female (43.7 percent, n=151). In addition, the majority of the respondents were single (49.7 percent, n=151), these were followed by married ones (46.4 percent, n=151) and only 4 percent were divorced. In terms of Age bracket, the majority of the respondents were between 20-30 years (41.1 percent, n=151) these were followed by those between 30-40 years (39.1 percent, n=151) and 19.9% were between 40-50 years of age. Furthermore, in terms of education, the majority of the respondents were diploma holders (50.3 percent, n=151), these were followed by bachelor's degree holders (30.5 percent, n=151) and the least group were certificate holders (19.2 percent, n=151). In terms of the unit of analysis (SACCOs), the majority of the SACCOs employ 10-30 employees (41.0 percent, 61), these were followed by those that employ less than 10 (31.1 percent, 61) and the least group were employing more than 30 workers (27.9 percent, n=61) and finally most of the SACCOs had spent less than 10 years (44.3 percent, n=61), these were followed by those which had spent 10- 30 years (39.3 percent, n=61) and the least had spent more than 30 years (16.4 percent, n=61). Survey participants were requested to express their degree of concurrence with survey items using a five-point Likert scale. The scale ranged from "strongly disagree" (1) to "disagree" (2), "neutral" (3), "agree" (4), and "strongly agree" (5).

Measurement of Variables Required: The independent variable (liquidity management was measured using Cash Budgets, Liquidity monitoring, Operating Cash flow management, Bank reconciliation statement and Debtors Management as suggested by (Islam et al., 2017; Brigham and Houston, 2014; Stragiotti 2009; Muthama, 2016; Gaurav, 2011). The dependent variable, financial performance, was evaluated in terms of ROA, ROE, Portfolio yield, and Operating Self Sufficiency as outlined by Yenesew (2014). The research instrument's validity was evaluated by employing Cronbach's (1951) alpha coefficient, ensuring that it consistently yielded similar results when administered to the same respondents over a short timeframe. Furthermore, the research instrument's content validity was assessed using a content validity index. The results, as presented in Table 1, indicated that the instrument exhibited both validity and reliability, surpassing the 0.7 threshold (Nunnally, 1978). In terms of data management and analysis, the data was thoroughly examined for completeness before analysis. Version 21 of the Statistical Package for Social Scientists (SPSS) was used for the analysis. Inferential statistics, such as correlation and regression analyses, were performed in accordance with the research objectives to evaluate the relationships between the study variables and the ability of the independent variables to predict the dependent variable, respectively.

Table 1: Validity and Reliability Results

Variables	CVI'S	Cronbach's alpha	No. of items
Cash Budget	0.83	0.859	6
Liquidity ration	0.76	0.907	6
Financial performance	0.91	0.765	8

Table 2: Descriptive Statistics of the Unit of Inquiry and Analysis

Items	Frequency	Percent
Gender		
Male	85	56.3
Female	66	43.7
Marital Status		
Married	70	46.4
Single	75	49.7
Divorced	6	4.0
Age Bracket		
20-30	62	41.1
30-40	59	39.1
40-50	30	19.9
Level of Education		
Certificate	29	19.2
Diploma	76	50.3
Bachelors	46	30.5
Age of the SACCO		
Less than 10	27	44.3
10-20	24	39.3
Above 30	10	16.4
Number of Employees		
Less than 10	19	31.1
10-30	25	41.0
More than 30	17	27.9

4. Results and Discussion

Descriptive Statistics: The descriptive statistics results are presented in Table 3. The means and standard deviations, as explained by Field (2009), were derived from the observed data. Means serve as a summary of the data, while standard deviations indicate the degree of dispersion around the mean. The mean score for the dependent variable (financial performance) is 3.41, its standard deviation is 0.56. This implies that on average, the financial performance of SACCOs was average. On the other side, the mean of the independent variable (Liquidity management) is 3.59 and its standard deviation is 0.861 this also implies that there was proper management of liquidity among SACCOs. Finally, the indicators of liquidity management (Cash budgets and liquidity ratios) have a mean of 3.57 and 3.618 respectively and their standard deviations were 0.874 and 0.861 respectively.

Table 3: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Cash Budgets	151	1.00	5.00	3.5751	.87405
Liquidity Ratios	151	1.67	5.00	3.6181	.86122
Liquidity Management	151	1.67	5.00	3.5966	.83384
Financial Performance	151	1.88	4.75	3.4147	.56039

Correlation Analysis Results: Pearson's Correlation analysis was employed to evaluate the strength of the relationship between liquidity management indicators and the financial performance of SACCOs in Bushenyi District, denoted as "r." The results presented in Table 4 demonstrate a positive and statistically significant relationship between cash ratios and financial performance ($r = 0.205^{**}$, $p < 0.01$). Furthermore, the findings also reveal a positive and statistically significant relationship between liquidity monitoring and the financial performance of SACCOs ($r = 0.505^{**}$, $p < 0.01$). When examining the connection between operating cash flow management and SACCOs' financial performance, the results similarly indicate a positive and statistically significant relationship ($r = 0.346^{**}$, $p < 0.01$). Similarly, in assessing the relationship between bank reconciliation statements and financial performance, the analysis unveils a positive and statistically significant association ($r = 0.419^{**}$, $p < 0.01$). Concerning the association between debt management and financial performance, the investigation reveals a positive and statistically significant relationship ($r = 0.491^{**}$, $p < 0.01$). These findings collectively indicate that any positive change in the aspects of liquidity management corresponds to a favorable shift in financial performance, thereby providing support for the study's hypotheses. Lastly, the analysis demonstrates a positive and statistically significant relationship between the comprehensive variable of liquidity management and financial performance ($r = 0.642^{**}$, $p < 0.01$). This suggests that any positive alteration in the management of liquidity within SACCOs aligns with a favorable change in financial performance. Furthermore, the results also indicate a positive and statistically significant relationship between the number of employees in SACCOs and financial performance ($r = 0.613^{**}$, $p < 0.01$).

Table 4: Pearson's Correlation analysis

Variables	1	2	3	4	5	6	7
Cash Budgets-1	1						
Liquidity monitoring-2	.257**	1					
Operating Cash Flow Management-3	.079*	.219**	1				
Bank reconciliation statement-4	.578**	.117**	.241**	1			
Debtors Management-5	.482**	.226**	.098*	.334**	1		
Liquidity management-6	.756**	.576**	.487**	.701**	.683**	1	
Financial performance-7	.205**	.505**	.346**	.419**	.491**	.613**	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

Ordinary Least Square Analysis: To examine the explanatory power of the dimensions of liquidity management (Cash Budgets, Liquidity monitoring, Operating Cash flow management, Bank reconciliation statement and Debtors Management) on the financial performance of SACCOs in Bushenyi District, we specified the following regression model: $FP = \beta_0 + \beta_1 CB + \beta_2 LM + \beta_3 OCF + \beta_4 BR + \beta_5 DM + \varepsilon_i$

The results are presented in Table 5. Dependent variable: Financial performance; R² = 0.562, Adj R² = 0.559; F-stat = 166.261; and sig. = 0.000. The regression results show that both dimensions of liquidity management matter when it comes to predicting the financial performance of SACCOs. Overall, the model explains 55.9 percent of the variance in financial performance, implying that the remaining 44.1 percent is explained by factors not considered in this study.

Table 5: Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.146	.131		1.115	.265
	Cash Budgets	-.318	.033	-.343	-9.754	.000
	Liquidity monitoring	.389	.026	.421	15.153	.000
	Operating Cash flow management	.151	.029	.146	5.280	.000
	Bank reconciliation statement	.390	.033	.395	11.940	.000
	Debtors Management	.376	.027	.415	13.830	.000
R	.750 ^a					
R Square	.562					
Adjusted R Square	.559					
F	166.261					
Sig.	.000 ^b					
n	61					

a. Dependent Variable: Financial performance

Discussion: For the financial performance of SACCOs to improve, the management of liquidity is very crucial. This can be done through maintaining proper cash budgets because these help managers work with the planned budgets. This is a result of the study done by Mulani, Chi, and Yang (2015), who conducted a thorough analysis to examine how budgeting affected the performance of SMEs in India. Their research attempted to evaluate how budgeting affected firm performance in these SMEs. The findings indicated that cash budgets are very important in improving the financial performance of financial institutions. In addition, monitoring of liquidity available is very important since without proper monitoring, more cash may be given out and the customers may not find any money or less money may be given to the borrowers and either of the two may limit the financial performance of SACCOs. This is in line with (Pohl, 2017) who indicated that Liquidity monitoring tools are intended to assist supervisors in the assessment of a financial institution's liquidity management and financial performance. Managers of SACCOs need to ensure that there efficient cash flow management since with proper cash flow, there will proper management and thus improving the financial performance of SACCOs. The results coincide with Efobi (2008) emphasis on the essential role that cash flow management plays in the operations of a company and financial performance.

Uwonda and Okello (2013) also highlighted the critical role cash flow management plays in ensuring a company entity's short- and long-term survival while also aligning with its financial goals. To ensure that the cash at the bank balances with cash at hand, SACCO managers must ensure that there is proper bank reconciliation since this enables SACCOs to maintain the right amount of liquid and enable the smooth running of the SACCO activities thus improving financial performance. The findings align with a research

study conducted by Muthama (2016), who explored the impact of bookkeeping as a cash management technique on the operational performance of public hospitals. Muthama's study employed a descriptive survey methodology and was carried out in Kisii County. Effective debt management is of paramount importance, as it ensures the availability of sufficient funds for lending to other customers, thereby fostering the sustainability of adequate liquidity within the SACCO. As a consequence, this leads to an improvement in its financial performance. These findings align with the results obtained by Ayodele & Arogundade (2014), who investigated the impact of credit policy on the performance of Nigerian Commercial Banks, with a specific emphasis on Zenith Bank. They collected primary data through questionnaires distributed to sixty (60) respondents within the bank. The outcomes of their study emphasize the substantial influence of debt management in enhancing financial performance.

5. Conclusion and Recommendations

The findings obtained from this study support the already existing literature and bring new knowledge to the academia with liquidity management as the largest contributor to financial performance meaning that all the activities related to cash budget management and liquidity ratios should be handled properly to alleviate financial performance. There is a need also to put much emphasis on liquidity management in terms of cash budgeting since it enhances financial performance. It is recommended that the company prioritize Cash Budgets and Liquidity Management, which have the highest positive correlation. Enhancing liquidity management can aid in maximizing the use of cash on hand, while efficient cash budgeting can guarantee good planning and resource allocation. Due to their weakly positive associations with liquidity management, debtor management, as well as bank reconciliation statement, must also be taken into account. Given their strong associations, these suggestions ought to have a beneficial impact on overall Financial Performance. However, other factors, like liquidity monitoring and operating cash flow management, should not be completely disregarded since they also show favorable connections with a number of financial management-related factors.

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