

RESEARCH ARTICLE

The Impact of Working Capital and on Access to Credit in Small and Medium Enterprises in Cameroon

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Abstract

The general objective of this study examine the effects of working capital on the credit accessibility of Small Medium Enterprises (SMEs) in Bamenda. The study used primary data through structure questionnaires. A population of the study was made up of 384 SMEs under the manufacturing, trading, construction and service sector excluding real estate and renting activities with a sample size of 195 selected using simple random sampling method. A linear regression model was used to analyze quantitative data and was developed and tested to explain the relationship between various proxies of working capital management practices and credit accessibility of SMEs in Bamenda. The study recommends that SMEs managers should be thoroughly trained on working capital management skills. The managers should also undergo continuous development programs through interactive symposiums, conferences, and open forums. The study advocated for increased government support to the SMEs sector. This can be done through resource allocation in this sector. The study also recommends that in future researchers should do a follow up study in the same area so as to monitor and evaluate for improvements in the management of working capital management practices.

Keywords: Small and Medium Size Enterprises, Working Capital, Credit Accessibility.

1. Introduction

In Africa, the full potential of the SME sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. These constraints to mention are unfavorable legal and regulatory framework, undeveloped infrastructure, poor business development services, limited access of SMEs to finance, ineffective and poorly coordinated institutional support framework etc. It is for this reason that this SME Development Policy was formulated so as to address the constraints and to tap the full potential of the sector Micheal (2015). The issue of

credit access is critical problem that over time facing SMEs in Africa that limit their start and growth. The situation is reported to be more critical in many other countries with Cameroon being included due to the fact that SMEs operators in Cameroon are perceived as high risk one. Reasons being Inability of SMEs operators fulfills the collateral requirements. Furthermore, the credit supply side is blamed of operating in limited geographical areas; some banks do not have SMEs financing window, inexperience of staff in issues related to microfinance (Demirguc-Kunt et al 2016). However, the credit accessibility

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of SMEs operators and their businesses should maintain desirable attributes to enable them access credit from financial institutions. The characteristics include attributes such as firm age, firm legal status, collateral and business information, experience, education, firms performance, memberships with business association, owning tangible assets, well-kept financial records, location of business, industry sector, ownership, age of the business operator, size of the firm and business plan play a significant role in influencing credit access by SMEs operators from financial institutions (Deakins et al 2018; Fotoki & Azah 2011; Majed et al 2019; Sorooshrain 2010; Pandula 2017; Le 2012; Kwabena 2012; Nikaido et al 2015; Kira 2013; Timaou et al 2013).

Some previous researches indicated that poor financial management is a major cause of small business failures (Matoha, 2017). SMEs depend on working capital figures to make decisions on additional financing requirements. Proper and efficient working capital management can predict and sometimes prevent potential financial difficulties. However, poor working capital management can lead to financial distress, which increases the probability of bankruptcy. According to Padachi (2006), working capital is a significant source of liquidity which is a predictive measure of whether a firm is able to meet its short term obligations and its continued flow can be guaranteed from a profitable venture. However, the growth rates can increase further if more development Policies are put into action to improve the technology and marketing side of SMEs and consequently SMEs can construct the most dynamic and vibrant sector of the economy (Michael . 2019). The knowledge and understanding of the working capital management practices of SMEs are presently not enough and many firms have gone into liquidation over the years as a result of running a deficit cash flow from operations, (Matoha, 2017). Management of working capital aims at maintaining an optimal balance between each of the working capital components, that is, cash, receivables, inventory and payables. This is a fundamental part of the overall corporate strategy to create value and is an important source of competitive advantage in businesses (Deloof, 2013). The existence of efficient working capital management can make a substantial difference between the success and failure of an enterprise and it is of particular importance to the managers of SMEs as they strive for finances.

The fallout of the 2008 financial crisis has focused attention on access to finance for small and medium

size enterprises (SMEs). The roots of the financial crisis lay in overvalued assets, mainly those backed by mortgage. As these assets began to lose value, it was unclear who owned them and so was exposing to losses. Banks were unwilling to lend to each other, and the restriction in lending fed through into the wider economy: the “credit crunch” (Cowling et al. 2012). 10 years after the initial stock of the economy, bank lending had still not recovered particularly for small and medium size enterprises. There is now a general consensus that this held back the economic recovery of many countries, (Tala 2021). Studies on SMEs’ sector have attracted attention from researchers, policy makers and practitioners due to SMEs contribution to economic growth. Despite the potentials that SMEs have on economic development and growth, the sector is facing a serious challenge arising from limited access to financial services especially small enterprises the issue is more serious. The situation has resulted into little growth of the SMEs sector or inability of the SMEs to start or grow/expand substantially less contribution to job creation and GDP at large.

Also the policy makers are of the view that credit access by SMEs is a problem. This is in line with an interview with the bilingual new later Cameroon tribune in which the minister of small and medium size enterprises social economy and handicraft on the 3rd of September 2020 stated the essentials of SMEs in developmental enhancement. He also acknowledges the fact that these enterprises face challenges that hinders their growth and expansion. In his word he said “A good chunk of SMEs die at their incubation stage due to lack of finance”. He placed a lot of emphasis on the development of SMEs as a means of encouraging self-employment, poverty reduction and accelerating economic growth.

Despite their significance, recent studies show that 60% of the SMEs Cameroon fail within the first few years of operation (Mokete , 2021). It is relatively difficult for the SMEs to access credit from financial institutions since they lack proper working capital management skills Atrill (2016). As some of these enterprises do not have lots of assets for their operations, they face problems on how to properly manage their working capital to ease credit accessibility. Most of the Small and Medium Enterprises face challenges in balancing between surplus and shortage of working capital. As a result, these firms have been experiencing slow growth because of inability to pay daily expenses of their operations and difficulty to exploit

new markets and undertake profitable projects due to shortage of working capital mainly because of poor working capital management. Nonetheless there is clear evidence of a general problem of credit accessibility in the economy, yet there is little evidence on how working capital management affects the credit accessibility of these enterprises. There is, therefore, a need for efficient working capital management to ease credit accessibility for SMEs development and growth. This study sought to find out the effect of working capital management on the credit accessibility of SMEs in Cameroon. Our objective consist to examine the effects of working capital on the credit accessibility of SMEs in Cameroon.

2. Literature Review

2.1. Theoretical Review

According to Aksoy (2005) finance theory is under three main threads: capital budgeting, capital structure and working capital management. Capital budgeting and capital structure decisions are mostly related with financing and managing long-term investments. However, financial decisions about working capital are mostly related with financing and managing short-term investments that undertake both current assets and current liabilities simultaneously. In most cases short-term financial management is referred to as working capital management. Efficiency in working capital management is important especially for production firms whose assets are mostly composed of current assets (Horne & Wachowitz, 2014) as it directly affects liquidity, profitability, credit accessibility and growth of any enterprise (Raheman et al. 2017). According to Kargar and Bluementhal (2014) bankruptcy and lack of credit accessibility may also be likely for enterprises that put inaccurate working capital management procedures into practice, even though their profitability is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability. While excessive levels of working capital can easily result in a substandard return on assets, inconsiderable amount of it may incur shortages and difficulties in maintaining day-to-day operations. Working capital is also a major external source of capital especially for small and medium sized and high growth firms. These enterprises have relatively limited access to capital markets and tend to overcome this complication by short-term borrowing.

Working capital position of such firms is not only an internal firm-specific matter, but also an important indicator of risk for creditors. Higher amount of working capital enables an enterprise to meet its short-term obligations easier. This results to increased borrowing capability and decrease in default risk and consequential decrease in cost of capital and increase in firm value. Therefore, efficiency in working capital management affects not only short-term financial performance in terms of profitability, but also long-term financial performance, i.e., credit accessibility to ease firm value maximization (Moyer et al., 2014).

2.1.1 Liquidity Theory

The liquidity theory was introduced by an English economist John Maynard Keynes in his book entitled “the general theory of employment, interest and money”. In Keynes view, holding money is the opportunity cost of not investing that money in short term bonds. His theory went so virial as he pointed out the aggregate demand for money on the economy liquidity preferences. Many researchers review this theory and according to Jose (1996), liquidity theory as a function of current assets and current liabilities is an important factor in determining working capital policies and indicates firm’s capability of generating cash in case of need. Current ratio, acid-test and cash ratios as traditional measures of liquidity are incompetent because these balance sheet based measures cannot provide detailed and accurate information about effectiveness of working capital management. Formulas used for calculating these ratios consider both liquid and operating assets in common.

Besides, mentioned traditional ratios are also not meaningful in terms of cash flows (Richards and Laughlin, 1980). Boer (1999) has insisted on using ongoing liquidity measures in working capital management. Ongoing liquidity refers to the inflows and outflows of cash through the firm as the product acquisition, production, sales, payment and collection process takes place over time. As the firm’s ongoing liquidity is a function of its cash conversion cycle, it would be more appropriate and accurate to evaluate effectiveness of working capital management by cash conversion cycle, rather than traditional liquidity measures (Pinches, 1992).

2.1.2 Pecking Order Theory and Transaction Cost Theory

Pecking order theory is utilized to assist clarify how companies choose where to source their financing,

and in this way, it makes a difference clarify what drives ideal capital structure, or the perfect adjust of obligation and value financing (Stewart & Nicolas, 1984). Pecking arrange theory is the thought that company supervisors choose how to fund company operations based on a progression where they have to begin with utilize held profit (inside financing), at one-point debt financing and at the other point equity financing Osana, (2016). Inside financing is the primary choice in pecking order theory since there's no additional cost related with utilizing it. On the off chance that a company uses as it were held profit for financing, there's no cost of debt or cost of equity to be accounted for (Bosma 2019). in his view, debt financing comes in moment since of the intrigued payments associated with utilizing obligation capital. Whether the company chooses to require out commerce advances or issue corporate bonds, they will have to be pay a few intrigued, making the cost of debt more than the non-existent cost of utilizing held profit.

Transaction cost theory was introduced by Coase in the 1930s in his famous "The nature of the firm" and later develop by Williamson in the mid-1970s (Williamson, 1985). This theory has become the predominant theoretical framework for explaining organizational boundary decisions. Like most influential theories, transaction cost theory was not fully developed at the outset. It has been and continues to be refined and reformulated, corrected and expanded, in response to new theoretical and empirical developments. The basic premise of transaction cost theory has its origins in Coase's (1937) classic article, "the nature of the firm", in which he described markets and hierarchies as alternative governance structures. Coase argued that the choice between markets and hierarchies was determined principally by differences in transaction costs. However, the difficulty of directly measuring transaction costs resulted in Coase's 1937 article being "much cited and little used" (Coase, 1972). The operationalization problem of transaction cost theory was resolved by Williamson, who demonstrated that testable hypotheses could be developed by associating the relative efficiency of alternative governance structures with observable dimensions of transactions, namely asset specificity, uncertainty, and transaction frequency. Efforts to subject transaction cost theory to empirical testing began shortly after the publication of Williamson's (1975) seminal book *Markets and Hierarchies* and have continued unabated since then in a variety of disciplines.

2.2 Empirical Review

Teruel & Solano (2014) tested the effects of working capital management on SME credit accessibility by using 8,872 small and medium-sized enterprises of period 2007-2012. They were able to demonstrate that managers can create value to firms and shareholders by reducing the number of days in inventory and accounts receivable. They found out that shortening the cash conversion cycle also improves the firms 'credit accessibility. In another study, Manoj and Keshar (2017) carried out an empirical study on working capital performance of corporate firms in Kenya by employing the methodology developed by Anand and Gupta (2013) and provided estimates by using the data of non- financial companies with at least three years of publicly available records over the period of 2011 to 2014 for each company and industry. During the period of study, corporate Kenya had achieved a compound Annual Growth rate of 26.3 % in the net sales and 1.6 % in the three year average cash operating margin. The length of the operating cycle and cash conversion cycle had reduced by 10.2 % and 12.7 % respectively on Compounded annual basis. The paper found very little evidence on the positive relationship between working capital management and credit accessibility.

Reheman (2019) investigated the impact of working capital management on credit accessibility of 94 Nigeria firms listed on Stock Exchange for the period of 2009- 2016. He studied the impact of the different variables of working capital management including average collection period, inventory turnover in days, and average payment period and cash conversion cycle on the credit accessibility of firms. He concluded that there is a strong negative relationship between working capital ratios that is average collection period, inventory turnover in days, and average payment period and cash conversion cycle and credit accessibility of firms. Furthermore, it was noted that managers can create a positive value for the shareholders by reducing the cash conversion cycle (CCC) up to an optimum level. Lazaridis and Tryfonidis (2016) carried out an empirical study on working capital performance of 131 companies listed in the Athens Stock Exchange (ASE) for the period of 2011-2014. They found out that there is a significant negative relationship between cash conversion cycle and credit accessibility. The findings reveal that managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each component of working capital to an optimal level.

Empirical studies have shown that inventory conversion period has a negative effect on a business's performance. For instance, shortening the inventory conversion period could increase stock out costs of inventory which results in losing sales opportunities and leads to poor performance (Deloof, 2013). Managers of firms should therefore keep their inventory to an optimum level since mismanagement of inventory will lead to tying up excess capital at the expense of profitable operations (Lazaridis and Dimitrios, 2016). Dimitrios (2018) points out that too much inventory could demand more physical space, could lead to a financial distress, and increases the possibility of inventories damages, deterioration and losses.

Moreover, holding large amount of inventory frequently indicates inefficient and careless management practices and procedures. On the other hand, too little inventories might lead to the interruption of operation in manufacturing, increase the possibility of losing sales and consequently lower the credit accessibility rate of the firms Ardi et al (2022) in a study that attempts to show the impact of working capital management on the profitability of ninety-eight Kosovo-based SMEs, primarily in the manufacturing and construction sectors. The data were obtained from the financial statements of these companies for the years 2010 through 2020, and the assumptions were verified using the Ordinary least square (OLS) method. To express SMEs profitability, return on assets (ROA) is taken as a dependent variable, while to express working capital management, independent variables are taken: the inventory turnover period (INTP), receivables collection period (TRCP), trade payable period (TPP), and cash conversion cycle (CCC). The results reveal that SMEs increase profitability by decreasing the cash INTP. They suggested that firms should not hold much inventory in stock because it could lead to financial distress, reduces input and predict poor management. Singh (2018) studied the relationship between inventory management and working capital management focusing on the importance of inventory management. He found out that firms with a poor inventory management can cause serious problems which destroy the long-term profitability and firms' survival chances. Also firms with well-thought inventory management team reduce the inventory to an optimal level which has no negative effect on production and sales. The study also indicates that the size of inventory directly affects the working capital and its management.

3. Research Methodology

According to Saunders *et al.* (2007), population is the complete set of cases or group from which a sample is taken. Target population refers to the aggregate or totality of those conforming to a set of specifications (Polit and Beck, 2004). To Bryman and Bell (2007), it is the total number of units of the phenomena to be investigated that exist in the area of investigation which are all possible observations of the same kind. Creswell (2014) sees defining the study population narrowly as possible and depending on the population size and its homogeneity, its cost and the degree of precision as prerequisites for sample selection. The target population is made up of 384 registered SMEs in Bamenda. The choice of Bamenda City was because it is closer and convenient to the researcher and no research of this kind has been carried out in this area. Sample size refers to the number of people that are chosen from which the researcher wishes to gather information (Evans et al., 2000). Sample size refers to the number of elements to be included in the research (Malhotra & Briks, 2005). According to Ngechu (2014), it is important to select a representative sample through making a sampling frame from the target population. In this study, the proportionate stratification was used which was based on the stratum's share of the total population to come up with the sample in each stratum. The actual SMEs in which the questionnaires were distributed were arrived at using simple random procedures to draw the sample from each stratum.

This study used Cash Conversion Cycle (CCC), Inventory Holding Period (IHP), Accounts Receivable Period (ARP), Accounts Payable Period (APP) (independent variable) of SMEs. CCC was computed as account receivable period added to inventory period less accounts payable period divided by cost of sales. ARP was computed by dividing accounts receivable by sales and multiplying the results by 365 (number of days in a year). IHP was computed as inventory divided by cost of goods sold and multiplying the results by 365 days. APP was computed by dividing accounts payable by purchases and multiplying the results by 365 days. These variables were included in the model as measures of business expansion. In order to analyze the relationship between working capital management and credit accessibility of SMEs, this study used linear multiple regression model. The regression analysis helped in illustrating how the various working capital management variables affect

the credit accessibility of SMEs as indicated in the conceptual framework. The regression analysis model was as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = credit accessibility of SMEs;

β = constant term;

$\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$ are the Regression

Coefficients;

X₁ = Cash conversion cycle;

X₂ = Inventory Holding period;

X₃ = Account receivable period;

X₄ = Accounts payable period;

ε = Error term normally distributed about the mean of zero.

4. Presentation and Discussion of Results

4.1 Presentation of Results

4.1.1 Logistic Regression Results

Table 1. Logit Results

Iteration	00:00	Log likelihood	=	-99.0886		
Iteration	01:00	Log likelihood	=	-66.2429		
Iteration	02:00	Log likelihood	=	-65.2795		
Iteration	03:00	Log likelihood	=	-65.2572		
Iteration	04:00	Log likelihood	=	-65.2572		
Iteration	05:00	Log likelihood	=	-65.2572		
Logistic regression		Number of obs	=	152		
		LR chi2(10)	=	67.66		
		Prob > chi2	=	0.00		
Log likelihood = -65.257172			Pseudo R2 =		0.3414	
Access to finance	Coefficient	Std. Err.	Z	P>z	[95% Conf. Interval]	
Cash conversion Cycle	0.82584**	0.388978	2.12	0.034	0.06346	1.588225
Inventory Holding Period	0.33761**	0.17251	1.96	0.05	-0.0005	0.675723
Account receivable period	0.77456*	0.431959	1.79	0.073	-0.07207	1.62118
Account Payable period	0.53694	0.422739	1.27	0.204	-0.29162	1.365488
Sex (Female = 1)	-0.76557*	0.420676	-1.82	0.069	-1.59008	0.058942
Age Group						
31 to 40	1.58411**	0.523016	3.03	0.002	0.559023	2.609206
41 to 50	2.0292***	0.612175	3.31	0.001	0.829362	3.229044
51 and above	1.64778*	0.908754	1.81	0.07	-0.13335	3.4289
Type Account						
Deposit Account	-1.11353*	0.596081	-1.87	0.062	-2.28183	0.054764
Saving Account	-0.533561	0.526118	-1.01	0.311	-1.56473	0.497613
Cons	-4.785476	1.35982	-3.52	0	-7.45067	-2.12028

Source: Author, 2023

Table 2. Marginal Effects

Access to finance	dy/dx	Delta-method Std. Err.	Z	P>z	[95% Conf. Interval]	
Cash conversion Cycle	0.138594**	0.063604	2.18	0.029	0.013933	0.263254
Inventory Holding Period	0.07574**	0.036822	2.06	0.04	0.003572	0.147909
Account receivable period	0.131157*	0.074094	1.77	0.077	-0.01406	0.276379
Account Payable period	0.105231	0.081988	1.28	0.199	-0.05546	0.265925
Sex (Female = 1)	-0.14711*	0.078186	-1.88	0.06	-0.30036	0.006128
Age Group						
31 to 40	0.28427***	0.083493	3.4	0.001	0.120627	0.447914
41 to 50	0.3523***	0.093844	3.75	0.00	0.168369	0.536231
51 and above	0.294579**	0.147514	2	0.046	0.005457	0.583701
Type Account						
Deposit Account	-0.17276*	0.091674	-1.88	0.059	-0.35244	0.006918
Saving Account	-0.0794	0.079889	-0.99	0.32	-0.23598	0.07718

Note: dy/dx for factor levels is the discrete change from the base level.

Tables 1 and 2 above show the logistic regression and marginal effects results respectively. From the results in table 4.1, we observe that the coefficient of the constant term is negative which indicates that when all other variables in the model are set to zero or held constant, the likelihood of credit accessibility by SMEs in Bamenda reduces. However, this result is statistically insignificant. Furthermore, the coefficient of cash conversion cycle is positive indicating a positive relationship between cash conversion cycle and access to finance of SMEs in Bamenda which is in line with our apriori expectation. Specifically, the marginal effect shows that a unit increase in cash conversion cycle will lead to an increase in credit accessibility by 0.138594. The result further shows that cash conversion cycle is statistically significant at the 5% level of significance and therefore we reject the null hypothesis and conclude that cash conversion cycle significantly affects credit accessibility of SMEs in Bamenda. More so, the coefficient of inventory holding period is positive indicating a positive relationship between inventory holding period and access to finance of SMEs in Bamenda which is in line with our apriori expectation. Specifically, the marginal effect shows that a unit increase in inventory holding period will lead to an increase in credit accessibility by 0.07574. The result further shows that inventory holding period is statistically significant at the 5% level of significance and therefore we reject the null hypothesis and conclude that inventory holding period significantly affects credit accessibility of SMEs in Bamenda.

Again, the coefficient of account receivable period is positive indicating a positive relationship between account receivable period and access to finance of SMEs in Bamenda which is in line with our apriori expectation. Specifically, the marginal effect shows that a unit increase in account receivable period will lead to an increase in credit accessibility by 0.131157. The result further shows that account receivable period is statistically significant at the 10% level of significance and therefore we reject the null hypothesis and conclude that account receivable period significantly affects credit accessibility of SMEs in Bamenda.

The coefficient of account payable period is positive indicating a positive relationship between account payable period and access to finance of SMEs in Bamenda which is in line with our apriori expectation. Specifically, the marginal effect shows that a unit increase in account payable period will lead to an increase in credit accessibility by 0.105231. The result further shows that account payable period is statistically insignificant and therefore we fail to reject the null hypothesis and conclude that account payable period does not significantly affect credit accessibility of SMEs in Bamenda. The result pertaining to the gender reveals that the coefficient of female is negative which implies that females are less likely to have access to finance as compared to the males. Specifically, the result shows that female owned SMEs are 0.14711 less likely to have access to credit facilities than their male counterparts. This result

is further statistically significant at the 10% level of significance. The coefficient of the first category of age which 31-40years age group is positive. Specifically, the result shows that SMEs run by those of the 31-40years age group are 0.28427 more likely to have access to credit facilities as compared to those of the 21-30years age group. This result is statistically significant at the 1% level of significance. The coefficient of the second category of age which 41-50years age group is positive. Specifically, the result shows that SMEs run by those of the 41-50years age group are 0.3523 more likely to have access to credit facilities as compared to those of the 21-30years age group. This result is statistically significant at the 1% level of significance. The coefficient of the last category of age which 51years and above age group is positive. Specifically, the result shows that SMEs run by those of the 51years and above age group are 0.294579 more likely to have access to credit facilities as compared to those of the 51years and above age group. This result is statistically significant at the 5% level of significance.

The next variable is the type of account and the result shows that the coefficient of the first category of type of account which is the deposit account is negative. Specifically, this shows that SMEs in possession of deposit accounts are 0.17276 less likely to have access to credit facilities as compared to those with current accounts. This result is statistically significant at the 10% level of significance. Finally, the coefficient of the second category of type of account which is the saving account is negative. Specifically, this shows that SMEs in possession of saving accounts are 0.0794 less likely to have access to credit facilities as compared to those with current accounts. This result is statistically insignificant.

4.1.2 Discussion of Results

The main objective of this study was to examine the effects of working capital on the credit accessibility of SMEs in Bamenda. The findings revealed that cash conversion cycle has a positive and significant effect on credit accessibility of SMEs in Bamenda. This finding is in line with the findings of Teruel & Solano (2014) but in opposition to the findings of Manoj and Keshar (2017) in Kenya, Reheman (2019) in Nigeria and Lazaridis and Tryfonidis (2016) in Athens who all found cash conversion period to have negative effects on credit accessibility. This result could be attributed to the fact that cash conversion period being the time that it takes for a company to convert its investments

in inventory and other resources into cash flows from sales is meant to have an inverse relationship with access to finance as the liquidity of a company increases its chances of having credit facilities from financial institutions. Most of the SMEs in Bamenda are facing a drop in sales due to the sociopolitical crisis which has hampered the economy negatively and led to a fall in the level of sales. The findings revealed that inventory holding period positively and significantly affects credit accessibility of SMEs in Bamenda. This finding is not in line with the findings of Ardi et al. (2022) in Kosovo and Singh (2020). This is attributed to the fact that inventory conversion period which is the time required to obtain materials for a product, manufacture it, and sell it is bound to reduce access to credit facilities since the time to produce and sell so as to repay the loan is very long. This period is essentially the time period during which a company must invest cash while it converts materials into a sale. This period is more available in manufacturing firms and difficult to be applied in the service or banking sectors. Supply-chain management, economic order quantity, just in time system and economic production quantity are common techniques to management inventories and managers can use these tools to shorten the period of inventory conversion. Finally, account receivable period was found to also positively and significantly affect credit accessibility of SMEs in Bamenda. This finding is accordance with the findings of Michalski (2017) in Kigali, Wanbugu (2013) in Kenya but on the other hand, the findings oppose the findings of Baveld (2012) and Mathuva (2021). This is attributed to the fact that account receivable period the average time it takes a company to pick up money from a customer with extended credit is bound to increase demand for credit by these SMEs since it is difficult for companies to operate without adequate financial resources at their disposal.

5. Conclusion and Recommendations

5.1 Conclusion

The study objective was to examine the effects of working capital management on the credit accessibility of SMEs in Bamenda. These data was collected from SMEs in Bamenda that deals with production, construction, trading and services excluding real estate and rental activities. Regression analysis was done for the period. The study found that lack of credit accessibility by SMEs in Bamenda is due to their working capital management practices such As Cash

Conversion Cycle (CCC), Inventory Holding Period (IHP), Account Receivable Period (ARP) and Account Payable Period (APP) 95% confidence interval. The results of the correlation analysis showed a positive significant relationship between cash conversion period and credit accessibility of SMEs in Bamenda. Indicating that a decrease in cash conversion period would improve the credit accessibility of SMEs. This means that managers of SMEs need to have cash management skills and understand the concept of cash conversion. The relationship between Inventory Holding Period and the credit accessibility of SMEs in Bamenda was found to be Positive and significant. This implies that improvement in inventory handling skills and putting in place proper inventory policies in place would lead to increase the credit accessibility of SMEs.

The study also shows that Accounts receivable period is negatively associated with the credit accessibility of SMEs in Bamenda. An increase in average receivables period leads to a decrease in credit accessibility of SMEs Bamenda. The account payable period (APP) is negatively related to the accessibility of SMEs to credit. This means that short APP increases the possibility of an enterprise to access credit. The reverse is true. However, this result is insignificant. Firm managers can boost credit accessibility of SMEs by decreasing the account payable period. The study also found out that the choice of the working capital management approach depends on the risk-return perspective of SMEs and therefore concludes that managers need to understand the important working capital management practices and identify the critical areas that may improve its outcome. The study therefore came out with the following conclusion:

- Cash Conversion Cycle has a positive and significant relationship with the credit accessibility of SMEs in Bamenda.
- Inventory Holding Period positively and significantly affects credit accessibility of SMEs in Bamenda
- Account Receivable Period was found to also positively and significantly affect credit accessibility of SMEs in Bamenda
- Account Payable Period positively and insignificantly affects credit accessibility of SMEs in Bamenda

5.2 Policy Recommendations

Based on the above conclusions, the research study recommends that SME managers should be thoroughly trained on working capital management skills. The managers should undergo continuous development programs through interactive conferences, and open forums. The study also recommends for increased government support to the SMEs sector. This can be done through resource allocation in this sector. The government in conjunction with its agencies should also assist SMEs in sorting out the problems of managing working capital by setting out guidelines and regulation on proper corporate governance in this sector

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