

Contribution of Cash Management practices on Performance of Ankole Farmers Savings and Credit Cooperative Organization Rubindi Branch-Mbarara District

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Abstract: *This research carried out was about Cash Management and Performance of Ankole Farmers Savings and Credit Cooperative Organization Rubindi Branch. The objectives of the research included: to analyze the factors affecting cash Management in Rubindi Savings and Credit Cooperative Organization, to examine the challenges facing the organization and to find out the effect of cash management on the financial performance of the Sacco. The study used questionnaire and interview as the methods for data collection. The study also established that cash management practices increases flexibility and competitive advantage of an Organization, enabling it to take cash discounts. The findings showed that Cash management practices help Sacco's to survive in uncertain environments and also influences forecasting the financial performance of these organizations. The managers of Savings and Credit Cooperative Organizations need to introduce better policies about the cash management practices with the aim of boosting their liquidity and sustainability. The study recommended that; introduce cash ratios, increase deposits, recruitment of competent staff, maintain liquidity and also adopt a capital structure policy with the aim of facilitating decision making and overall performance of the Savings and Credit Cooperative Organizations. The employees can facilitated farther training in customer care management, loan appraisal, monitoring and assessment and also financial management so as to assist the Savings and Credit Cooperative Organizations to realize their goals and objectives.*

Keywords: Cash Management, Performance, Financial Planning, Credit Creation

1.0 Background of the study

Uwonda, et al, (2013), states that Cash management decision is one of the most core and fundamental decisions in an organization because inadequate resources including finance in most financial institutions yet it is a requirement if they are to achieve their objectives. The elements of managing cash include planning, cash flow management, having optimum cash levels in place and surplus cash investment. Businesses need to strike a balance between liquidity and profitability while conducting daily operations. Firms need to make sure they meet their obligations in the short term and also meet their profitability goals. This is what is called liquidity. It is therefore important for companies to keep cash reserves in order to balance short term cash inflows and out flows.

The management of cash focuses at ensuring adequate cash is maintained by the business entities and any surplus is put into the correct use.

The theory of Control theory by James Clerk Maxwell (19th century) was used to explain the research study. It explains that organizations need to make sure that resources are well utilized in line with the organization goals and objectives.

The study put into consideration two variables that is cash management practices and performance of Savings and Credit Cooperative Organizations.

Ankole farmers savings and Credit Cooperative Organizations Rubindi branch is located Rubindi Town Council Mbarara District. It is a busy Sacco located in Mbarara District with over 5,000 clients. Its core role is basically to promote savings among the rural population and also offer credit facilities to the members at affordable interest rates so as to minimize poverty and also supplement government programmes of wealth creation (MFPED, 2022).

2.0 LITERATURE REVIEW

2.1 Factors affecting Cash Management in Savings and Credit Cooperative Organizations in Uganda

Cash Planning and Budgeting:

This is a method that involves planning for and controlling cash use mainly done to protect financial conditions through developing a cash statement that is projected. Therefore cash planning helps in predicting cash flows of the organization hence minimizing idle cash and cash deficit which influence the overall level of profitability of an entity (Bragg 2004).

Managing Cash flows:

After the approval of a cash budget, there is establishment of reliable and appropriate ways of managing the net cash flow of an organization. Therefore, the financial manager needs to make sure that there is no significant deviation between what is projected and actual cash. It is therefore necessary that cash is collected and disbursed properly in order for this to be achieved

Determining the target cash balance

Pandey (2010), states that a financial manager has to put in place a sound firm liquidity in order to make sure that dues are settled in time. He should be able to establish how much money to be kept the organization a decision reached through a tradeoff between risk and returns.

Gallagher (2000) notes that the more money an organization holds the more liquid it becomes however hinders investment in the long run since funds are only kept and cannot be used to undertake investment decisions.

2.2 Challenges faced by Savings and Credit Cooperative Organizations in Uganda

Tesfamariam, (2011), asserted that lack of awareness and poor saving culture, weak governance, policy and regulatory environment, weak institutional capacity, low capital base, and inappropriate loan security requirements were among the challenges affecting the outreach and sustainability of Saving and Credit Cooperative Organizations.

2.3 Effects of cash management on financial performance of Savings and Credit Cooperative Organizations in Uganda

Njeru, et al, (2018) defined Cash management as a financial discipline that adopts the same principles, regardless of the type of business. Cash management would focus on building a sustainable cash flow by forecasting receipts and payments in order to establish the lines to funding with banks and thus managing day-to-day operations of business to minimize the amount of cash required to achieve sustainable business growth. Cash management is necessary in avoiding mismatches between the timing of payments and availability of cash. Many business firms and enterprises have maintained large cash reserves and liquidity positions within their investment portfolios in an effort to partially accommodate unforeseen expenditures. Drexler, et al, (2014) observed that both individuals and business owners are usually confronted with difficult financial decisions in many aspects of life, be it in their personal finances or as business owners.

3.0 METHODOLOGY

3.1 Research design

A descriptive research design combining both quantitative and qualitative research approaches was used.

3.2 Target Population

A total 80 respondents and including the employees, management, and clients of the Sacco was targeted.

3.3 Sample size

Table 1: Shows the category of respondents

Category	Population	Sample size	Sampling technique
Managers	02	02	purposive sampling
Administrators	12	12	Purposive sampling
Loans officers	16	13	Simple random sampling
Clients	50	37	Simple Random sampling
Total	80	64	

Source: Krejcie & Morgan, (1970)

3.4 Data sources

Both primary and secondary data was used.

3.5 Methods of collecting Data

The methods of data collection involve interview, questionnaire

3.6 Data analysis and presentation

Data from the field was sorted, coded and entered in frequency tables.

3.7 Data Reliability and Validity

Reliability

Reliability is defined as the extent to which a data collection instrument or any measurement procedure produces the same results on repeated trials. This is done in order to evaluate the repeatability and come up with dependable findings.

Validity

This helps to ascertain the degree which the instrument fully assesses or measure the construct of interest.

4.0 DATA ANALYSIS, FINDINGS AND DISCUSSION OF THE FINDINGS

4.1 Age

Table 1: Showing respondent's age

Age of respondents	Frequency	Percentage
18 -28	10	16
29-39	14	22
40- 50	22	34
50 + Above	18	28
Total	64	100

Source: Field Research, (2022)

From the table above, it is noted that majority were aged 40 – 50 as stated by 34%, 18 – 28 shown by 16%, 29 – 39 stipulated by 22% and 50 -Above expressed by 28%.

4.2 Sex of the respondents.

Table 2: Shows Sex of Respondents

Sex of Respondents	Frequency	Percentage
Male	28	44
Female	36	56
Total	64	100

Source: Field Research, (2022)

As shown in the table above, majority were females as exemplified by 56% and 44% of were Males.

4.3 Marital status of respondents

Table 3

Marital status	Frequency	Percentage
Single	20	31
Married	34	53
Others	10	16
Total	64	100

Source: Field Research, (2022)

As stated in the table above, it is noted that 53% were married, 31% were single and 16% were in others category.

4.4 Education levels of respondents

Table 4

Level of education	Frequency	Percentage
Diploma	18	28
Degree	20	31
Postgraduate	14	22
Others	12	19
Total	64	100

Source: Field Research, (2022)

From the table above, it is indicated that 31% o were degree holders, 28% had diploma, 22% were post graduate holders and 19% were in other qualification category.

4.4 Factors affecting Cash Management in Rubindi Saving and Credit Cooperative Organizations

Response	Frequency	Percentage
Cash planning and budgeting	20	31
Managing Cash flows	26	41
Determine the target cash balance	18	28
Total	64	100

Source: Field Research, (2022)

From the illustration above it is seen that, 31% of the respondents asserted that cash planning and budgeting affects cash management, 41% stipulated managing cash flows and 28% stated that determination of the target cash balance affects cash management.

4.5 Challenges Facing Rubindi Savings and Credit Cooperative Organizations

Response	Frequency	Percentage
Tension	24	38
Member participation	18	28
Lack of awareness	22	34
Total	64	100

Source: Field research, (2022)

As stated above it is noted that tension is a big challenge at the Sacco as shown by 38%, Membership participation represented by 28% and Lack of awareness as stated by 34%.

4.6 Effect of cash management on financial performance of Rubindi Savings and Credit Cooperative Organizations

Response	Frequency	Percentage
Building sustainable cash flow	16	25
Promoting planning and control	14	22
Improves financial performance	19	30
Determination of optimal cash holding	15	23
Total	64	100

Source: Field Research, (2022)

From the table it is noted that cash management practices have a big impact on financial performance as shown by 25% of the respondents who came with building sustainable cash flow, 22% stated Promoting planning and control, 30% expressed improving financial performance and 23% exemplified determination of optimal cash holding.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.**5.1 Conclusion**

In conclusion, it was discovered that cash management practices have a strong effect on the financial performance of this Sacco. These are very essential in enhancing the effectiveness of financial institutions.

5.2 Recommendations

Basing on the findings, the organization should introduce internal control systems to regulate cash management problems, increase on the deposits, introduce cash ratios, and maintain favorable Liquidity levels.

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