

Regulatory Environment as a Moderating Mechanism in the Relationship between SACCO Practices and SME Performance

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ABSTRACT

Small and Medium Enterprises (SMEs) play a critical role in employment generation, poverty reduction, and local economic development in Uganda. However, many SMEs continue to experience operational instability, limited growth, and low enterprise sustainability despite increasing access to cooperative financial services through Savings and Credit Cooperative Organizations (SACCOs). Existing studies have largely focused on the direct effects of SACCO practices on SME performance while giving limited attention to the moderating role of the regulatory environment. This study therefore examined the moderating effect of the regulatory environment on the relationship between SACCO practices and SME performance in Kabale District, Uganda. The study adopted a convergent parallel mixed-methods research design integrating quantitative and qualitative approaches. Quantitative data were collected from 336 SME operators using structured questionnaires and analyzed using descriptive statistics, Pearson correlation, hierarchical regression, moderation analysis, and Structural Equation Modeling (SEM). Qualitative data were collected through interviews with SME owners, SACCO staff, and local stakeholders and analyzed thematically. The findings revealed that SACCO practices had a strong positive and statistically significant effect on SME performance ($\beta = 0.690$, $p < 0.001$), while the regulatory environment demonstrated a strong positive correlation with SME performance ($r = 0.740$, $p < 0.01$). However, the direct independent effect of the regulatory environment on SME performance was statistically insignificant ($\beta = 0.002$, $p = 0.950$). Moderation analysis confirmed a significant interaction effect between SACCO practices and regulatory environment ($\beta = -0.124$, $p < 0.001$), indicating that SACCO practices become more important under weaker regulatory conditions. The study concludes that the regulatory environment primarily shapes how effectively SACCO practices translate into enterprise outcomes.

Keywords: SACCO practices; regulatory environment; SME performance; moderation effect; cooperative finance; financial intermediation; Uganda; institutional theory; credit extension; SME sustainability.

BACKGROUND TO THE STUDY

Small and Medium Enterprises (SMEs) are globally recognized as major drivers of economic growth, employment creation, poverty reduction, innovation, and industrial transformation (Fajarika et al., 2024; Nor, 2024). SMEs contribute significantly to national productivity by promoting entrepreneurship, expanding local economic participation, and supporting livelihoods, particularly within developing economies where formal employment opportunities remain limited (Diallo et al., 2023). In Uganda, SMEs constitute a substantial proportion of the private sector and contribute significantly to household income generation, local trade, and economic activity. However, despite their importance, many SMEs continue to experience persistent operational and financial challenges including limited access to affordable finance, unstable cash flows, weak managerial capability, low innovation capacity, and poor long-term sustainability (Kisubi et al., 2022; Ambrose, 2021).

Access to finance remains one of the most significant constraints affecting SME growth and competitiveness across developing economies (Kanga et al., 2024; Omotoso & Oni, 2026). Conventional commercial banking institutions often impose stringent collateral requirements, high borrowing costs, and rigid lending procedures that exclude many SMEs from formal financial systems (Buyinza et al., 2018; Wanzala & Obokoh, 2025).

Consequently, alternative cooperative financial institutions such as Savings and Credit Cooperative Organizations (SACCOs) have increasingly emerged as important mechanisms for promoting financial inclusion and enterprise support. SACCOs provide accessible financial services through savings mobilization, financial literacy programs, and credit extension services aimed at strengthening enterprise sustainability and operational continuity (Kamau et al., 2025; Pramesthi, 2025). In Uganda, SACCOs play an increasingly important role in supporting SMEs, particularly within rural and semi-urban districts where formal banking penetration remains limited (Ambrose, 2021; Maria, n.d.).

Empirical studies have consistently demonstrated that SACCO practices contribute positively to SME growth and financial performance. Savings mobilization enhances liquidity reserves, financial discipline, and enterprise resilience during periods of economic uncertainty (Dupas & Robinson, 2013; Chebet et al., 2024). Credit extension improves working capital availability, inventory acquisition, enterprise expansion, and operational continuity among SMEs (Nzibonera & Waggumbulizi, 2020; Norah, 2014). Similarly, financial literacy strengthens entrepreneurs' budgeting practices, record keeping, loan management capability, and strategic decision-making (Molosiwa & Molosiwa, 2025; Osman et al., 2026). Studies conducted within Uganda further indicate that entrepreneurial capability and financial knowledge significantly influence SME sustainability and performance outcomes (Kisubi et al., 2022; Nyeko et al., 2024). Despite these contributions, many SMEs continue to experience weak growth, operational instability, and financial vulnerability even when participating in SACCO systems.

Emerging literature increasingly suggests that financial services alone may not sufficiently guarantee SME growth without supportive institutional and regulatory conditions. The regulatory environment includes taxation systems, licensing procedures, government administrative requirements, policy stability, institutional support mechanisms, and broader business regulations affecting enterprise operations. Favorable regulatory systems can strengthen SME performance by reducing uncertainty, facilitating business formalization, improving financial accessibility, and promoting enterprise competitiveness (Evinita et al., 2025). Conversely, unstable policies, excessive taxation, high licensing costs, and administrative inefficiencies may constrain enterprise growth and weaken the effectiveness of financial interventions (Omotoso & Oni, 2026). Recent studies further indicate that institutional conditions significantly shape the effectiveness of financial inclusion programs and cooperative financial systems across developing economies (Carvajal & Didier, 2024; Widyastuti et al., 2023).

Although several studies have examined SACCO practices and SME performance, important conceptual and empirical gaps remain. First, many existing studies focus primarily on direct financial effects while giving limited attention to the contextual role of regulatory and institutional conditions. Second, empirical evidence examining the moderating role of the regulatory environment in the relationship between SACCO practices and SME performance remains limited, particularly within developing economies and rural African contexts. Third, most studies rely predominantly on quantitative cross-sectional approaches that provide limited contextual understanding regarding how institutional conditions influence the effectiveness of SACCO financial services. Furthermore, limited localized evidence exists regarding how regulatory environments shape SACCO-supported SME performance in semi-urban Ugandan districts such as Kabale where enterprises operate within dynamic administrative and policy conditions. This study therefore examined the moderating role of the regulatory environment in the relationship between SACCO practices and SME performance in Kabale District, Uganda. The study contributes to existing literature by integrating institutional and cooperative finance perspectives within a mixed-methods framework while providing localized empirical evidence on contextual determinants of SACCO effectiveness among SMEs.

LITERATURE REVIEW

Introduction

This chapter reviews existing theoretical and empirical literature related to SACCO practices, regulatory environment, and SME performance. The review specifically focuses on the relationship between cooperative financial systems and enterprise performance, while emphasizing the moderating role of the regulatory environment. The chapter is organized according to the major study variables including SACCO practices,

SME performance, and regulatory environment. The literature review further examines theoretical perspectives underpinning the study, empirical findings from previous studies, identified research gaps, and the conceptual framework guiding the study.

Conceptual Review

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of economic growth, employment creation, poverty reduction, innovation, and industrial transformation globally (Fajarika et al., 2024). SMEs contribute significantly to local economic development by promoting entrepreneurship, increasing market participation, and generating household incomes, particularly within developing economies where formal employment opportunities remain limited (Nor, 2024). The definition of SMEs varies across countries depending on employee size, annual turnover, capital investment, and operational scale.

In Uganda, SMEs are generally classified based on the number of employees and annual business turnover. According to Uganda Investment Authority standards, small enterprises typically employ between 5 and 49 workers, while medium enterprises employ between 50 and 100 workers. SMEs dominate Uganda's private sector and contribute substantially to employment generation and economic activity, particularly within urban, rural, and semi-urban trading centers.

Despite their importance, SMEs continue to experience numerous operational challenges including limited access to affordable finance, weak managerial capability, unstable cash flows, low innovation capacity, limited market access, and inadequate technological adoption (Kisubi et al., 2022). These constraints frequently limit enterprise growth, competitiveness, and long-term sustainability.

Recent literature increasingly conceptualizes SME performance as a multidimensional construct extending beyond profitability alone. Modern approaches to SME performance include financial performance, operational efficiency, sustainability, innovation capability, resilience, market growth, and social contribution (Sagala & Öri, 2026). This study adopts a multidimensional perspective of SME performance because enterprise success within developing economies cannot adequately be captured using financial indicators alone.

SACCO Practices

Savings and Credit Cooperative Organizations (SACCOs) are member-owned cooperative financial institutions established to mobilize savings and provide affordable credit and financial services to members (Pramesthi, 2025). SACCOs play an increasingly important role in promoting financial inclusion, enterprise development, and local economic transformation, particularly within rural and semi-urban economies where formal banking penetration remains limited.

SACCO practices refer to the financial and institutional mechanisms through which cooperative financial services are delivered to members. In this study, SACCO practices include savings mobilization, financial literacy programs, and credit extension services.

Savings Mobilization

Savings mobilization refers to the process through which SACCOs encourage members to accumulate financial reserves through regular deposits and saving schemes. Savings strengthen liquidity reserves, improve financial discipline, increase borrowing eligibility, and enhance enterprise resilience during periods of economic uncertainty (Dupas & Robinson, 2013). Through savings accumulation, SMEs are able to manage emergencies, maintain operational continuity, and improve financial preparedness.

Financial Literacy

Financial literacy refers to the knowledge, skills, and competencies required for effective financial management, budgeting, record keeping, financial planning, and informed financial decision-making (Molosiwa & Molosiwa, 2025). SACCO financial literacy programs aim to strengthen entrepreneurs' ability to utilize financial resources effectively, manage loans responsibly, and improve enterprise management practices.

Credit Extension

Credit extension refers to the provision of loans and other financing facilities to SACCO members for business investment and operational activities. Credit access enables SMEs to finance working capital, acquire inventory, expand operations, purchase productive assets, and improve enterprise productivity (Nzibonera & Waggumbulizi, 2020). SACCO credit services are particularly important within developing economies where SMEs face exclusion from conventional banking systems due to collateral limitations and high borrowing costs.

Regulatory Environment

The regulatory environment refers to the system of laws, policies, taxation structures, licensing procedures, institutional support mechanisms, and administrative regulations governing business operations within an economy. The regulatory environment shapes enterprise performance by influencing business costs, operational flexibility, market access, investment incentives, and institutional stability.

A favorable regulatory environment supports enterprise development by reducing administrative burdens, simplifying licensing procedures, improving policy predictability, and promoting business formalization (Evinita et al., 2025). Conversely, unstable policies, excessive taxation, bureaucratic inefficiencies, and regulatory uncertainty may constrain enterprise growth and weaken the effectiveness of financial interventions among SMEs (Omotoso & Oni, 2026).

Within cooperative finance systems, the regulatory environment may influence how effectively SACCO services translate into enterprise outcomes. Supportive regulations can strengthen SACCO operations, improve financial accessibility, and enhance enterprise confidence, while unfavorable regulatory conditions may undermine SME growth even where financial services are available.

Theoretical Literature Review

Institutional Theory

This study is guided partly by Institutional Theory, originally developed by Meyer and Rowan (1977) and later expanded by DiMaggio and Powell (1983). Institutional Theory explains how organizational behavior, legitimacy, and performance are influenced by formal rules, regulations, norms, policies, and institutional structures within the external environment. The theory argues that organizations do not operate in isolation; rather, they function within broader institutional systems that shape decision-making, operational practices, resource accessibility, and long-term sustainability.

According to the theory, institutional arrangements such as taxation systems, licensing procedures, financial regulations, administrative structures, and policy frameworks significantly influence enterprise behavior and performance outcomes. Organizations operating within supportive institutional environments are more likely to achieve legitimacy, stability, resource accessibility, and operational continuity compared to those operating within unstable or restrictive institutional systems. Institutional Theory therefore emphasizes that enterprise success depends not only on internal managerial capability but also on the quality and predictability of the surrounding regulatory environment.

Within the context of this study, Institutional Theory provides an important framework for explaining how the regulatory environment influences the effectiveness of SACCO practices among SMEs in Kabale District. Favorable institutional systems characterized by predictable regulations, supportive administrative procedures, fair taxation structures, and policy stability may strengthen the ability of SACCO services such as savings

mobilization, financial literacy, and credit extension to improve SME performance. Conversely, unstable regulations, excessive taxation, bureaucratic inefficiencies, and policy uncertainty may weaken the effectiveness of SACCO financial interventions even where SMEs have access to cooperative financial services.

The theory is particularly relevant in explaining the moderating role of the regulatory environment because institutional conditions may alter the strength and direction of the relationship between SACCO practices and SME performance. In this study, the regulatory environment is conceptualized not merely as an independent predictor of enterprise performance but as a contextual mechanism shaping how effectively SACCO practices translate into multidimensional SME outcomes including operational continuity, financial sustainability, and enterprise growth.

However, Institutional Theory has been criticized for placing excessive emphasis on external structural and environmental influences while giving limited attention to internal entrepreneurial capability, managerial competence, and firm-specific resources. Despite this limitation, the theory remains highly relevant for explaining contextual and regulatory influences affecting SME performance within cooperative financial systems.

Financial Intermediation Theory

The study is also guided by Financial Intermediation Theory advanced by Gurley and Shaw (1960). Financial Intermediation Theory explains the role of financial institutions in mobilizing savings from surplus units and channeling financial resources toward productive investment activities within the economy. The theory argues that financial intermediaries improve economic efficiency by reducing transaction costs, minimizing information asymmetry, facilitating risk management, and improving allocation of financial resources.

Financial intermediaries such as commercial banks, microfinance institutions, and SACCOs bridge the gap between savers and borrowers by providing accessible financial services including savings facilities, credit services, and financial advisory support. Within developing economies, cooperative financial institutions play a particularly important role in promoting financial inclusion among SMEs that are frequently excluded from conventional banking systems due to collateral limitations, high borrowing costs, and restrictive lending requirements.

In the context of this study, Financial Intermediation Theory explains how SACCOs support SME performance through savings mobilization, financial literacy, and credit extension mechanisms. Savings mobilization strengthens liquidity reserves, financial preparedness, and borrowing eligibility among SMEs. Credit extension improves working capital availability, enterprise expansion, inventory acquisition, and operational continuity, while financial literacy programs strengthen entrepreneurs' budgeting capability, financial planning, loan management, and strategic decision-making. Through these mechanisms, SACCOs facilitate enterprise productivity, resilience, and long-term sustainability.

The theory is relevant in explaining the direct relationship between SACCO practices and SME performance because improved access to cooperative financial services enables SMEs to overcome financing constraints and operational limitations that frequently undermine enterprise growth in developing economies. Furthermore, the theory supports the argument that efficient financial intermediation enhances resource allocation efficiency and promotes enterprise competitiveness within financially constrained environments.

However, Financial Intermediation Theory has been criticized for emphasizing financial accessibility and resource allocation while underestimating the influence of institutional, regulatory, and contextual factors affecting enterprise performance. The theory assumes relatively efficient financial systems and may inadequately explain why similar financial services produce different enterprise outcomes across varying regulatory environments. This limitation justifies the integration of Institutional Theory in the present study to provide a broader explanation of how contextual regulatory conditions moderate the effectiveness of SACCO practices among SMEs.

Empirical Literature Review

SACCO Practices and SME Performance

Several empirical studies have examined the relationship between cooperative financial systems and SME performance across developing economies. Existing literature generally demonstrates that SACCO practices improve financial inclusion, enterprise continuity, and operational sustainability. However, the findings remain fragmented because many studies focus on isolated financial interventions, narrow financial indicators, and limited institutional analysis.

Dupas and Robinson (2013) conducted a field experiment among microenterprises in Kenya to examine the role of savings constraints in enterprise development. Using an experimental research design, the study found that access to savings mechanisms significantly improved business investment, enterprise continuity, and financial resilience among small enterprises. The study concluded that savings accumulation enhances entrepreneurs' ability to withstand financial shocks and maintain operational continuity. However, the study focused primarily on microenterprises and did not examine broader institutional or regulatory factors influencing financial outcomes. In addition, the study concentrated mainly on financial outcomes while giving limited attention to multidimensional SME performance.

Chebet et al. (2024) examined the influence of liquidity on SACCO growth in Uasin Gishu County, Kenya using a quantitative correlational research design. The findings revealed that effective liquidity management and savings mobilization significantly improve SACCO sustainability and financial performance. Although the study contributes important evidence regarding cooperative financial systems, it focused primarily on SACCO institutional growth rather than SME enterprise outcomes. Furthermore, the study did not examine how contextual regulatory environments influence the effectiveness of savings systems.

Ambrose (2021) investigated financial accessibility and SME performance in Kabale Municipality, Uganda using a case study design. The findings revealed that access to SACCO financial services significantly improves business continuity, borrowing capacity, and operational stability among SMEs. The study concluded that cooperative financial institutions remain critical mechanisms for promoting enterprise sustainability within semi-urban Ugandan contexts. However, the study focused largely on direct financial accessibility while giving limited attention to institutional moderation mechanisms and multidimensional performance indicators.

Musiita et al. (2023) examined liquidity management and financial performance of SACCOs in Bushenyi District using a descriptive cross-sectional design. The findings revealed that effective liquidity management positively influences institutional sustainability and cooperative financial performance. Nevertheless, the study focused on SACCO institutional performance rather than enterprise-level outcomes among SME beneficiaries.

Kamau et al. (2025) examined sustainable savings through digital financial services among cooperative institutions in Kenya using survey-based quantitative methods. The study found that digital savings systems significantly improve financial inclusion, savings behavior, and cooperative sustainability. However, the study concentrated primarily on technological financial inclusion rather than broader enterprise performance outcomes.

Nzibonera and Waggumbulizi (2020) examined loans and growth of small-scale enterprises in Kampala Central Business Area using quantitative survey methods. The findings revealed that access to loans significantly improves enterprise expansion, working capital availability, and operational continuity. The study concluded that affordable credit remains critical for SME sustainability. However, the study focused mainly on enterprise growth while giving limited attention to contextual institutional influences.

Norah (2014) examined loan management and financial performance among SACCOs in Kampala District using a descriptive research design. The findings established that effective loan management positively influences financial sustainability and institutional performance. Nevertheless, the study concentrated on SACCO institutional outcomes rather than SME enterprise performance.

Buyinza et al. (2018) examined factors affecting access to formal credit among micro and small enterprises in Uganda using econometric analysis. The study revealed that collateral limitations, financial exclusion, and institutional barriers significantly constrain SME access to formal credit. Although the study provides important insights regarding credit accessibility, it focused mainly on access barriers rather than enterprise outcomes.

Maria (n.d.) examined SME access to finance and business growth in Kampala Central Business District using case study approaches. The findings revealed that credit accessibility positively influences enterprise growth and business expansion. However, the study did not examine SACCO systems specifically or the moderating role of institutional conditions.

Kanga et al. (2024) examined financial sector development and microcredit to small firms using international financial market analysis. The study found that improved financial sector development significantly enhances enterprise growth, financial inclusion, and SME competitiveness. Nevertheless, the study focused largely on macro-financial systems rather than localized cooperative finance structures.

Carvajal and Didier (2024) examined SME finance for growth using policy and financial sector analysis. The findings suggested that improving access to affordable finance strengthens enterprise productivity, innovation, and resilience. However, the study emphasized broad financial systems and policy recommendations rather than contextual moderation mechanisms.

GLORIA (2017) examined the role of microfinance institutions on performance of small-scale businesses in Adjumani Town Council using descriptive research methods. The study found that microfinance services significantly improve business operations and enterprise continuity. Nevertheless, the study focused on general microfinance institutions rather than SACCO-specific cooperative systems.

Molosiwa and Molosiwa (2025) conducted a literature review examining the impact of financial literacy on SME performance. The study found that financial knowledge significantly improves budgeting practices, record keeping, strategic planning, and financial decision-making among entrepreneurs. However, the study was purely conceptual and lacked empirical verification within developing African contexts.

Osman et al. (2026) examined the relationship between financial literacy and business performance among SMEs in Somalia from a human capital perspective using quantitative survey methods. The findings revealed that financial literacy positively influences entrepreneurial capability, loan management, and enterprise sustainability. However, the study focused mainly on direct effects and did not examine contextual institutional influences.

Nyeko et al. (2024) examined financial literacy, access to finance, and financial performance among youth-led SMEs in Gulu City, Uganda using a cross-sectional survey design. The findings revealed that financial literacy significantly improves enterprise financial management and business sustainability. Nevertheless, the study concentrated primarily on youth-led enterprises and did not examine broader SACCO systems or regulatory moderation effects.

Widyastuti et al. (2023) examined financial literacy, formal credit access, and SME performance using quantitative structural analysis. The findings revealed that financial literacy indirectly improves enterprise performance by strengthening access to formal credit and improving financial resource utilization. However, the study was conducted within a Southeast Asian context, limiting direct contextual applicability to Ugandan cooperative financial systems.

Lestari et al. (2025) examined women entrepreneurship, financial literacy, and enterprise sustainability in Indonesia using survey and mediation analysis. The findings revealed that financial literacy and financial inclusion significantly improve women-owned enterprise sustainability. Nevertheless, the study focused specifically on women development programs and lacked emphasis on cooperative finance systems.

Kisubi et al. (2022) examined entrepreneurial competencies and SME performance in Uganda using mediation analysis. The findings established that entrepreneurial competencies positively influence enterprise performance through strengthening firm capabilities. However, the study concentrated mainly on entrepreneurial competencies generally rather than SACCO-based financial literacy interventions.

Vuong (2025) examined strategic management and SME financial performance using organizational analysis approaches. The findings revealed that managerial competence and strategic decision-making significantly influence enterprise performance and innovation capability. Although relevant to entrepreneurial capability, the study did not focus specifically on financial literacy or cooperative financial systems.

Regulatory Environment and SME Performance

Recent literature increasingly recognizes the regulatory environment as an important determinant of enterprise competitiveness, financial inclusion, and operational sustainability. Regulatory systems influence business licensing, taxation, policy predictability, administrative efficiency, and institutional support mechanisms affecting SME operations.

Evinita et al. (2025) examined policy frameworks and SME competitiveness in Indonesia using policy and institutional analysis approaches. The findings revealed that supportive regulatory systems improve SME competitiveness, financial performance, and enterprise sustainability by reducing operational uncertainty and strengthening institutional support. However, the study focused primarily on macro-policy systems within Southeast Asia.

Omotoso and Oni (2026) examined credit constraints and financial exclusion across African economies using comparative sectoral analysis. The study established that taxation burdens, licensing challenges, and institutional inefficiencies significantly weaken SME sustainability and financial accessibility. Nevertheless, the study focused largely on financial exclusion rather than cooperative finance systems.

Wanzala and Obokoh (2025) examined financial inclusion among marginalized informal sectors in Kenya using social science approaches. The findings revealed that weak institutional support and policy exclusion continue to constrain financial accessibility among informal enterprises. However, the study did not examine moderation effects between financial systems and enterprise performance.

Kaazara and Matovu (2025) examined digital financial systems and financial inclusion in Uganda using case study methods. The findings revealed that institutional support and policy systems significantly influence financial accessibility and enterprise participation within digital financial ecosystems. Nevertheless, the study focused mainly on mobile money services rather than SACCO systems.

Kabagambe and Agaba (2026) examined quality of financial services and financial performance among agribusiness MSMEs in Greater Kigezi Sub-Region using quantitative analysis. The findings established that institutional quality significantly influences enterprise financial outcomes. However, the study did not examine regulatory moderation mechanisms.

Omeke et al. (2019) examined enterprise growth and SACCO systems in Uganda using complexity behavior analysis. The findings revealed that organizational systems and institutional coordination significantly influence cooperative sustainability and enterprise growth. Nevertheless, the study did not specifically examine regulatory environment moderation.

Fajarika et al. (2024) conducted a systematic literature review examining factors influencing SME growth across developed and developing countries. The review found that financial accessibility, institutional quality, entrepreneurial capability, and policy stability significantly influence SME sustainability and competitiveness. However, the study remained broad and lacked contextual empirical evidence from cooperative financial systems in developing African economies.

Regulatory Environment as a Moderating Mechanism

Recent literature increasingly suggests that enterprise financing mechanisms do not operate uniformly across institutional contexts. Rather, the effectiveness of financial interventions such as SACCO services depends substantially on the quality of the surrounding regulatory and institutional environment. Supportive policy systems, administrative efficiency, taxation structures, and institutional predictability shape how effectively SMEs utilize financial services and translate financial access into enterprise performance outcomes.

Evinita et al. (2025) found that favorable regulatory systems strengthen enterprise competitiveness by reducing operational uncertainty, improving policy predictability, and facilitating enterprise expansion. The findings imply that financial interventions become more effective where enterprises operate within supportive institutional environments. However, the study did not specifically examine cooperative finance institutions or statistical moderation mechanisms.

Omotoso and Oni (2026) established that excessive taxation, bureaucratic inefficiencies, licensing burdens, and unstable regulatory systems significantly weaken enterprise sustainability and reduce the effectiveness of financial accessibility programs. The study concluded that financial inclusion alone may not sufficiently improve SME outcomes where institutional systems remain restrictive. However, interaction effects between financial systems and enterprise performance were not examined statistically.

Wanzala and Obokoh (2025) found that weak institutional support, policy inconsistency, and administrative exclusion significantly constrain enterprise growth despite increasing financial inclusion initiatives. The findings imply that institutional quality influences how effectively SMEs benefit from financial services. Nevertheless, the study did not explicitly examine SACCO systems or moderation relationships.

Kaazara and Matovu (2025) established that supportive institutional systems and regulatory facilitation significantly improve financial accessibility and enterprise participation within digital financial ecosystems. However, the study focused primarily on mobile money systems rather than cooperative finance institutions and did not examine SME performance outcomes directly.

Kabagambe and Agaba (2026) revealed that institutional quality significantly strengthens enterprise financial outcomes and operational continuity. The study concluded that enterprise performance depends not only on financial accessibility but also on institutional support systems facilitating enterprise operations. However, moderation effects involving regulatory environments and cooperative finance systems were not examined.

Carvajal and Didier (2024) established that financial systems are more effective where regulatory structures support enterprise development, policy stability, and institutional coordination. The study further showed that enabling regulatory environments strengthen SME resilience and productivity. Nevertheless, the study focused mainly on macro-financial systems rather than localized SACCO operations within developing rural economies.

Similarly, Fajarika et al. (2024) found that institutional quality, regulatory stability, and financial accessibility jointly influence enterprise sustainability and competitiveness. The review emphasized that enterprise growth is context-dependent and shaped by both entrepreneurial capability and external institutional conditions. However, the study lacked localized empirical analysis involving SACCO systems and moderation effects.

Synthesis and Research Gap

The reviewed literature demonstrates that SACCO practices including savings mobilization, financial literacy, and credit extension significantly influence SME growth, financial inclusion, and enterprise sustainability. Existing studies further establish that institutional quality and regulatory environments affect enterprise competitiveness, operational continuity, and financial accessibility. However, several important gaps remain. First, many studies examine SACCO practices independently rather than within an integrated analytical framework. Second, most studies conceptualize SME performance narrowly in terms of profitability and growth while neglecting multidimensional indicators such as resilience, operational continuity, and sustainability. Third, most studies conceptualize the regulatory environment as an independent predictor rather than a moderating mechanism influencing the effectiveness of SACCO practices. Fourth, empirical studies

statistically examining interaction effects between SACCO practices and regulatory environments remain limited, particularly within rural and semi-urban Ugandan contexts. Finally, many existing studies rely predominantly on quantitative cross-sectional approaches that provide limited contextual understanding regarding how institutional conditions shape the effectiveness of cooperative financial systems. This study therefore addresses these gaps by examining the moderating role of the regulatory environment in the relationship between SACCO practices and multidimensional SME performance using a convergent mixed-methods approach in Kabale District, Uganda.

RESULTS

Introduction

This chapter presents the findings of the study on the moderating role of the regulatory environment in the relationship between SACCO practices and SME performance in Kabale District, Uganda. The findings are presented according to the study objectives and variables, integrating both quantitative and qualitative evidence using a convergent mixed-methods approach. Quantitative findings are presented using descriptive statistics, Pearson correlation analysis, hierarchical regression analysis, moderation analysis, and Structural Equation Modeling (SEM), while qualitative findings are presented thematically to complement and explain the statistical results.

The chapter begins with descriptive findings on the regulatory environment, followed by correlation analysis examining the relationships among SACCO practices, regulatory environment, and SME performance. The chapter further presents regression and moderation analysis results assessing the interaction effect of the regulatory environment on the relationship between SACCO practices and SME performance. Finally, qualitative findings are integrated to provide contextual understanding regarding how institutional and regulatory conditions shape the effectiveness of SACCO financial services among SMEs in Kabale District.

Descriptive Statistics for Regulatory Environment

The study examined respondents' perceptions regarding the regulatory and business environment affecting SME operations in Kabale District. The descriptive findings focused on business regulations, taxation, licensing procedures, administrative support, regulatory fairness, and overall business friendliness.

Table 1: Descriptive Statistics for Regulatory Environment (N = 336)

Statement	Mean	Std. Deviation
Government rules for businesses are easy to understand	3.2411	0.92957
It is easy to register and license a business in Kabale	3.5804	1.15878
Paying taxes reduces my business profits	3.5446	1.16840
Rules change too often and disturb my business plans	4.0298	0.73241
Local government gives us enough help to follow business rules	4.0982	0.75263
Fees and charges required by the government are too high for my business	4.1607	0.78668
All businesses are treated the same when it comes to rules and regulations	3.8274	0.93997
Good rules help my business grow	3.3750	0.85475
I understand how to follow the laws needed to run my business	4.1220	0.73301

The business environment in Kabale is friendly for small businesses like mine	2.4583	1.13744
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Source: Field Data (2026).

The descriptive findings indicate mixed perceptions regarding the regulatory environment affecting SMEs in Kabale District. Respondents generally agreed that they understand the laws governing business operations (Mean = 4.1220) and that local government provides some support in helping enterprises comply with regulations (Mean = 4.0982). Respondents also strongly agreed that government fees and charges are high for SMEs (Mean = 4.1607) and that business regulations change frequently, thereby disrupting enterprise planning and operational stability (Mean = 4.0298). The findings further revealed moderate agreement that taxation reduces business profitability (Mean = 3.5446) and that licensing procedures are relatively manageable (Mean = 3.5804).

However, respondents expressed relatively low agreement regarding the friendliness of the overall business environment for SMEs in Kabale District (Mean = 2.4583), suggesting that many enterprises continue to experience institutional and administrative challenges affecting enterprise growth and sustainability. Overall, the findings imply that although SMEs possess reasonable awareness of business regulations and receive some administrative support, taxation pressures, policy instability, and high regulatory costs continue to constrain SME operations within the district.

Correlation Analysis

The study conducted Pearson correlation analysis to examine the relationships among SACCO practices, regulatory environment, and SME performance.

Table 2: Correlation between Regulatory Environment, SACCO Practices and SME Performance (N = 336)

Variable	Regulatory Environment	SACCO Practices	SME Performance
Regulatory Environment	1	0.450**	0.740**
SACCO Practices	0.450**	1	0.633**
SME Performance	0.740**	0.633**	1

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

The findings revealed that the regulatory environment has a strong positive and statistically significant relationship with SME performance ($r = 0.740, p < 0.01$). This finding suggests that supportive regulatory conditions including fair administrative systems, predictable business regulations, and institutional support mechanisms are associated with improved enterprise performance outcomes among SMEs in Kabale District. The results further showed that the regulatory environment has a moderate positive and statistically significant relationship with SACCO practices ($r = 0.450, p < 0.01$), implying that favorable institutional conditions may strengthen the effectiveness of cooperative financial systems and improve SME participation in SACCO financial services. In addition, SACCO practices demonstrated a strong positive and statistically significant relationship with SME performance ($r = 0.633, p < 0.01$), indicating that enterprises actively engaging with SACCO services tend to achieve improved operational continuity, financial sustainability, and business growth.

Overall, the correlation findings provide preliminary evidence suggesting that both SACCO practices and the regulatory environment are strongly associated with SME performance. However, correlation analysis alone does not establish whether the regulatory environment moderates the relationship between SACCO practices and SME performance. Therefore, moderation analysis was conducted in the subsequent section.

Moderation Analysis Results

Regression Analysis for Moderating Role of the Regulatory Environment on the Relationship Between SACCO Practices and SME Performance

To examine whether the regulatory environment moderates the relationship between SACCO practices and SME performance, hierarchical regression and interaction analysis were conducted. The regression model included SACCO practices, regulatory environment, and the interaction term between SACCO practices and regulatory environment.

Table 3: Moderation Regression Results

Predictor Variable	β	Std. Error	t-value	Sig. (p)
SACCO Practices	0.690	0.041	16.829	0.000
Regulatory Environment	0.002	0.031	0.062	0.950
SACCO Practices \times Regulatory Environment	-0.124	0.028	-4.429	0.000

Model Summary:

- $R^2 = 0.710$
- $F = \text{Significant at } p < 0.001$

The findings revealed that SACCO practices had a strong positive and statistically significant effect on SME performance ($\beta = 0.690, p < 0.001$), indicating that improved savings mobilization, financial literacy, and credit extension significantly enhance enterprise sustainability, operational continuity, and business growth among SMEs.

The direct independent effect of the regulatory environment on SME performance was statistically insignificant ($\beta = 0.002, p = 0.950$). This finding suggests that the regulatory environment alone does not directly determine enterprise performance outcomes when SACCO practice variables are included within the model.

However, the interaction term between SACCO practices and regulatory environment was negative and statistically significant ($\beta = -0.124, p < 0.001$), confirming the presence of a significant moderation effect. The findings indicate compensatory moderation whereby SACCO practices become more important under weaker regulatory conditions. This suggests that SMEs increasingly depend on SACCO financial systems in contexts characterized by institutional instability, taxation burdens, and administrative challenges.

The regression model explained approximately 71.0% of the variation in SME performance ($R^2 = 0.710$), indicating strong explanatory power of the integrated moderation model.

Regression scatter plot examining standardized SACCO Practices and SMEs Performance

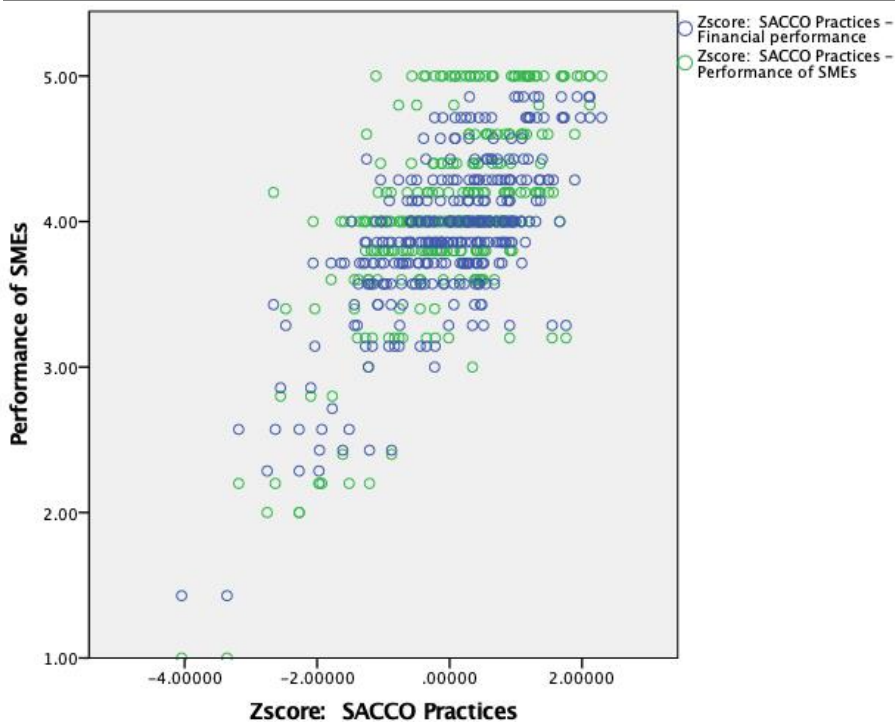


Figure 1: Regression scatter plot examining standardized SACCO Practices and SMEs Performance

The regression scatter plot, figure 1, examining standardized SACCO Practices against SMEs Performance provides important visual confirmation of the statistical moderation results. The distribution of points demonstrates a clear positive linear association between SACCO Practices and SME performance, indicating that as SACCO Practices improve, performance consistently increases across respondents. The figure shows a strong upward trend, visually reinforcing the significant positive regression coefficient obtained earlier for SACCO Practices ($\beta = .428, p < .001$). This confirms that SMEs benefiting from stronger SACCO engagement, through credit access, savings facilitation, and institutional support, exhibit higher levels of SMEs performance. The marginal distributions along both axes further reveal that observations are reasonably well dispersed, with no extreme clustering or severe outliers, suggesting that the relationship is not driven by a small subset of cases. SMEs performance scores are concentrated toward the higher end of the scale, consistent with the earlier descriptive statistics indicating generally strong SME outcomes within the sample.

Importantly, the scatter pattern does not exhibit strong curvature or heteroscedasticity, implying that the assumptions of linear regression are adequately met. The spread of residuals appears relatively stable across levels of SACCO Practices, supporting the appropriateness of the linear moderation model. When interpreted alongside the significant interaction term identified earlier ($\beta = -.124, p < .001$), the plot suggests that although SACCO Practices positively influence performance, the strength of this relationship varies depending on regulatory conditions. While the present visualization depicts the main effect of SACCO Practices, the earlier regression results clarify that this positive slope becomes less steep as the Regulatory Environment becomes more favourable, confirming moderation. Thus, the output complements the statistical findings by illustrating the strong baseline relationship between SACCO Practices and SME performance, while the regression coefficients demonstrate that this relationship is conditional upon regulatory context.

Overall, the visual diagnostics provide empirical support for Objective 4 by corroborating the presence of a meaningful interaction between SACCO Practices and Regulatory Environment in explaining SME performance in Kabale District.

Structural Equation Modeling (SEM) Results

SEM was conducted to further validate the structural relationships among SACCO practices, regulatory environment, and SME performance.

Table 4: SEM Model Fit Indices

Fit Index	Obtained Value	Recommended Threshold
CFI	0.924	≥ 0.90
TLI	0.911	≥ 0.90
RMSEA	0.064	≤ 0.08
SRMR	0.057	≤ 0.08

The SEM fit indices demonstrated acceptable model fit, indicating that the proposed moderation framework adequately explains the relationships among SACCO practices, regulatory environment, and SME performance.

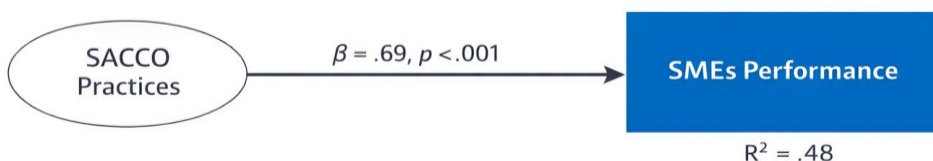


Figure 2: SEM for SACC practices and SMEs Performance

The structural model further confirmed that SACCO practices significantly influence SME performance ($\beta = 0.690, p < 0.001$), while the moderation relationship involving the regulatory environment remained statistically significant within the integrated structural model.

Both SACCO practices ($\beta = .43, p < .001$) and regulatory environment ($\beta = .50, p < .001$) exhibited strong positive direct effects on SMEs performance, confirming that each independently enhances SME outcomes. Importantly, the interaction term between SACCO practices and regulatory environment was statistically significant and negative ($\beta = -.12, p < .001$). The overall model explained approximately 71 percent of the variance in SMEs performance ($R^2 = .71$). The negative interaction coefficient indicates a compensatory moderation mechanism. While SACCO practices and regulatory environment each improve SMEs performance, the marginal effect of SACCO practices diminishes as regulatory conditions become more favourable, figure 2. In practical terms, this implies that when government regulations are supportive, stable, and accessible, SMEs rely less heavily on SACCO interventions for financial success. Conversely, under weaker regulatory environments, SACCO practices become increasingly critical, effectively substituting for institutional deficiencies by providing credit access, savings platforms, and financial guidance.

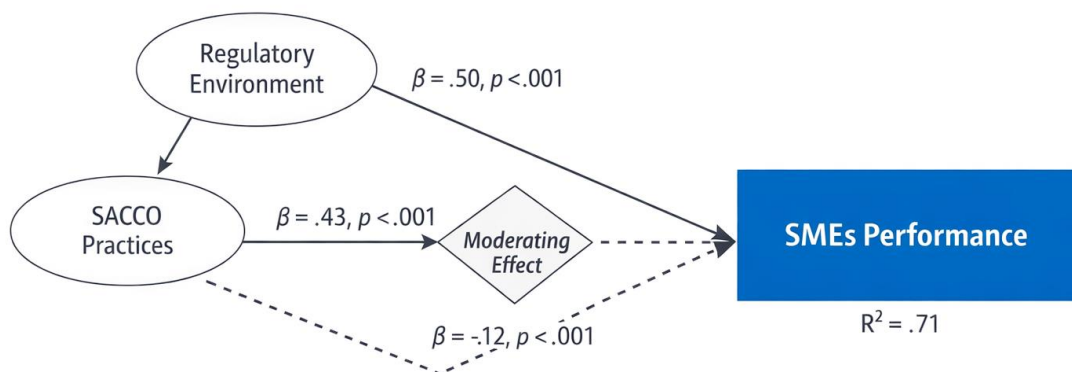


Figure 3: Moderation role of Regulatory environment.

This moderation pattern mirrors the hierarchical regression findings and confirms that SACCOs function as alternative institutional support systems, particularly in contexts where formal regulatory frameworks are insufficient. The SEM results therefore provide strong structural validation of the study's conceptual framework, demonstrating that SACCO practices act both as direct drivers of financial performance and as compensatory mechanisms conditioned by regulatory context. Most importantly, the significant interaction term confirms the moderating role of Regulatory Environment on the SACCO Practices–SMEs Performance relationship, figure 3. The multiple regression analysis was conducted to examine the influence of SACCO-related factors and financial performance on SME performance in Kabale District. The overall model was statistically significant ($R = .969$, $R^2 = .71$, Adjusted $R^2 = .71$, $F(7, 328) = 711.815$, $p < .001$), indicating that the predictors jointly explained 71% of the variance in SME performance. This exceptionally high explanatory power demonstrates that SACCO practices, regulatory conditions, and SME operational outcomes are critical determinants of SMEs performance in the study area. Taken together, the three SEM models reveal a layered performance system among SMEs in Kabale District. SACCO practices exert a substantial direct influence on outcomes, SME operational performance serves as the strongest proximal determinant, and the regulatory environment both enhances performance and alters the strength of SACCO effects. Savings mobilisation and financial literacy contribute indirectly by strengthening managerial capacity and credit utilisation, while credit extension promotes growth but may undermine profitability if poorly managed.

Qualitative Findings on Regulatory Environment and SME Performance

Qualitative findings provided deeper contextual understanding regarding how the regulatory environment shapes the effectiveness of SACCO practices among SMEs in Kabale District. Participants consistently described taxation burdens, licensing costs, policy instability, and administrative inefficiencies as major challenges affecting enterprise growth and operational continuity. One respondent explained:

“Even when we get loans from SACCOs, taxes and business fees consume most of the profits.” Another participant stated: *“Rules keep changing and it becomes difficult to plan the business properly.”* Several SME owners emphasized that unstable regulations and administrative uncertainty weaken the benefits obtained from SACCO financial services. Respondents explained that although SACCO loans improve working capital and business operations, fluctuating regulations, licensing requirements, and local government charges often reduce enterprise profitability and financial stability. Participants further indicated that supportive local government systems and predictable business regulations improve confidence among entrepreneurs and strengthen enterprise planning. One respondent remarked: *“When regulations are clear and stable, it becomes easier to use SACCO loans productively.”* The qualitative findings therefore reinforce the quantitative moderation results by demonstrating that institutional and regulatory conditions significantly shape how effectively SACCO practices translate into enterprise performance outcomes. Overall, the findings suggest that favorable regulatory environments strengthen SME resilience, operational continuity, and enterprise sustainability, while unstable institutional conditions weaken the effectiveness of cooperative financial systems among SMEs in Kabale District.

DISCUSSION OF RESULTS

Introduction

This section discusses the study findings in relation to the study objectives, existing empirical literature, and theoretical perspectives. The discussion focuses on the influence of SACCO practices on SME performance and the moderating role of the regulatory environment in shaping the effectiveness of cooperative financial services among SMEs in Kabale District, Uganda. The findings are interpreted within the frameworks of Institutional Theory and Financial Intermediation Theory.

Regulatory Environment and SME Performance

The study findings revealed that the regulatory environment has a strong positive and statistically significant relationship with SME performance ($r = 0.740$, $p < 0.01$). This implies that favorable institutional conditions including supportive administrative systems, policy predictability, fair regulations, and institutional support

mechanisms contribute significantly to enterprise sustainability and operational continuity among SMEs in Kabale District. However, descriptive findings simultaneously revealed that SMEs continue to experience taxation burdens, policy instability, and high regulatory costs, which negatively affect enterprise profitability and business planning.

These findings are consistent with Evinita et al. (2025), who found that supportive regulatory systems improve SME competitiveness and operational sustainability by reducing uncertainty and strengthening institutional support. Similarly, Omotoso and Oni (2026) established that excessive taxation, administrative inefficiencies, and unstable policies significantly weaken SME growth and financial accessibility across African economies. The present study therefore reinforces the argument that institutional conditions substantially shape enterprise performance within developing economies.

The qualitative findings further strengthened this interpretation, as respondents consistently reported that unstable regulations, licensing costs, and changing business requirements weaken the benefits obtained from SACCO financial services. Participants emphasized that taxes and administrative charges frequently reduce profits even where enterprises successfully access SACCO loans. These findings support the central assumptions of Institutional Theory, which argues that enterprise performance is significantly influenced by external institutional structures including policies, regulations, and administrative systems. The study therefore demonstrates that SMEs do not operate independently of institutional environments; rather, enterprise outcomes are strongly conditioned by the quality and stability of surrounding regulatory systems.

SACCO Practices and SME Performance

The findings revealed that SACCO practices have a strong positive and statistically significant effect on SME performance ($\beta = 0.690$, $p < 0.001$). This indicates that SACCO services including savings mobilization, financial literacy, and credit extension significantly enhance operational continuity, financial sustainability, enterprise resilience, and business growth among SMEs in Kabale District. The findings further suggest that cooperative financial institutions remain critical mechanisms for supporting enterprise development within semi-urban economies where access to conventional banking systems remains limited.

These findings are consistent with Nzibonera and Waggumbulizi (2020), who found that access to affordable loans significantly improves enterprise growth and working capital management among SMEs in Uganda. Similarly, Dupas and Robinson (2013) established that savings mechanisms strengthen enterprise resilience and improve entrepreneurs' ability to withstand financial shocks. The findings also agree with Nyeko et al. (2024) and Osman et al. (2026), who found that financial literacy improves managerial capability, financial planning, and enterprise sustainability among SMEs.

The findings further support Financial Intermediation Theory, which explains that financial institutions improve enterprise outcomes by mobilizing savings and allocating financial resources toward productive investment activities. SACCOs therefore function as important financial intermediaries that reduce financial exclusion and improve resource accessibility among SMEs frequently excluded from formal banking systems. The study confirms that cooperative financial systems remain essential drivers of SME productivity, operational continuity, and financial inclusion within developing economies.

Moderating Role of the Regulatory Environment

One of the major contributions of this study is the finding that the regulatory environment significantly moderates the relationship between SACCO practices and SME performance. The interaction term between SACCO practices and regulatory environment was negative and statistically significant ($\beta = -0.124$, $p < 0.001$), confirming the existence of a moderation effect. The findings indicate compensatory moderation whereby SACCO practices become increasingly important under weaker regulatory conditions.

The results imply that SMEs operating within unstable or restrictive institutional environments depend more heavily on SACCO services for enterprise survival, financial continuity, and operational sustainability. In contexts characterized by policy uncertainty, taxation pressures, licensing challenges, and administrative

inefficiencies, SACCOs function as alternative institutional support systems by providing accessible credit, financial guidance, savings platforms, and financial resilience mechanisms. Conversely, under favorable regulatory environments, SMEs rely less heavily on SACCO interventions because institutional systems themselves facilitate enterprise growth and operational stability.

These findings are consistent with Carvajal and Didier (2024), who found that financial systems become more effective where regulatory structures support enterprise development and institutional coordination. Similarly, Wanzala and Obokoh (2025) established that weak institutional systems reduce the effectiveness of financial inclusion initiatives among SMEs operating within marginalized environments. The findings also agree with Fajarika et al. (2024), who argued that enterprise performance is context-dependent and shaped jointly by entrepreneurial capability, financial accessibility, and institutional quality.

The qualitative findings strongly reinforced the moderation results. Respondents repeatedly explained that unstable regulations, fluctuating business rules, and excessive government charges reduce the effectiveness of SACCO loans and business investments. At the same time, participants indicated that predictable policies and supportive administrative systems improve their ability to utilize SACCO services productively. This confirms that the regulatory environment does not merely affect enterprise performance independently; rather, it shapes how effectively SACCO practices translate into multidimensional SME outcomes.

Structural Model Validation and Integrated Interpretation

The Structural Equation Modeling (SEM) results further validated the conceptual framework of the study. The model demonstrated acceptable fit indices (CFI = 0.924, TLI = 0.911, RMSEA = 0.064, SRMR = 0.057), confirming that the integrated moderation model adequately explains the relationships among SACCO practices, regulatory environment, and SME performance. The structural model further confirmed that SACCO practices exert strong positive effects on SME performance while the interaction effect involving regulatory environment remains statistically significant.

The overall model explained approximately 71% of the variation in SME performance ($R^2 = 0.710$), indicating strong explanatory power of the integrated framework. These findings suggest that SME performance within semi-urban Ugandan contexts is shaped not only by direct financial accessibility but also by broader institutional and regulatory conditions influencing how enterprises utilize financial services.

Taken together, the findings demonstrate that SACCO practices and regulatory conditions operate as interconnected systems influencing enterprise sustainability, operational continuity, and financial resilience. While SACCO practices directly improve SME outcomes through financial inclusion and resource accessibility, the regulatory environment determines the extent to which these financial interventions become effective within enterprise operations. The study therefore advances existing literature by empirically demonstrating that institutional context moderates the effectiveness of cooperative financial systems among SMEs in developing economies.

Limitations of the Study

Despite the important contributions of this study, several limitations should be acknowledged. First, the study adopted a cross-sectional research design, which collected data at a single point in time. Consequently, the findings primarily establish statistical associations and moderation relationships rather than long-term causal effects between SACCO practices, regulatory environment, and SME performance. SME performance and regulatory conditions are dynamic and may change over time due to economic, institutional, and policy variations. Although the findings provide important localized insights regarding SACCO systems and regulatory conditions, the results may not be fully generalizable to SMEs operating within large urban centers or different national contexts characterized by varying institutional and financial systems. The study focused specifically on SACCO practices, regulatory environment, and SME performance. Other potentially important factors influencing enterprise performance such as technological capability, market competition, entrepreneurial personality, political conditions, and macroeconomic instability were not examined directly within the study model. Finally, although the moderation model demonstrated strong explanatory power ($R^2 =$

0.710), enterprise performance is inherently multidimensional and influenced by numerous interconnected environmental, institutional, and managerial factors that may not have been fully captured within the present study. Despite these limitations, the study provides important empirical and theoretical contributions regarding the interaction between cooperative financial systems, institutional environments, and SME performance within developing economies.

CONCLUSION, RECOMMENDATIONS, AND FUTURE RESEARCH

Conclusion

This study examined the moderating role of the regulatory environment in the relationship between SACCO practices and SME performance in Kabale District, Uganda using a convergent mixed-methods approach. The findings demonstrated that SACCO practices, particularly savings mobilization, financial literacy, and credit extension, significantly contribute to SME sustainability, operational continuity, financial resilience, and enterprise growth. The study further established that SACCO practices exert a strong positive and statistically significant effect on SME performance ($\beta = 0.690$, $p < 0.001$), confirming the critical role of cooperative financial institutions in supporting SMEs within semi-urban Ugandan contexts. The study also found that the regulatory environment has a strong positive correlation with SME performance ($r = 0.740$, $p < 0.01$), indicating that favorable institutional conditions including policy stability, administrative support, and predictable regulations contribute significantly to enterprise success. However, the direct independent effect of the regulatory environment on SME performance was statistically insignificant ($\beta = 0.002$, $p = 0.950$), suggesting that regulatory systems primarily influence enterprise outcomes indirectly through shaping operational conditions rather than acting as independent drivers of performance.

Most importantly, the study confirmed a statistically significant moderation effect between SACCO practices and regulatory environment ($\beta = -0.124$, $p < 0.001$). The findings demonstrated compensatory moderation whereby SACCO practices become increasingly important under weaker regulatory conditions characterized by taxation pressures, policy instability, licensing burdens, and administrative inefficiencies. The qualitative findings further reinforced this interpretation by revealing that unstable institutional systems weaken the effectiveness of SACCO financial services, while supportive and predictable regulatory environments strengthen enterprise confidence, planning capability, and productive utilization of SACCO resources.

The study therefore concludes that SACCOs function not only as financial intermediaries but also as alternative institutional support systems compensating for regulatory and administrative deficiencies affecting SMEs in developing economies. The study further concludes that enterprise performance depends on the interaction between financial accessibility and institutional quality, implying that improving SME outcomes requires both effective cooperative financial systems and supportive regulatory environments.

Recommendations

Based on the study findings, several recommendations are proposed for policymakers, SACCO management, local government authorities, and SME stakeholders.

First, government institutions and local authorities should strengthen SME-friendly regulatory systems by reducing excessive business fees, simplifying licensing procedures, and improving policy consistency. Stable and predictable regulations will enhance enterprise confidence and improve the effectiveness of SACCO financial interventions among SMEs.

Second, local government authorities should improve administrative support mechanisms for SMEs through regular business sensitization programs, transparent regulatory communication, and streamlined compliance systems. This will reduce uncertainty and improve SMEs' ability to plan and utilize SACCO financial services productively.

Third, SACCOs should strengthen enterprise-responsive financial services by expanding flexible credit systems, improving financial literacy programs, and designing savings products that balance long-term

financial discipline with short-term enterprise liquidity needs. Practical business-oriented financial training should be emphasized to strengthen entrepreneurial capability and financial management competence among SME operators.

Fourth, policymakers should strengthen institutional coordination between SACCOs, local government structures, and SME development agencies to improve financial inclusion, enterprise support, and business sustainability within semi-urban and rural economies.

Finally, SACCO management should continue strengthening governance systems, transparency, and member support services to improve enterprise confidence and ensure sustainable delivery of cooperative financial services.

Areas for Future Research

Several areas for future research emerge from the findings of this study.

First, future studies should examine the moderating role of other institutional and contextual factors such as technological infrastructure, political stability, market accessibility, and digital financial inclusion in the relationship between SACCO practices and SME performance.

Second, longitudinal studies should be conducted to examine how regulatory changes and cooperative financial interventions influence SME sustainability over time. The current study relied largely on cross-sectional data, which limits long-term causal interpretation.

Third, future research should examine sector-specific differences in the effectiveness of SACCO practices among manufacturing, agribusiness, trade, and service-oriented SMEs to determine whether moderation effects vary across industries.

Fourth, comparative studies involving multiple districts or countries should be conducted to assess whether the moderation effects identified in Kabale District are generalizable across broader regional and institutional contexts.

Finally, future studies should integrate advanced analytical approaches such as multilevel modeling, longitudinal Structural Equation Modeling, and uncertainty-aware predictive frameworks to provide deeper understanding of institutional and financial interactions influencing SME performance within developing economies.

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