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Managerial Competency and Profitability of Village Savings and Loan Associations in Mitooma District

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Abstract: The research investigates how managerial competency affects the financial success of Village Savings and Loan Associations (VSLAs) operating in the Mitooma District of Uganda. The research investigates rural VSLA underperformance because these organizations serve as essential tools for financial inclusion and community development. The research uses human capital and resource-based theories to define managerial competency through its knowledge and skill, and ability dimensions while studying their effects on Return on Equity, Return on Assets, and Net Interest Margin financial performance metrics. The research used a cross-sectional quantitative approach to gather data from 138 participants who including 124 VSLA chairpersons and 14 Community Development Officers, through structured questionnaires. The analysis of data through Pearson correlations and multiple regression analyses showed that all managerial competency components, including knowledge (β =.147), skills (β =.644), and abilities (β =.194), produced positive and significant predictions of VSLA profitability. The results show that managerial skills play the largest role in determining VSLA profitability. The regression model demonstrated that 48.6% of profitability variation exists, while other contextual elements influence the results. The research demonstrates that leadership capacity-building investments should be considered essential for improving financial outcomes in rural savings groups. The research supports the implementation of customized managerial training programs and practical financial governance modules, and structured mentorship initiatives to boost VSLA sustainability in low-resource settings.

Keywords: *Managerial competence, profitability, VSLAs, Mitooma District.*

1. Background

Availability of formal financial institutions remains low in rural areas of developing countries, forcing the majority of communities to rely on Village Savings and Loan Associations (VSLAs) to access finances (Dawuni, Mabe, & Tahidu, 2021). VSLAs are self-managed, community-operated groups that encourage saving, provide loans, and share profits among members after a cycle (Amponsah et al., 2023). They are mostly useful to women and small-scale farmers who lack access to formal financial organizations (Maganga, 2021). Despite their growing role, the majority of VSLAs lack profitability due to low financial literacy and poor leadership strategies (Okello & Mwesigwa, 2022). Their non-formal characteristics tend to result in unsound loan administration and minimal potential for scaling up (Dawuni, Mabe, & Tahidu, 2021). Within Uganda's Mitooma District, where there are no established banks, VSLAs are the central providers of credit but are nevertheless weak in finance (Amponsah et al., 2023). Profitability in terms of finance is essential to sustain VSLAs and is traditionally measured through drivers like Return on Equity, Return on Assets, and Net Profit Margin (Apreku-Djan et al., 2022). Management efficiency greatly helps to ensure VSLA financial performance improvement (Agrawal, 2021). High-quality managers combine skills, experience, and knowledge to propel their organizations into profitability (Kabii & Kinyua, 2023). Skills include knowledge and finance governance, technical skills in managing financial systems, analytical decision-making skills, and interpersonal communications (Namara, Oyagi, & Bateyo, 2023). High levels of managerial competence were linked with innovation and financial performance improvement of community-based financial groups (Byukusenge, Munene, & Orobia, 2021). Although VSLAs are helping to improve livelihoods in Uganda, their sustainability depends on improving leadership and formalizing their operations (Muwereza, 2024).

Namara, Oyagi, and Bateyo (2023) opine that management abilities are at the heart of the financial performance of community-based financial groups like VSLAs. Proper leadership in bookkeeping, monitoring loans, resolving conflicts, and organizing finances contributes immensely towards transparency and confidence within the group (Sseremba, 2022). Lagu (2023) states that well-run VSLAs post average returns on savings of 22% and on assets of 18%, 74% of money lent out actively, and 63% of members with outstanding loans at any given time. These statistics show decisively the impact of good management on profitability and utilization of

funds (Muwereza, 2024). Conversely, poor managerial skills can lead to ineffective use of funds, low loan recovery rates, and internal disagreement, which decrease the group's financial output (Muhunga Kule, Kamukama, & Nsambu Kijjambu, 2020). Sseremba (2022) further explains that the lack of technical training and administrative training among the leaders is one of the main causes of underperformance in most VSLAs. Where there is adequate financial literacy and regular training, VSLAs will likely have good performance and guarantee long-term member satisfaction (Namara, Oyagi, & Bateyo, 2023). However, access to such resources is scarce in rural Uganda, and most associations are therefore rooted in untrained leadership and capricious decision-making processes (Lagu, 2023). Muwereza (2024) attests that VSLAs with weak leadership structures do not grow beyond their initial capacity, which limits their impact on community development and financial empowerment.

Simelton et al. (2021) hold that building leadership capacity through training and empowerment is essential to improve the performance and sustainability of VSLAs. Financial training equips leaders with the technical ability to manage group operations effectively and make informed decisions (Dawuni, Mabe, & Tahidu, 2021). Most VSLAs in Mitooma District continue to operate without formal training or external intervention, which has significantly affected their profitability and growth (Namara, Oyagi, & Bateyo, 2023). Okello and Mwesigwa (2022) indicate that while VSLAs have increased access to credit, their ability to generate consistent income remains limited by weak organizational frameworks. Amponsah et al. (2023) point out that profitability in VSLAs is not just a function of high savings or loan values but also of how the group is managed effectively and transparently. Maganga (2021) is of the view that without deliberate investment in leadership capacity, VSLAs cannot realize their full potential as drivers of community development. Simelton et al. (2021) confirm that where the leadership is competent and accountable, groups attain better loan repayment, higher member participation, and better record-keeping. The current study, therefore, seeks to determine the effect of managerial competence on the profitability of VSLAs in Mitooma District (Dawuni, Mabe, & Tahidu, 2021). As noted by Muhunga Kule, Kamukama, and Nsambu Kijjambu (2020), leadership capacity building in rural financial institutions is key to enhancing effectiveness and achieving long-term sustainability.

Okello and Mwesigwa (2022) mention that while VSLAs are essential in community development, the majority of them are financially strained. Between 2016 and 2018, the general ROE of VSLAs within Mitooma District declined from 10.3% to 5.7%, much below the national industry benchmark of 12.1% (AYEDI, 2018). This ongoing decline in profitability threatens the group's sustainability and depletes its ability to meet members' financial requirements. While poor fund management, a lack of funds, and prevailing economic conditions have been widely embraced as factors perpetuating this challenge (Alesane, Yussif, & Tetteh Anang, 2019), management ability has remained unaddressed in most research. Sseremba (2022) highlights that management skills can render financial performance as well as the general operations of the savings groups compromised. Agrawal (2021) identifies that organizations are more likely to make better financial decisions, are good at dealing with risks, and invest in innovation to realize improved performance by having competent managers. Strugar Jela et al. (2022) affirm this stance by showing that being emotionally and analytically competent among managers maximizes organizational profitability significantly. That is where this study aims to examine the link between managerial ability and the profitability of VSLAs in Mitooma District. Simelton et al. (2021) recommend strengthening managerial ability in rural financial cooperatives for better decision-making and sustainability. Zainal and Nurdasanah Putri (2021) add that improved governance and leadership capability in community businesses are crucial in ensuring long-term profitability. The present study, therefore, provides timely advice to inform policy-making and improve capacity among VSLA leaders to ensure financial stability and growth of such groups.

2. Literature Review

Managerial competences and profitability

Village Savings and Loan Associations (VSLAs) are now critical financial inclusion and poverty reduction instruments, especially in rural areas. Okello and Mwesigwa (2022) highlight how they improve saving culture, loan accessibility, and household income, especially for women. However, their impact is limited by challenges such as low economic literacy, lack of support from the authorities, and the irregularity of attendance, calling for their long-term sustainability, especially in some rural areas such as the Mitooma District. Abdulai et al. (2022), in research on VSLAs in Ghana, recorded impressive gains such as increased investment in agriculture,

education, and health, but warned that pressure from domestic demands dilutes gains. Their findings also highlight the value of context-specific research, as local social organization, agricultural cycles, and group dynamics, common in Mitooma, could affect performance. Likewise, Maganga (2021) highlights VSLAs' role in women's empowerment in Malawi, though he points out that technical support and mentoring are important for long-term effect; he questions whether such structural support is being made available to women in Mitooma. Good governance and leadership are the keys to VSLA success.

Moreover, Messabia et al. (2023) argue that participatory governance and leadership commitment are crucial for SACCOs' resilience, but then raise an eyebrow at the informal management of member-managed VSLAs led by their members in districts such as Mitooma. Kiruru (2022) attributes the reality that financial sustainability not only calls for effective management but also liquidity and quality assets; major concerns for VSLAs with periodic contributions and seasonally induced financial stress. Zainal and Putri (2021), in the case of Indonesian village businesses, emphasize that there must be relevance of financial products to people's needs or else non-adherence. This finding can be used in Mitooma, where there are differences in household needs and require flexible savings mechanisms and participation from communities. In such environments, governance is not just about leadership roles but also about whether local finance cycles are congruent with group practice; a divergence that, if not addressed, could compromise trust and involvement. Managerial competences directly shape organizational performance, even in grassroots groups like VSLAs.

Additionally, Apreku-Djan et al. (2022) proved that leadership, technical skills, and risk management improve the financial performance of Ghanaian banks; these skills are also critical for informal groups. Agrawal (2021) confirms this by quoting that adaptive leadership is what drives MSME success, a lesson critical to Mitooma's VSLAs, demonstrating fluctuations in income by season. Namara et al. (2023) argue that technical skills dominate interpersonal skills in SACCOs, but in peer-operated VSLAs, softer skills like the ability to resolve conflicts and build trust may be more crucial. Byukusenge et al. (2021) suggest innovation as the bridge between competence and performance, suggesting that VSLA leaders in Mitooma need to adapt practices like mobile money and accommodative lending into the local context. Strugar Jelaa et al. (2022) also highlight emotional intelligence, noting that optimism and empathy can sustain cohesion and engagement; qualities especially important in Mitooma, where VSLAs play the dual roles of emotional support groups. Leadership in such situations, then, must incorporate technical expertise, innovation, and emotional sensitivity to ensure long-term success.

Manager's Knowledge and Profitability

Managerial expertise has emerged as a key driver of profitability in various financial institutions, and its relevance is especially crucial in grassroots financial structures such as Village Savings and Loans Associations (VSLAs). Krstić et al. (2023) conducted research among knowledge-intensive and smart firms to enhance profitability measurement by incorporating intellectual capital, a significant knowledge-based asset that may not be recorded in traditional financial statements. The work introduced the approach to Efficiency of Intellectual Capital (EIC) as a more satisfactory means for expressing knowledge contribution as an input of intellectual capital on financial outputs, with an illustration that it must substitute traditional Return on Assets (ROA) with Return on Total Employed Resources (EOR). Adopting observations made from experience gained through using observations in knowledge-firm datasets, the paper revealed that when accounting for intellectual capital, one greatly enhances profitability predictions' correctness. This shift in strategy reflects the new dynamics of contemporary firms where intangible knowledge assets are central to organizational performance. The research approach used in this study included quantitative analysis and conceptual reevaluation of financial measures. This article is especially pertinent to the present study because it highlights the importance of knowledge-based capabilities, particularly those of managers, in driving profitability. However, while the study makes valuable contributions to the knowledge of how knowledge enhances profitability in high-tech environments, it fails to consider grassroots financial institutions like Village Savings and Loans Associations (VSLAs), especially in rural Ugandan environments like Mitooma District. This creates a clear contextual gap, as the intellectual capital and managerial knowledge contribution to low-resource, community-based financial institutions is not well researched.

Gazi et al. (2024) examined the mediating and moderating roles of knowledge management and organizational commitment on customer profitability and loyalty in the Bangladeshi telecommunication sector. Using

structural equation modeling (SEM) and data from 100 consumers collected through online and offline surveys, the study suggested a comprehensive moderated-mediation model. The findings indicated that knowledge management, and its role in customer relationship management (CRM) in particular, plays a critical role in customer satisfaction improvement, which in turn increases customer profitability and loyalty. Secondly, the brand image was found to moderate the above-mentioned relationships, suggesting that abstract variables such as brand perception and knowledge sharing play important roles in financial performance. While this study delineates the role of knowledge-based practices in profitability in service industries, it is limited in its application to large corporate setups with sophisticated technology labs. It is not inclusive in its consideration of how managerial knowledge at the grassroots level affects profitability in informal or semi-formal financial institutions such as VSLAs. This is a significant gap, especially considering that VSLAs operate under much different socioeconomic dynamics where interpersonal skills, local trust, and functional financial ability play a stronger role than either formal CRM systems or brand positioning. This study, as valuable as it is, does not directly address how managerial acumen translates into financial performance in community-based organizations in rural Africa.

Đonlagić Alibegović and Mešanović (2022) researched the impact of knowledge management capabilities on the financial performance of companies in knowledge-intensive sectors in Bosnia and Herzegovina. A survey method was employed during the research to collect data from firms in high-knowledge industries. The results demonstrated a high, positive relationship between knowledge creation, knowledge application, and financial performance in the firms. This means that firms investing in purchasing and installing in-house knowledge assets will be in a position to demonstrate improved financial outcomes. The research employed a quantitative survey approach with emphasis placed on industries where intellectual and knowledge-based assets represent key performance metrics. While the findings support the premise that knowledge is a primary profitability driver, the research context, knowledge-intensive enterprises in Bosnia, is quite distinct from the informal financial sector of VSLAs in Uganda. It does not account for the basic managerial capabilities, record keeping, decision making, and community engagement that are often essential to the success of small, rural financial groups. Thus, this study provides conceptual evidence of the knowledge contribution to profitability but falls short of demonstrating exactly how grassroots managers in VSLAs apply their knowledge to promote group financial outcomes. This gap is what the current study is seeking to close by analyzing the practical knowledge facets (knowledge base, technical competency, analytical capacity, and inter-personal competencies) of VSLA managers in Mitooma District.

Al-Dmour, Al-Dmour, and Rababeh (2021) set their research agenda to commercial banks in Lebanon and explored how knowledge management operates, more precisely, acquisition, integration, and utilization operate in terms of digital financial innovation. The data collected by them, gathered from 181 bank managers via self-administered questionnaires, found that there was a robust positive relationship between knowledge management practices and financial innovation. Remarkably, the study also identified that managerial demographics, more notably experience and job designation, mediated the relationship. This suggests that the depth of a manager's experience and their hierarchical position in the organization can have an impact on how well knowledge turns into innovation. The research utilized a structured quantitative method based on knowledge-based theory and provides significant insights into how knowledge management informs institutional innovation and performance. While this study adds to the body of knowledge and financial performance literature, its focus on digital innovation in formal commercial banking in a middle-income country like Lebanon limits its applicability to informal financial settings like VSLAs in Uganda. Commercial bank managers' demographic characteristics and working patterns are entirely different from those of local VSLA leaders, who might lack formal education or extensive institutional networking. Thus, while the study confirms that knowledge management has a major impact on financial innovation, it does not explore how core managerial knowledge and technical skills impact profitability within rural informal savings groups. This is particularly relevant to the current study, which explores how technical skills and knowledge of VSLA managers in Mitooma District impact the financial performance of their group.

Manager's Skills and Profitability

Managerial skills are commonly acknowledged to be critical in enhancing profitability, particularly in environments where resource optimization, effective leadership, and people relationships are crucial determinants of success in finance. Okwurume (2023) conducted an empirical study whose purpose was to

explore the interaction between organizational profitability (OP) and managerial skills development (MSD) in multinational companies within Rivers State, Nigeria. The research utilized cross-sectional survey research as well as stratified purposive and random sampling to gather a sample of 132 managers from 12 multinational companies. The research used three hypotheses that utilized Spearman's rank order correlation technique to test the data at a significance level of 0.05. The research found that development in conceptual and technical managerial capabilities was not seen to have any statistically significant connection with profitability. However, development in human skills (HSD) like emotional intelligence, interpersonal communication, and team management was discovered to be moderately positively related to profitability. The researcher concluded that while MSD holds promise for potential benefits, external variables such as economic, social, and political circumstances also play an important role in determining profitability to a large extent in big organizations. Importantly, the research indicated that businesses still invest in MSD programs with a high focus on human skills since these were determined to yield the most concrete return on profitability. Furthermore, the study suggested training managers in information management skills to tackle business complexities before their occurrence. Even though findings are for multinational companies that have robust frameworks and assets, they have essential implications for fundamental financial programs like Village Savings and Loans Associations (VSLAs). In the case of rural Uganda's VSLAs, most importantly, the Mitooma District, human skill emphasis best fits because managers of VSLAs tend to utilize interpersonal trust, people mobilization in groups, and team leadership to manage money group funds, as well as group sustainability. However, Okwurume's study does not extend its scope to community or informal financial settings, hence creating a contextual and demographic gap that the present study seeks to fill by examining how building managerial capacity, more so human relations, can influence profitability in rural VSLAs.

Bode (2020) conducted a comprehensive literature-based review to examine the effect of managerial skills on the performance of corporate companies in Nigeria. The review of both theoretical and empirical research synthesis determined the findings in assessing the way various modes of managerial competencies enhance organizational performance. The article emphasized the point that sound and effective managerial capabilities play an essential role in shaping the productivity and overall organizational performance of the workers, subsequently leading to higher profitability at the organizational level. Bode highlighted the importance of having managers current in skills within specialist areas and proposed ongoing training and retraining programs as pivotal mechanisms for maintaining managerial effectiveness. No detailed skill sets like technical skills or conceptual skills were set by the study, but it all-around ratified the importance of multifaceted management skills, guaranteeing the attainment of strategic objectives, efficient use of resources, and enhanced employees' morale. Overall, the paper's findings were that managerial efficiency is a condition necessary to enable better performance and profitability over the long term for business institutions. Such findings are particularly applicable for community-led institutions like VSLAs operating in rural Uganda, where the job of managing is likely to be multifaceted and making both financial as well as social decisions. In such a setting, applied managerial skills, spanning from mere money management to planning, leadership, and coordination, may directly impact group performance and profitability. Bode's work does focus mainly on formal corporate settings, however, which are structurally, resourcefully, and procedurally different from the community-based, informal setting of VSLAs. Thus, even though the study acknowledges the importance of managerial skills, it fails to address the unique needs and situation of managers in rural VSLAs, especially in low-resource contexts like Mitooma District. This failure creates a knowledge gap, which the present study aims to fill through an examination of the impact of context-specific managerial skills on the profitability of VSLAs in a rural Ugandan context.

Ahmad and Ahmad (2021) explored the relationship between managerial skills and performance of small and medium-sized enterprises (SMEs) in Punjab, Pakistan, with a specific focus on strategic planning as the mediating role. Structural equation modeling (SEM) was employed to test the direct and indirect effects of managerial skills on business performance. The findings supported a strong positive relationship between managerial capacity and business performance, and further demonstrated that strategic planning significantly mediates this relationship. That is, while managerial capacity positively affects performance on its own, this effect is significantly amplified when managers also apply such capacity within a strategic planning context. Moreover, the study emphasized the need to utilize managerial competencies in the use of resources to boost the performance of SMEs. Effective planning allows managers to save resources, coordinate teamwork for organizational objectives, and anticipate changes that could impact business performance. In practice, this

means that profitability and sustainability of small enterprises are not only issues of having managerial capabilities at hand but also the degree to which these capabilities are utilized in bringing about well-designed structures and procedures. While the study was conducted in a formalized SME environment, the implications can be transferred to informal financial institutions such as VSLAs, especially in rural environments such as the Mitooma District. VSLAs do not normally employ formal planning documents or strategies, yet the principles of strategic allocation of resources and managerial anticipation remain equally relevant. The research finding shows that training in down-to-earth planning, resource coordination, and monitoring by VSLA managers can significantly increase the profitability of groups. Nevertheless, the climate of SMEs in Pakistan with increased access to infrastructure, resources, and government support mechanisms varies from that of rural Ugandan VSLAs, which have to deal with particular issues such as low levels of literacy, limited access to financial instruments, and dependence on trust within a community. Hence, while Ahmad and Ahmad provide insightful information on the strategic use of managerial competencies, the study does not specifically address how such skills function in informal, community-based financial institutions. This necessitates that the present study explore how managerial skills, in this case, planning and resource utilization, affect the profitability of VSLAs in the rural and resource-limited context of Mitooma District.

Manager's Abilities and Profitability

The notion of managerial capability has become increasingly popular in academic circles in recent times, thanks to its pivotal role in determining firm performance, including profitability. Anggraini and Sholihin (2023), through their systematic review of research spanning 1974 to 2020, gave a broad explanation of how managerial capability has been conceptualized, measured, and related to various organizational outcomes. Their examination, consisting of 120 scholarly papers, demonstrates how managerial effectiveness has evolved from a technically defined structure of narrow skills into a broader construct that involves strategic thinking, resource optimization, and decision-making wisdom. The research categorizes the available scholarship under firm performance, financial decisions, capital markets, and corporate social responsibility, among others. Across these topics, the trend is uniform: firms with extremely capable managers perform below their competitors, particularly in profitability, investment productivity, and adaptability to change. Moreover, the review also notes that the literature remains absent when it comes to examining how managerial ability operates in less formalized settings, including micro-enterprises or rural savings clubs. This has a window of opportunity to examine how management skills, ranging from economic literacy to communication with people and planning, are set to influence profitability within informal financial institutions like Village Savings and Loan Associations (VSLAs) in rural districts like Mitooma District. Given that these institutions are prone to being devoid of formal training systems or regulation, the inborn abilities of the managers can be more vital towards ensuring economic success.

Supporting the empirical experience of this field, Bhutta et al. (2021) conducted research in the environment of an emerging market—Pakistan—and found substantial evidence favoring the relationship between managerial ability and firm performance. Using a sample of 246 listed companies in the Pakistan Stock Exchange between the years 2009 and 2017, their research indicated that companies under the command of extremely talented managers had much higher levels of accounting-based as well as market-based performance. These effects were more pronounced in financially constrained firms, which suggests that managerial ability is a value for strategy when resources are not abundant and external assistance is limited. Noteworthy is that the paper employed strong statistical techniques, a two-stage least squares (2SLS) and Fama-MacBeth regressions, to control for endogeneity and firm differences. The key is that managerial ability yields intangible assets, such as better decision-making, efficient resource utilization, and risk management ahead of time, that drive profitability. In rural VSLAs, these are most relevant. Since such groups operate with little capital and under informalized governing structures, the presence of a manager who is not only competent but also versatile and inventive can be the reason an association either thrives or fails. A manager's competence in assessing lending risks, mobilizing member contributions, and record keeping can enhance members' confidence and the profitability of the group in the long run. Accordingly, evaluating managerial ability should be a strategic priority for enhancing the operational efficiency of VSLAs.

Managerial ability as a factor determining company performance is also made complex by its interaction with internal structures, like the allocation of capital, and external factors, like economic downturns. Ting et al. (2021), employing an empirical analysis of the Taiwanese electronics sector, demonstrated that managerial

ability positively affects company performance, with the capital structure acting as a mediator. More efficient managers were associated with firms with lower debt, which in turn contributed to superior financial performance. This finding supports the fact that not only do superior managers perform better in isolation but also drive firm-level financial choices that contribute to long-run profitability. Meanwhile, Oskouei and Sureshjani (2021) researched the effects of managerial talent during financial and economic crises and determined that high-talent managers engaged in less real earnings management, a manipulative act widely used to demonstrate an excellent financial performance. Their conclusion suggests that good managerial ability enhances good practice and sound financial reporting, which are badly required in tumultuous times. Applying these findings to VSLAs in Mitooma District, it is clear that a manager's competence is not only essential in day-to-day management but also when finances are tight or during an economic crisis. Managers who can manage such a situation masterfully—avoiding adverse lending habits, maintaining member trust, and strategically re-allocating resources—can safeguard the profitability of the association. This points to the need for training and selecting VSLA leaders based on observable skills, specifically financial management skills, problem-solving skills, and future planning. Identification of the mediating and moderating factors that determine how managerial skill impacts profitability will inform possible interventions to support the performance of VSLAs in rural Uganda.

3. Methodology

Research Design: The study adopted a cross-sectional research design, which enabled data collection from a diverse group of respondents within a specific period. This design was suitable because it allowed the researcher to gather views from a wide sample quickly and efficiently. The study used a quantitative approach to collect and analyze numerical data, enhancing objectivity and precision (Sedgwick, 2014; Sreejesh et al., 2014).

Study Population and Sampling: The study targeted all 180 registered Village Savings and Loan Associations (VSLAs) from 14 sub-counties and town councils in Mitooma District, along with 14 Community Development Officers (CDOs). A sample size of 124 VSLAs was determined using Yamane's (1967) formula with a margin of error of 5%. Simple random sampling was applied to select VSLA chairpersons, while purposive sampling was used to include all 14 CDOs, making a total sample size of 138 respondents. The number of VSLAs per sub-county was proportionately allocated to reflect their population sizes.

Data Collection Methods and Instruments: Quantitative data were collected using self-administered closed-ended questionnaires, distributed to 124 VSLA chairpersons and 14 CDOs. The questionnaire served as the main tool for primary data collection and was designed to capture information relevant to the study variables. To ensure validity, three experts evaluated the questionnaire using a relevance scale, and a Content Validity Index (CVI) greater than 0.7 was achieved, confirming its suitability (Shi et al., 2012; Davies et al., 2018).

Data Processing, Analysis and Interpretation: Collected data were cleaned, coded, and categorized for consistency before being analyzed using SPSS version 21. Descriptive statistics such as frequencies and percentages were used to summarize demographic data, while inferential statistics, including Pearson correlation and hierarchical regression, were employed to examine relationships between study variables. Data were presented in tables to ensure clarity and ease of interpretation.

Operationalization and measurement of variables

Table 1: Operationalization and Measurement of Variables

Variables	Dimension	Definition	Measurement	Sample Items
Managerial Competence	Knowledge	Understanding of financial, operational, and managerial practices relevant to VSLA management.	5-point Likert scale (Strongly Disagree to Strongly Agree)	I understand VSLA financial practices.
	Skills	Practical abilities to carry out VSLA functions such as planning, organizing, and record-keeping.	5-point Likert scale	I can prepare VSLA reports.
	Abilities	Capacity to mobilize members, manage conflicts, and ensure group discipline.	5-point Likert scale	I handle group issues effectively.
Profitability	Return on Equity	The net income earned as a percentage of members' equity (savings and shares).	Ratio calculation	What is your return on equity?
	Return on Assets	Efficiency in using assets (cash, loans, etc.) to generate profit.	Ratio calculation	What is your return on assets?
	Net Interest Margin	Difference between interest earned from loans and interest paid on savings.	Ratio calculation	What is your net interest margin?

4. Results of the Study

Table 2: Demographic Characteristics of the participants

Category	Details	Frequency	Percent (%)	Cumulative Percent (%)
Response Rate	VSLA Chairpersons	124	89.9	89.9
	CDOs	14	10.1	100.0
	Total	**138**	**100.0**	
Gender	Female	59	42.8	42.8
	Male	79	57.2	100.0
	Total	**138**	**100.0**	
Education Level	Postgraduate	2	1.4	1.4
	Degree	30	21.7	23.1
	Diploma	16	11.6	34.7
	Secondary	70	50.7	85.4
	Primary	20	14.5	100.0
	Total	**138**	**100.0**	
Time Spent in Business	Above 6 years	8	5.8	5.8
	Between 4 and 6 years	28	20.3	26.1
	Between 2 and 4 years	74	53.6	79.7
	Less than 2 years	28	20.3	100.0
	Total	**138**	**100.0**	

Source: Primary data

The table illustrates the response rate and most significant demographic characteristics of the study sample. It shows that a total of 138 anticipated respondents were included in the study, a response rate of 100%, out of which 124 (89.9%) were VSLA chairpersons and 14 (10.1%) community development officers (CDOs). In terms of gender, most were males (57.2%) compared to 42.8% females, which was relatively representative of the genders. The level of education on the highest available was discovered so that the participants' major had secondary schooling (50.7%), whereas others had primary (14.5%), degree (21.7%), diploma (11.6%), and comparatively relatively few had postgraduate qualifications (1.4%). It shows respondents had reasonably

sufficient educational achievements to provide well-informed responses. For business time, 53.6% had 2–4 years, 20.3% had less than 2 years, another 20.3% had 4–6 years, and 5.8% had over 6 years, indicating that the respondents had direct experience and understanding of VSLA operations.

Table 3: Demographic characteristics of the unit of analysis

Demographic Characteristic	Details	Frequency	Percent (%)	Cumulative Percent (%)
Capital Structure	Equity only	70	50.7	50.7
	Equity and Loans	35	25.4	76.1
	Loans, Equity, and Donations	25	18.1	94.2
	Equity and Donations	8	5.8	100.0
Years of Operation	Less than 5 years	80	57.9	57.9
	Between 5 and 10 years	32	23.2	81.1
	Between 10 and 15 years	18	13.0	94.1
	Above 15 years	8	5.9	100.0
Total		138	100.0	

Source: Primary data

The table presents two vital demographic characteristics of the VSLAs in Mitooma District: operation years and mix of capital. Fifty percent of the VSLAs (50.7%) utilized only equity as a source of capital, while 25.4% used both equity and loans, 18.1% used loans, equity, and donations, and only 5.8% used equity and donations. This means that most of the VSLAs are operating with minimal external capital, which may limit their growth potential. About years of operation, the highest percentage (57.9%) had operated for less than 5 years, 23.2% had operated between 5 and 10 years, 13.0% between 10 and 15 years, and only 5.9% had operated for over 15 years. This implies that the majority of the VSLAs are fairly new, and this could have implications for their stability, profitability, and growth.

Correlation analysis results and hypothesis testing

Pearson correlation analysis was conducted to examine the relationship between the study variables. The Pearson product-moment correlation index was used to assess the strength of the relationships. The hypotheses were tested based on levels of significance. All global variables and their respective constructs were coded and correlated with the dependent variable, profitability. The codes and correlations of the constructs were then explained in a brief write-up following the correlation matrix. The study findings are presented in the table below:

Table 4: Pearson Correlation Matrix

Variables	K	S	A	P
Knowledge (K)	1			
Skills (S)	-0.005	1		
Abilities (A)	.602**	-0.059	1	
Profitability of VSLAs (P)	.261**	.631**	.244**	1

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

The results in Table 4 indicate that there is a positive and significant relationship between managerial knowledge and VSLA profitability in Mitooma District ($r = .261$, $p<.01$). This implies that any positive change in managerial knowledge is associated with a positive with VSLA profitability in Mitooma District. The results also indicate that managerial skills have a positive and significant relationship with VSLA profitability in Mitooma District ($r = .631$, $p<.01$). This implies that any positive change in managerial skills is associated with a positive change in VSLA profitability in Mitooma District.

Finally, the results indicate that managerial abilities have a positive and significant relationship with VSLA profitability in Mitooma District (r = .244, p<.01). This implies that any positive change is associated with a positive change in VSLA profitability in Mitooma District.

Table 5: Regression results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.522	0.147		10.343	0.000
	Knowledge	0.065	0.025	0.147	2.612	0.010
	Skills	0.373	0.026	0.644	14.271	0.000
	Abilities	0.122	0.036	0.194	3.427	0.001
R	.701a					
R Square	0.492					
Adjusted R Square	0.486					
F	81.05					
Sig.	.000b					

a. Dependent Variable: Profitability of VSLAs

The results in Table 5 indicate that managerial knowledge was confirmed to be a significant predictor of VSLA profitability in Mitooma District (Beta = .147, p<.01). This implies that a unit increase in managerial knowledge will result in to 0.147 unit increase in VSLA profitability in Mitooma District. The results further indicate that managerial skills are a significant predictor of VSLA profitability in Mitooma District (Beta = 0.644, p<.01). This implies that a unit increase in managerial skills will result in to 0.644 unit increase in VSLA profitability in Mitooma District.

Managerial abilities were also confirmed to be a significant predictor of VSLA profitability in Mitooma District (Beta = .194, p<.01). This implies that a unit increase in managerial abilities will result in a 0.194-unit increase in VSLA profitability in Mitooma District. The results further show that 48.6% (Adjusted R Square =.486) of the variations in VSLA profitability are in Mitooma District. This further implies that the remaining 51.4% is explained by other factors not considered in this study.

Discussion

The findings align with the same study that has highlighted the central role of managerial competency in financial performance. Apreku-Djan et al. (2022) determined that managerial capability plays an important role in value-based financial performance in banks, with efficient management leading to improved financial performance. This agrees with the positive relationship between managerial capability and profitability determined in this current study. Amponsah et al. (2023) also noted that in the case of VSLAs in Northern Ghana, high levels of effective leadership skills were associated with higher productivity and profitability, further confirming that managerial skills are key to the success of such community-based financial institutions. Apart from that, Byukusenge et al. (2021) depicted in their study of Rwandan SMEs that managerial competence directly influenced firm performance through better decision-making and innovation, further supporting the assertion that VSLAs in Mitooma District could also benefit from better managerial leadership. Finally, Kabii and Kinyua (2023) expounded on the role of managerial competence being a keystone to the survival of business and financial viability, highlighting that improved leadership within financial institutions can be translated into more sustainable profitability. All these studies together corroborate the findings of this study and highlight the importance of managerial competency in raising the financial performance of VSLAs in Mitooma District.

5. Conclusion and Recommendations

Conclusion: The study's findings conclude that managerial competency has a significant influence on the profitability of the Village Savings and Loan Associations (VSLAs) in Mitooma District. From the analysis, a high positive correlation (r=0.658**) between managerial competency and financial performance was established, with significant relationships among the individual constructs of knowledge, skills, traits, and abilities. The low mean values of both managerial competency (2.98) and profitability (2.77), combined with high standard deviations, indicate inconsistency in leadership capability and financial performance in VSLAs. The results affirm that low managerial competency is a reason for low profitability, whereas improved leadership will most likely result in positive financial results.

Recommendations: It is thus advised that capacity-building interventions and specialized training be brought in to develop the managerial competencies of VSLA leaders in Mitooma District. Special focus should be laid on developing practical skills, financial knowledge, and leadership attributes that directly influence better decision-making and effective use of resources. Local governments and development partners should also provide high priority to supporting leadership development initiatives in financial institutions at the local level. Development of leadership ability will help reduce variability in performance and promote more sustainable profitability for the district VSLAs.

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