

REVIEWER'S REPORT

Manuscript No.: IJAR-53068

Date: 07/31/2025

Title: WORKING CAPITAL MANAGEMENT APPROACHES IN WELFARE NON-PROFIT ORGANISATIONS IN SOUTH AFRICA

Recommendation:

Accept as it is

Accept after minor revision.....Yes.....

Accept after major revision

Do not accept (*Reasons below*)

Rating	Excel.	Good	Fair	Poor
Originality		Yes		
Techn. Quality		Yes		
Clarity		Yes		
Significance		Yes		

Reviewer Name: Dr. Yanti Budiasih, SE.MM

Date: 07/31/2025

Reviewer's Comment for Publication.

This article qualifies as a valid and legitimate published scientific work, based on the following considerations:

1. Published in a Peer-Reviewed Journal

The article is published in the *International Journal of Advanced Research (IJAR)*, a peer-reviewed academic journal. This means the paper has undergone academic review by experts before publication.

2. Follows Standard Scientific Structure

The study includes all the essential components of a scholarly article:

- Abstract
- Introduction
- Literature Review and Theory
- Methodology
- Results and Discussion
- Conclusion
- References

This structure aligns with internationally accepted academic writing standards.

3. Applies Valid and Reliable Methodology

The research uses a quantitative survey-based approach, with appropriate sampling (stratified random sample of 626 organisations) and statistical analysis (Chi-square, Cramer's V, SPSS software). This strengthens the credibility of its findings.

4. Contains Original Contributions (Novelty)

The paper fills a research gap by being the first empirical study on working capital approaches in South African welfare NPOs. It also challenges existing assumptions in non-profit financial management.

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REVIEWER'S REPORT

5. Cites Academic and Institutional Sources

The article includes a robust list of references from journals, academic books, and official reports, demonstrating proper academic grounding.

6. Complies with Ethical Publishing Standards

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Detailed Reviewer's Report

Strengths of the Study

1. High Relevance and Context-Specific Focus

The study addresses a crucial gap by focusing on welfare NPOs in South Africa—a sector vital for delivering services to vulnerable communities and yet under-researched in terms of financial management.

2. Large and Representative Sample

With 626 welfare organisations from all nine provinces, the research ensures broad geographical and organisational representation, improving the reliability of the findings.

3. Robust Quantitative Methodology

The study employs a structured electronic survey and uses SPSS for data analysis, applying rigorous statistical tests such as Chi-square, Cramer's V, and Spearman correlation to support its conclusions.

4. Clear and Practical Findings

The research provides actionable insights by demonstrating that conservative working capital management is linked to poor liquidity, while aggressive and moderate approaches are significantly more effective.

5. Fills a Research Gap

The authors explicitly note that no prior empirical research has been conducted on working capital management in South African welfare NPOs, highlighting the study's original contribution to the field.

Weaknesses of the Study

1. Limited Generalisability

The findings apply specifically to welfare NPOs and may not be generalisable to other types of NPOs, such as those focused on education, the environment, or the arts.

2. Potential Sampling Bias

Since data was collected via electronic surveys, organisations without adequate digital access or capacity may have been excluded, introducing possible non-response or coverage bias.

3. Lack of Qualitative Depth

The research is purely quantitative. Including qualitative methods (e.g., interviews or focus groups) could have provided richer context for why organisations choose certain working capital approaches.

4. Narrow Financial Focus

The study focuses only on liquidity as a financial performance indicator. Broader measures like solvency, operational efficiency, or long-term sustainability are not explored.

5. Cross-Sectional Design

Being a cross-sectional study, it captures only a snapshot in time. Longitudinal data would have allowed for understanding how working capital strategies affect organisations over the long term or across economic cycles.

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SWOT Analysis Table

Category	Details
Strengths	- Focuses on a critical and under-researched area in South Africa's welfare NPO sector. - Large, representative sample of 626 NPOs. - Robust quantitative method using SPSS, Chi-square, Cramer's V, etc. - Provides practical recommendations for improving liquidity. - Fills an evident research gap in NPO financial management.
Weaknesses	- Findings limited to welfare-type NPOs; not generalisable to all NPOs. - Possible sample bias due to online data collection. - No qualitative insights to understand decision-making behavior. - Focuses only on liquidity, excluding other financial health indicators. - Cross-sectional design prevents understanding of long-term trends.
Opportunities	- Future research could include other NPO sectors (education, arts, environment). - Incorporate qualitative methods for deeper managerial insight. - Conduct longitudinal studies to measure impact over time. - Guide policymakers and donors on better financial support mechanisms.
Threats	- Rapid changes in the external economic environment may render results time-sensitive. - Resistance from NPOs to adopt riskier (aggressive) financial approaches. - Limited financial capacity or expertise in NPOs may hinder implementation of findings.

Novelty of the Study

- Contextual Focus on Welfare NPOs in South Africa**
 This study is the first empirical research that investigates working capital management approaches specifically within welfare non-profit organisations (NPOs) in South Africa—a sector that plays a critical social role but has received limited academic attention in terms of financial strategy.
- Application of Profit-Sector Theories to Non-Profits**
 It applies and critically examines the three traditional working capital approaches—aggressive, moderate, and conservative—commonly used in the private sector, in a non-profit context, providing new insights on their effectiveness for organisations that do not aim to generate profit.
- Challenging the Conventional Preference for Conservative Approaches**
 The study reveals that the most commonly used conservative approach is actually linked to poor liquidity outcomes, while aggressive and moderate approaches result in significantly better financial health. This challenges existing assumptions that conservative financial policies are always safer for non-profits.
- Offers Actionable, Evidence-Based Recommendations**
 Based on robust statistical analysis (e.g., Chi-square, Cramer's V), the study provides clear strategic guidance for NPOs to improve liquidity through alternative working capital strategies—a contribution that blends theory with practice.
- Proposes a Phased Strategy Transition Model**
 The study uniquely recommends a gradual shift from conservative to more dynamic approaches (aggressive or moderate), tailored to the internal capabilities and risk tolerance of NPOs—providing a practical pathway to financial reform in the sector.

REVIEWER'S REPORT

Revision Suggestions for the article

1. **Incorporate a Qualitative Component (Mixed-Method Approach)**
The study uses a purely quantitative survey method. Adding qualitative interviews or focus groups with financial managers would offer deeper insight into the reasoning behind specific working capital strategies and the real-life challenges faced by NPOs.
2. **Expand Financial Performance Indicators**
The study only uses liquidity (current ratio) as the performance metric. It is recommended to include additional indicators such as solvency, efficiency (e.g., inventory turnover), and financial sustainability to provide a more holistic financial analysis.
3. **Use a Longitudinal Research Design**
The cross-sectional design limits understanding of long-term impacts. Future research should use a longitudinal approach to examine how liquidity evolves over time, especially when NPOs shift from conservative to more dynamic working capital strategies.
4. **Broaden the Scope Beyond Welfare NPOs**
The sample is limited to welfare-based NPOs. To increase the generalisability of findings, future studies should include other NPO sectors, such as education, healthcare, environment, or cultural organisations.
5. **Include Risk Analysis for Each Strategy**
While the study recommends a shift to aggressive or moderate approaches, it does not thoroughly discuss the associated risks (e.g., volatility, funding shortfalls). Future research should assess financial risks and risk mitigation strategies within each working capital approach.
6. **Address Organisational Capacity and Practical Feasibility**
The recommendation to move away from conservative approaches may not be feasible for small or under-resourced NPOs. Future work should consider the practical, managerial, and ethical limitations that organisations face when implementing more complex or riskier financial models.