

# **Financial Management Practices and Economic Empowerment of Selected Members of Savings and Credit Cooperatives in Kampala District, Uganda**

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## **Abstract**

The study investigated how financial management practices influence the economic empowerment of selected SACCO members in Kampala District. Utilizing a descriptive cross-sectional research design, the study targeted a total population of 1,105, from which a sample of 230 respondents was selected through simple random sampling. Findings revealed that financial management practices—specifically budgeting, cash management, and record-keeping—had a positive and significant impact on the economic empowerment of SACCO members in the district. Based on these results, it was recommended that SACCOs prioritize the timely preparation of final accounts, enforce strict adherence to budgets, and maintain consistent goal-setting to further support the economic empowerment of their members.

**Keywords:** Savings, Financial Management Practices, Empowerment

## **1.0 Introduction**

Saving and Credit Cooperatives (SACCOs) play a vital role in enhancing the socioeconomic well-being of their members and the communities they serve. The origins of the savings and credit cooperative (SACCO) movement can be traced back to 1846, when community business leaders Herman Schultz-Delitzsch and Friedrich Raiffeisen initiated the first SACCOs in response to the agricultural crisis in Europe (USAID, 2006, as cited in Waweru, 2011).

This was done in order to give peasants and artisans who felt overburdened by debt more affordable and easily available financial services. SACCOs provided lower-interest loans to impoverished farmers and laborers so they could purchase necessities from wealthy, Jewish-dominated businessmen. In Germany, community-based SACCOs alleviated the suffering of rural residents, and the impoverished in metropolitan areas around the world later embraced this model (ICA Report, 2016). Since SACCOs had been embraced by several nations as an economic empowerment approach for small enterprises and the impoverished, interest in their performance had grown by 1970 (Adero and Oluoch, 2017).

Nowadays, SACCOs are utilized in practically every East African nation to enable vulnerable and impoverished populations to attain financial stability (Wambui, 2016). To enable SACCOs to more effectively improve the lives of disadvantaged populations through their democratic governance and member-centered financial services, it is necessary for governments to implement appropriate financial management regulations.

## **2.0 Review of Related Literature**

Effective financial management is fundamental to the success of SACCOs (Muriithi and Omagwa, 2018). It is crucial to an organization's overall performance, and inadequate financial oversight can lead to serious difficulties for business operations.

Savings and Credit Cooperative Societies (SACCOs) are financial institutions that are voluntarily established, owned, and operated by their members (Buwule & Mirembe, 2017). Their main objective is to promote a culture of saving, provide loans at reasonable interest rates, and offer a range of financial services to their members (Waweru, 2011).

According to Muriithi and Omagwa (2018), budgeting serves as a crucial financial management tool used to guide and regulate the operations of SACCOs. Anania and Gikuri (2015) found that SACCOs which developed and adhered to budgets were better able to maintain financial discipline and achieve both allocation and operational efficiency, as well as technical effectiveness. The study also examined how budgeting, as part of financial planning, influences the financial performance of SMEs in Kenya. The results showed a strong positive relationship between effective financial planning and enhanced organizational performance. Therefore, the success of any business significantly depends on the quality and implementation of its financial plans (Muriithi & Omagwa, 2018).

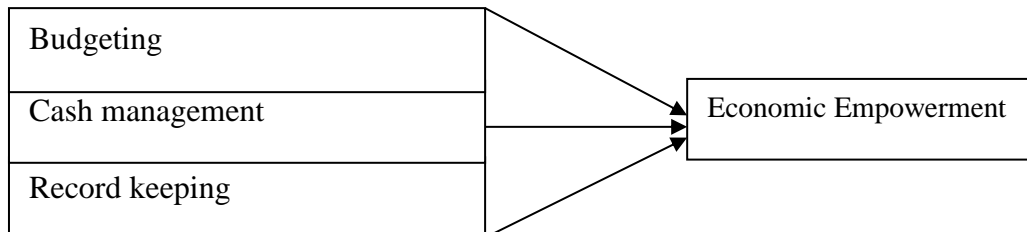
Budgeting is a vital component for the success of any organization, as achieving meaningful progress without it is challenging. Businesses of all types and sizes depend greatly on financial planning and budgeting to reach their goals (Suberu, 2010). According to Irumba and Alinaitwe (2019), key elements of the budgeting process—including planning, control, and participation—had a notably positive impact on the financial performance of SACCOs in Hoima District.

Matianyi and Ndirangu (2019) investigated the influence of cash management practices on the financial performance of deposit-taking SACCOs, and their correlational analysis revealed a strong positive link between sound cash management and improved financial outcomes. Likewise, a study by Nyabwanga et al. (2011) on liquidity management policies and their impact on the operational efficiency of SACCOs in Kenya found that many SACCOs did not have clearly established liquidity risk tolerance levels or follow formal policy guidelines for managing liquidity. Consequently, a number of them had defaulted on financial obligations to external parties at least once within a six-month period. Additionally, Muliira (2021) assessed how financial management practices affect SACCO performance in Nakawa Division and found that effective cash management significantly contributed to better performance.

Kevela and Magali (2022) investigated the impact of SACCOs' microcredit on the empowerment of female-headed households in Tanzania's Njombe region. Their study found that while microcredit from SACCOs had a notable positive effect on the economic and socio-cultural empowerment of these households, its impact on their political empowerment was relatively limited.

Adero and Oluoch (2017) highlight that proper accounting and record-keeping practices enhance the effective management of funds within SACCOs, which in turn helps build member confidence in the organization. Similarly, Wambui (2016) reported that SACCOs utilizing Accounting Information Systems (AIS) were able to produce timely and accurate financial and statistical reports, supporting both internal decision-making and meeting the informational needs of external stakeholders such as creditors and investors.

## 2.1 Conceptual Framework



The conceptual framework provides a link between the independent (under the dimensions of budgeting, cash management and recording) and the dependent variable. Financial management practices are perceived to have a direct relationship with economic empowerment. From the conceptual framework the subsequent hypothesized model is generated:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = Economic empowerment

X<sub>1</sub> = Budgeting

X<sub>2</sub> = Cash management

X<sub>3</sub> = Record Keeping

ε = Error term

Assumptions :  $\beta_0 > 0$ ;  $\beta_1 > 0$ ;  $\beta_2 > 0$  and  $\beta_3 > 0$

## 3.0 Methodology

This study employed a descriptive cross-sectional research design. Descriptive research aims to outline the characteristics of a specific population. As noted by Cooper and Schindler (2014), this type of research gathers information from population members to help the researcher understand existing phenomena by exploring individuals' perceptions, behaviors, attitudes, or values. The descriptive cross-sectional design examines the current state of two or more variables at a specific point in time to determine whether a relationship exists between them, making it appropriate for this study (Mugenda & Mugenda, 2003). Additionally, this design is well-suited for collecting primary data through the use of questionnaires. The study focused on SACCOs that had been in operation for more than five years. To select participants, the researcher employed a simple random sampling technique, where respondents were randomly chosen from the population to complete the questionnaires. Simple random sampling, as described by Mugenda and Mugenda (1999), is a probability sampling method in which every individual in the population has an equal chance of being selected. This technique was chosen due to the homogeneity of the population, ensuring fairness in selection. Using Yamane's (1967) formula for sample size determination, a sample of 230 respondents was drawn from a population of 1,105.

## 3.1 Results and Discussion

Regression analysis was employed to assess the impact of the independent variables, including budgeting, cash management, and record-keeping, on the dependent variable, which is economic empowerment. Hierarchical regression analysis was performed to examine how each dimension of financial management practices influences the economic empowerment of SACCOs in Kampala district. The results are presented in table 1.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate					Sig. Change	F	Durbin-Watson
1	.441 <sup>a</sup>	.195	.184	.48520					.000		1.325
a. Predictors: (Constant), record, cash, budgeting											
b. Dependent Variable: SACCO											
Table 4.11: Regression Coefficients											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.					
		B	Std. Error	Beta							
1	(Constant)	1.811	.238		7.620	.000					
	budgeting	.106	.066	.114	1.598	.031					
	Cash management	.018	.008	.151	2.234	.026					
	Record keeping	.247	.060	.285	4.121	.000					
a. Dependent Variable: SACCO											

Source: Primary data

The correlation coefficient of 0.441 indicates a positive relationship between financial management practices and economic empowerment. Hierarchical regression analysis was performed to assess the impact of the three financial management dimensions on the economic empowerment of members in selected SACCOs in Kampala District. The R-squared value of 0.195 suggests that the three dimensions of financial management practices account for 19.5% of the variation in the economic empowerment of SACCO members in the district.

The findings of this study align with those of Irumba and Alinaitwe (2019) and Muliira (2021), whose research also demonstrated a positive and significant impact of financial management practices on the performance of savings and credit cooperatives. Additionally, the results are consistent with the study by Buwule and Mirembe (2017), which highlighted that financial planning and budgeting enable SACCOs to assess the outcomes of their policies and operations in financial terms. Moreover, effective financial planning helps SACCOs avoid poor controls, risks, and liabilities.

## 4.0 Conclusion

Based on the study's findings, the following conclusions were drawn in line with the study objectives. The results revealed that SACCO members in Kampala District generally acknowledge the importance of budgeting and financial planning for economic empowerment. Specifically, budgeting, as an aspect of financial management practices, was found to have a significant impact on the economic empowerment of selected SACCO members in the district.

The findings indicated that SACCOs in Kampala District generally maintained adequate cash liquidity and prioritized specific cash management practices. Cash management, as a component of financial

management practices, was found to have a positive and significant impact on the economic empowerment of selected SACCO members in the district.

The study's findings showed that, overall, SACCOs in Kampala District placed a strong emphasis on accurate record-keeping, including timely recording of savings, thorough documentation of transactions, secure storage of records, maintenance of accurate loan books, and the timely preparation of final accounts. As a key aspect of financial management practices, record-keeping was found to have a positive and significant impact on the economic empowerment of selected SACCO members in the district.

## 5.0 Recommendations

It was recommended that SACCOs prioritize the timely preparation of final accounts, as this is crucial for ensuring transparency and supporting informed decision-making within the organizations. Additionally, efforts should be increased to ensure strict adherence to budgets and consistent goal-setting to promote economic empowerment among SACCO members. Furthermore, it was emphasized that maintaining a well-managed cash book is essential for promoting transparency and accountability.

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