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By Mukete Emmanuel Mbella & Yvan Nathaneal Ngongang
Hult International Business School

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The Effect of Working Capital Management on the Profitability of Limited Liability Companies in Cameroon: Case of ENEO Cameroon S.A

Mukete Emmanuel Mbella [α] & Yvan Nathaneal Ngongang [σ]

Abstract- Business failures has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still evident today in eneo Cameroun in the form of high bad debts, high inventory cost etc. This study is out to examine the effect of working capital management on the profitability of limited liabilities companies in Cameroon the case of eneo. Using secondary data from 2010 to 2017 and with the help of Ordinary Least Square technique, we observed that ICP, AAR and AAP exerts a negative significant influence on the profitability of eneo Cameroon S.A. As a result of this we recommended that the Inventory Convention Period of eneo Cameroon S.A should be reduce by having an Economic Order Quantity of all the stocks in the warehouse and that eneo Cameroon S.A should implement policies that will entice their customers to pay faster such as allowing discount to customers who pay their dues promptly or within the due date.

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I. Introduction

Over the years, the world market has become increasingly concentrated with a wave of business combinations among giants as well as diversification of investments outside their geographical location. All these are in the quest to dominate the market as well as the maximization of shareholders wealth. Increasing market domination that will enhance the maximization of shareholders wealth depends largely on certain firm specific factors such as persistent profitability. Profit maximization for any firm depends on efficient management of cost and process of production as well as increases in sales resulting from firm's market domination. One factor that is deduced to influence firm profitability grossly is the firm's working capital (WC). As a result, working capital management (WCM) is a very important component of corporate finance as it directly affects the liquidity and profitability of a firm. It centres on current assets and current liabilities of a firm. Numerous studies on the drivers and financial impact of WCM for different types of firms for different countries of the world have been published in recent times. However, inter-country studies of world leading firms in a given industry are sparse. Attempting to fill this knowledge gap, this study sets out to assess the impact of working capital management on the profitability of limited liability companies in Cameroon, the case of eneo Cameroun S.A.

Working capital is a measure of both a company's efficiency and its short-term financial health. Working capital is calculated as: WC equals current assets minus current liabilities. The working capital ratio (Current Assets/Current Liabilities) indicates whether a company has enough short term assets to cover its short term debt. Anything below 1 indicates negative WC. While anything over 2 means that the company is not investing excess assets. Most believe that a ratio between 1.2 and 2.0 is sufficient. Also known as "net working capital" (Aggarwal, 2002). Working capital management plays a vital role in the success of business because of its effects on liquidity and profitability. Capital is what makes or breaks a business and no business can run successfully without enough capital to cover both short and long term needs. Maintaining sufficient levels of short-term capital is a constantly ongoing challenge, and in today's turbulent financial markets and uncertain business climate external financing has become both harder and more costly to obtain that companies are therefore increasingly shifting away from traditional sources of external financing and turning their eye towards their own organizations for ways of improving liquidity. One efficient but often overlooked way of doing so is to reduce the amount of capital tied-up in operations, that is, to improve the working capital management of the company. A positive working capital position is required for the continuous running of a company's operations that is to pay short term debt obligations and to cover operational expenses. A company with a negative working capital balance is unable to cover its short- term liabilities with its current assets.

Working capital management is an essential part of financial management and contributes significantly to a firm's wealth creation as it directly influences organizational profitability and liquidity (Raheman& Nasr, 2007). The most important issue in WCM is the maintaining of liquidity in the day-to-day

Author α: Lecturer of Economics and Finance School of Business, Catholic University Institute of Buea.
e-mail: mbellamukete@gmail.com
Author σ: Hult International Business School,
e-mail: yvan.ngongang@gmail.com

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operations of the firm. This is crucial so as to prevent creditors and suppliers whose claims are due in the short-term from exerting unwarranted pressure on management and thus, ensure the smooth running of the firm. This suggests that, the main objective of WCM is to ensure the maintenance of satisfactory level of WC in a way that prevent excessive or inadequate availability of working capital (Filback, & Krueger, 2005). In Cameroon, WCM is very important as most providers of credit prefer the short-term credit market to the long-term market. This behaviour may be attributed to the relatively higher inflation rates in Cameroon compared to other developed or emerging countries which have the tendency of reducing the purchasing power of future cash flows. Given the above circumstances coupled with the fact that other sources of financing the firm are scarce, it has become imperative therefore for businesses in Cameroon to efficiently manage their WC in order to become profitable. Furthermore, the importance of efficient WCM by manufacturing firms in Cameroon cannot be overemphasized as this is extremely needed to boost profitability and increase expansion, which are pre-requisites in solving the country`s unemployment issues and ensuring economic stability.

a) Statement of the Problem

Egbide, (2009) discovered that large number of business failures in the past has been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still evident today in eneo Cameroun in the form of high bad debts, high inventory cost etc., which adversely affect its operating performance. Also, the fact that eneo Cameroun makes profit is not necessarily an indication of effective management of its working capital because even though it is endowed with assets and profitability it still goes short of liquidity. This is due to the fact that its assets cannot readily be converted into cash. As such there is a shortage of cash available for the firm's utilization as at when due. This causes the company to run into debts that could affect its performance in the long run as it will not be able to finance its obligations as at when due. Again some managers in eneo Cameroun do neglect the organizations operating cycle thereby having large debtors collection period and shorter creditor's payment period. All these constitute the problem of the investigation, hence the need to study the effects of working capital management on the profitability of limited liability companies in Cameroon, precisely the case of eneo Cameroun S.A.

However, several interventions were undertaken by the Cameroon Government aimed at revamping the country's manufacturing sectors in order to create employment and also boost Gross Domestic Product (GDP). However, given those developments, it is intriguing to note that there are no known evidence based studies that have investigated how profitable manufacturing firms manage their WC in Cameroon. This study therefore attempts to fill the gap and contribute to the extant literature by assessing the impact of working capital management on corporate performance.

It is against the above stated problem that this research is of importance and is therefore designed to provide answers to the following research questions. Does cash conversion cycle (CCC) affect profitability in eneo Cameroun S.A? Does Inventory Conversion Period (ICP) affect the financial performance (profitability) of eneo Cameroun S.A? Does Average Collection Period (ACP) affect the financial performance (profitability) of eneo Cameroun S.A? This study is to examine the impact of working capital management on the profitability of Limited Liability companies in Cameroon, the case of eneo Cameroun S.A. This will be done by establishing the extent to which CCC affect financial performance of eneo Cameroun S.A, and investigating the cause-effect relationship between ICP, ACP and financial performance of eneo Cameroon S.A. I order to scientifically validate the result of this study, we hypothesis that;

HO1: The CCC has no significant impact on the profitability of eneo Cameroun S.A.

HO2: The ICP and ACP has no significant impact on the profitability of eneo Cameroun S.A.

b) Significance of the Study

This study assesses the potential effects of WCM on financial performance and the economic policy options of efficient WCM in order to provide meaningful insight and contribute to efforts aimed at ensuring increased capital availability through sustainable production and increased income from efficient WCM. It is also significant in the area of development economics, especially as scholars have advocated for the establishment of large scale business as a leading engine for growth in developing countries especially Cameroon.

The study will also give insight to the government in order for both the executive and legislation arm to formulate better policies in favour of limited liability companies for we know they contribute a great part of the Cameroon economy and will be major players in the 2035 emergence vision. In addition to the above, the study's findings will benefit management and staff of eneo Cameroun S.A who will gain insight into how their organization can effectively manage working capital thereby carrying out appropriate corporate practices and strategies which will offer competitive advantage.

II. Literature Review

Working capital management has lately become a better known concept as more and more

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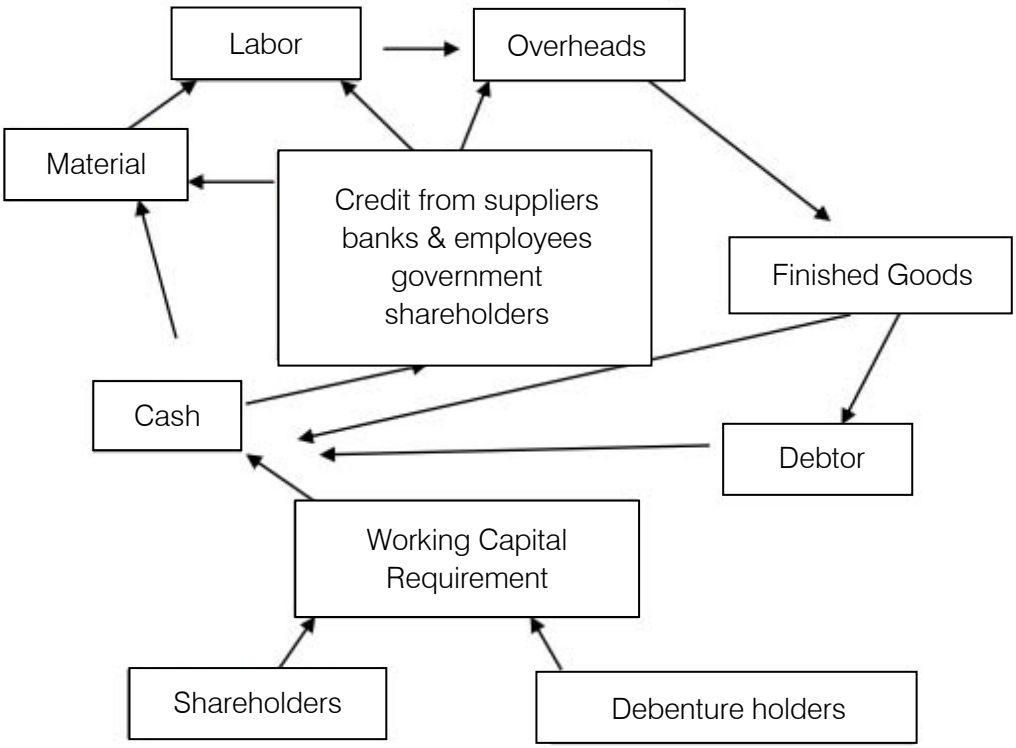
managers are starting to realize the benefits that a well-managed working capital can bring. In literature, authors generally refer to the concept of working capital as, working capital or net working capital. These two expressions are sometimes distinguished but in this dissertation we describe them with the same definition. After reviewing different sources about working capital, it has become clear that the definitions provided by Arnold G, (2008) is frequently used to define both working capital and net working capital. This is also the definition that the researcher used when he referred to working capital and net working capital in this research project.

Working capital management concern companies' management of their short-term capital. The short-term capital is the capital that companies use in their daily operations and it consists of companies' current assets and current liabilities. Current assets can be defined as assets used in Companies' daily operations with the expectation to provide companies cash in return within a period no longer than approximately a year. This consist of capital tied up in cash, short-term financial investments, inventors, account receivables and other current assets (Brealey, etal, 2009). Where current liabilities provide external financing for companies and they are especially important for small companies that can experience difficulties to get long-term loans (Teruel Marti & Nez-Solanen, 2007). They includes short-term loans, the debts to suppliers as account payables, accrued income taxes, and interest payments on long-term debts.

Working capital management aims to create an effective flow of the capital passing through the activities of current assets and liabilities. Figure1demonstrates a more detailed view of the working capital cycle and the arrows in the figure illustrate the cash flow movements within a company (Pass & Hike, 2007).



Source: An overview of working capital management and corporate financing (Phass & Hike, 2007)

Figure 2.1: The Working Capital Cycle

a) Measuring Working Capital Management

Three different concepts affect the choices that companies make regarding their working capital policies. The three concepts are solvency, liquidity and financial flexibility (Maness & Zietlow, 2005). Two typical solvency measures are the current ratio and the networking capital which both measure the relation between the current assets and the current liabilities to assess the company's ability to pay their short-term debts. The networking capital, is "the difference between current assets and current liabilities", which isanabsolutemeasurethatdemonstrateshowwellcompaniescanmanagetheir short-term commitments. Because this is an absolute measure, it becomes inappropriate to use in a comparison between companies in different sizes which is a disadvantage.

The liquidity measures are: cash flow operations, cash conversion efficiency and the cash conversion cycle. The first measure, taken from companies' cash flow statement is calculated by taking the net profit plus depreciation, long-term deferrals, and amortization. This is somewhat a more useful measure

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when making comparison over several years, rather than over just one year, because a one-year result could be misleading due to possible fluctuations on the market or situation out of the ordinary that affect the measure. The cash conversion efficiency is calculated by dividing cash flow from operations with sales. This measure is beneficial for companies as it reveals how efficiently they manage their business in terms of liquidity and profits. The measure tends to follow the company's profit levels and gives a percentage that indicates how fast companies manage to transform their sales into cash. A high percentage indicate an efficiently managed working capital and equally a short cash flow cycle, which is desirable (Maness & Zietlow, 2005). The cash conversion cycle, is a measure that provides the number of days it takes in average for capital tied up in working capital to convert into cash in the cycle. One of the benefits with this measure is that it takes the time aspect into account. This helps to provide managers with more complete and useful liquidity measure as they get information of how efficient their short-term capital is managed (Richards, & Laughlin, 2002). The cash conversion cycle includes the average number of day's inventory, the average number of day's accounts receivable and the average number of days accounts payable. A short cash conversion cycle is desirable as it indicates an effective working capital management.

The last concept is financial flexibility which reveals how realistic companies' financial policies are compared with their actual ability to grow. The management measurement to determine a company's growth is called the sustainable growth rate, it is a simplified equation of the return on shareholders' equity and the companies' net profit. The sustainable growth rate determines a company's ability to grow and make investments without getting into liquidity problems. A high growth rate indicates that a company has enough profits to both manage its obligations as well as making new investments, a more preferable state than a low sustainable growth rate which indicates that a company has too little incoming cash flow to cover its obligations.

In our study, we have chosen a liquidity measure, the cash conversion cycle, as a measure of working capital management. This is because it presents the time span between the company's cash disbursement to suppliers and its collection from customers which reflect from the company policies on inventory, accounts receivable and accounts payable.

The cash conversion cycle is used to measure working capital management and it measures companies' liquid situation and how effective the working capital is managed (Deloof, 2003). The outcome will show the number of days in average it will take for the capital that is tied up in working capital to convert to cash in the cycle (Lantz, 2008). A shorter conversion cycle with a low or even negative number of days is preferable for profit as the need for external financing is reduced (Moss & Stine, 2004).

Cash Conversion Cycle = Average number of days inventory + Average number of days accounts receivable - Average number of days accounts payable

Average Number of Days Inventory: The average number of day's inventories represents the period that inventories are held by the company before they are sold. In order to help shorten the cash conversion cycle, a lower number of days are better. According to Lantz (2008), the average amount of inventory is received by taking the sum of the beginning and ending balance of inventory for a year, and divide with two, to get the average. The average amount of inventory is then divided with the cost of goods to see how big part of cost goods sold that comes from the inventory. In order to get the outcome of the conversion cycle in days the amount given is multiplied with the average amount of days a year, 365.

Average Number of Day's Accounts Receivable: It represents the average number of days that the company uses to collect payments from its customer. This metric is received by dividing the sum of the opening and ending balance of account receivable with two and divide this with the net sales and then multiply the outcome with the average number of days in a year. Similar to the inventory, a low number of days is desirable to keep the cash conversion cycle short (Lantz, 2008).

Average Number of Days Inventory = Average Accounts Receivable Netsales x 365

Average Number of Days Accounts Payable: This represents the average number of days the company takes to pay its suppliers. This metric is calculated by dividing the sum of the opening and ending balance of account payable with two and divide this with the cost of goods sold and then multiply the outcome with the average number of days in a year. While the two previous metrics are preferred kept short, more number of days account payable is considered better for shorter cash conversion period (Lantz, 2008).

Average Number of Days Inventory = Average Accounts Payable Cost of Goods Sold x 365

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b) Theoretical Literature

i *Transaction Motive Theory*

This theory suggests factors that influence the association between inventory holding period and profitability. The first factor assumes that companies can increase profitability through a reduction of inventory holding period by keeping the minimum required inventory in order to satisfy the expected demand of production. This factor assumes that management envisage the future sales demand and there make provision for it by keeping the required inventory to meet the said demand. Companies must also keep minimum inventory for display or demonstration purpose Bhandari, & Maiti, (2007), as customers would always like to examine a sample of a particular product before committing to place an order. The keeping of the minimum inventory will reduces the inventory holding period. A reduction in inventory holding period will lead to higher profitability.

The second factor proposes a positive linkage between inventory holding period and profitability by buying in bulk. Buying in bulk will increase the inventory kept in stock, thereby increasing the holding period of inventory. But buying in bulk may reduce the procurement cost of production. The bulk purchase cost savings will also result in a decrease in the cost of sales of the product, which will reduce the overall price of the product leading to more profitability.

Transaction theory is directly linked to the Inventory holding period of companies. It depicts the essence minimum stock holding in order to safeguard any eventualities. Also, the keeping of the minimum inventory will reduce the inventory holding period there by reducing the additional cost to the company in the form of holding of inventory costs. These include interest, spoilage, obsolescence, and cost of storage.

ii *Financing Theory*

The financial theory helps explain why companies ignore financial institutions and accept credit from their suppliers. According to the financial theory, companies accept credit from their suppliers due to inefficiencies in the financial market (Kohler et al. 2000). Because of these market inefficiencies, not all companies have equal access to credit from financial institutions. Some companies, especially newly created ones are viewed by financial institutions as more risky and therefore deny them credit. Therefore, such companies are compelled to embrace any credit offer from their suppliers. In this vein, it is argued that companies with more access to financial markets will act as intermediaries by borrowing from financial institutions and then give it to customers in the form of trade credit (Emery, G. 2011; Gracia-Teruel and Martinez-Solano, 2010). Therefore according to the financial theory, the granting of trade credit will greatly depend on the financial market accessibility of both the supplier and the customer.

The financial theory influence on accounts payable has an effect on companies' profitability. This is because companies without access to capital markets may have to rely on suppliers' credit to fund their business, which may affect profitability. Also, the ability to make purchases without immediate cash means that companies can invest the cash in other profitable ventures. However, the financial theory of accounts payable may lead to a reduction in companies' profitability because of the loss of discounts offered by supplier. Suppliers normally offer cash discounts for prompt payment and therefore asking for credit means that such savings in cash discount may be lost.

c) Empirical Literature

Evidence based studies that investigated the association between profitability and working capital management practice of manufacturing firms from emerging market perspective are rare. This may be due to the relatively greater attention that is given to manufacturing firms by developed markets since it is perceived as the main driver of those economics. Thus, most of the empirical studies that abound in working capital management in the manufacturing industry are drawn from developed markets. Gill et al. (2010) also studied the relationship between working capital management and profitability if 88 US firms listed on the New York Stock Exchange. Using data from 2005-2007. The authors found no statistically significant relationship between average payable days and profitability and also between average inventory days and firm profitability. Similarly, they also observe no significant relationship between firm size and profitability but notice a negative association between accounts receivable and profitability. This suggests that managers can enhance the profitability of their firms by reducing the number of days for their account receivables.

In a related study, Karakuman et al. (2010) investigated the impact of working capital management practices on the profitability of 140 randomly selected companies listed on the Istanbul Stock Exchange. Using data from 2005-2008, their findings indicate a statistically significant negative association between firm profitability, measured as return on assets on one hand and accounts receivable and inventory days on the other hand. The study further reveals a significantly positive relationship between accounts payable days and firm profitability. Thus, the study reiterated the importance of effective and efficient working capital management in ensuring firms' profitability.

In addition to the above, Falope & Ajilore, (2009) examined the effect of working capital management on the profitability of 50 quoted non-financial Nigerian firms. Using panel data methodology and date from 1996-2005, the authors observe a

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significantly negative relationship between net operating profit and working capital management variable, namely: average collection period, inventory days, and cash conversion cycle. However, the study notices no significant variations in the effects of working capital management between large and small firms. An important lesson therefore is that, prudent working capital management is critical for the profitability of firms of all sizes.

Mathuva, (2009) examines the influence of working capital management components on corporate profitability of 30 Kenyan listed firms. Using panel data methodology and data covering the period from 1993 - 2008, the study finds a significantly negative relationship between accounts collection days and profitability, a significantly positive association between inventory conversion period and profitability and a significantly positive relationship between average payment days and profitability. The findings of this study therefore confirm the traditional view of efficient working capital management and its effects on profitability.

Raheman, A., & Nasr, M., (2007) studied the effect of different variable of working capital management including average collection and inventory days, cash conversion cycle, and current ration on the net operating profitability of 94 Pakistani firms. Using regression analysis and data covering the period from 1999-2004, the author find a significantly negative association between working capital management variables and profitability of the firms. The authors further report a significantly negative relationship between corporate debt and profitability but a significantly positive association between size and profitability. The implications of these findings are that prudent management of working capital, reasonable levels of debt use and increase sales are all very crucial in enhancing the profitability of the modem firm.

III. Methodology

a) Area of the Study

The study was carried out in eneo Cameroun S.A. In the month of August 2014, the Government of Cameroon signed a concession agreement which granted ACTIS Capital 56% of the shares of AES-SONEL and its subsidiaries KPDC and DPDC. On 11 August 2014, a new CEO was appointed and was officially installed on 19 August. On 12 September 2014, the new company name was unveiled during a ceremony at the Yaoundé Hilton Hotel, chaired by the Minister of Energy and Water Resources. This marked the beginning of the era eneo Cameroon S.A. Nevertheless, the genesis of this company goes as far as before the independence of Cameroon with the creation in 1946 of a public entity to supply electricity in the English part of the country and in 1948 a mixed economy company known as ENELCAM ("Energie Electrique du Cameroun") was created in French Cameroun to supply electricity. On 18 May 1974, SONEL was created to manage public power distribution systems in the whole country. On the 17th of July 2001, the government privatized SONEL under a concession agreement to the American company AES-Sirocco with them holding 56% of shares, and the state of Cameroun 44%. eneo Cameroun S.A has a capital of 49 billion FCFA. The transverse character of the area of electric power makes it essential to the process of economic development in a country. Indeed, electrical energy is now at the centre of all industrial activity, companies in other sectors are largely dependent for a competitive cost. This reflects an approximate performance in the energy sector impacting considerable throughout the company. This sector that the new configuration would open up to competition has always been covered by the national company scale now called eneo Cameroun S.A. It is in this light that top management has set out the following objectives; to respond to the growing demand for electricity by providing viable and secure energy. To be a prime mover of the electrical sector, catalyse its growth, furnish a viable energy, quality service while being a model of corporate governance in Africa.

b) Sources and Methods of Data Collection

The study focused on assessing the impact of working capital management on the profitability of limited liability companies in Cameroon, the case of eneo Cameroun S.A. from 2010 to 2017. This period was chosen because data was available and the year 2010 was selected by the researcher because it marked the beginning of the effects of the United States subprime crisis in the banking sector of Sub Saharan Africa countries, which includes Cameroon. This is due to the fact that most of these affected banks are creditors to the company. The study made used of secondary data collected from the certified financial statements of eneo Cameroun S.A from 2010-2017. Secondary data was used over primary data because there was the need to calculate financial ratios and analyse them to produce our results. In this study profitability which is our dependent variable will be capture by return on investment and our independent variables will be Inventory conversion period, average collection period, average payment period and cash conversion cycle. Hence, an ex post facto research design will be adopted since this study aimed at examining the existing interaction between the Working Capital Management and profitability.

c) Model Specification

In this study we carried out two separate model on working capital management and profitability. The first model shows the components of the cash conversion cycle (as a proxy for working capital management) on the return of investment and the second model which shows the aggregates of these component that is cash conversion cycle on return of

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investment. The reason for this is to capture and compare the decomposition effect of working capital on the profitability of a company. Based on the various theories and empirical works in the study, we adopted a model developed by Lawal A., et al, (2003) which has been specified to study the relationship between working capital management and profitability. Specification of the econometric model is thus:

$$\pi t = \beta_0 + \beta_1 ICP + \beta_2 ARP + \beta_3 APP + \varepsilon \quad \text{.....(1)}$$

$$\pi t = \beta_0 + \beta_1 CCC + \varepsilon \quad \text{.....(2)}$$

Table 1: Variables, Unit of Measurement, Apriori and Data

Variable	Unit of Measurement	Apriori	Source of Data
Return on Investment (ROI)	Net income/Total Capital		Certified Financial Statements (2010-2017)
Inventory Conversion Period (ICP)	$\frac{\text{Average Inventory}}{\text{Cost of goods sold}} \times 365$	$\beta_2<0$	Certified Financial Statements (2010-2017)
Average Collection Period (ACP)	$\frac{\text{Average Account Receivable}}{\text{Net Sales}} \times 365$	$\beta_3<0$	Certified Financial Statements (2010-2017)
Average Payment Period (AAP)	$\frac{\text{Average Accounts Payable}}{\text{Cost of goods sold}} \times 365$	$\beta_4>0$	Certified Financial Statements (2010-2017)
Cash Conversion Cycle (CCC)	ARP+ICP–APP	$\beta_1<0$	Certified Financial Statements (2010-2016)

Source: Computed by the Author (2018)

d) Estimation Techniques

The Ordinary Least Squares (OLS) technique of estimation is used to estimate the coefficients of the model. The choice of the OLS is contingent on the fact that it meets the BLUE characteristics of any good estimators. As such its parameters are estimated as elasticities. The choice of this tool is that the OLS is also advantageous in that; it is easy to implement on a computer using commonly available algorithms from linear algebra. Furthermore, it is easier to analyze mathematically than many other regression techniques. It is not also too difficult for non-mathematicians to understand at a basic level.

The OLS produces solutions that are easy. The estimate of the unknown parameters obtain from linear least squares regression are the optimal estimate from a broad class of possible parameter estimate under the usual assumptions and used for process modelling. Practically speaking, linear least square regression makes very efficient use of the data. Good results can be obtained with relatively small data sets.

e) Reliability Test

This employ the Alpha-Cronbach test and KMO & Bartlett's Test.

Cronbach's alpha is used as a measure of internal consistency or reliability of data. In other words, it measures how well a set of variables or items measures a single, one dimensional latent aspect of individuals. The KMO & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the ratio of the variable for the analysis being conducted. In academic and business studies, KMO & Bartlett's test play an important role for accepting the sample adequacy.

IV. Presentation and Discussion of Results

We start by presenting the descriptive statistics of the variables used in this study in order to evaluate their mean and standard deviation. The result of the descriptive statistics is presented as shown below;

Table 2: Descriptive Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Devia
ROI	8	.0000	.8450	.259789	.3029726
ICP	8	.2501	4.5195	2.928482	1.2865704
AAR	8	1.1159	3.6148	2.137135	.6476179
AAP	8	1.0803	3.6413	2.175604	.7835990
CCC	8	-1.0312	359.2770	35.274035	107.4714434
Valid N (listwise)	8				

Source: Computed by the Author (2018)

From Table 2 above, shows the descriptive statistics of the variables of working capital management and profitability measures that was used in the study including a measure of their mean and standard deviation. Return on Investment which was used to proxy the dependent variable (profitability)

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during the period 2010 to 2017 inclusive, ranged from 0.0000 to 0.8450 with a mean value of 0.259789 and it deviated at 0.3029726. Inventory Conversion Period was used as a proxy to the explanatory variable (working capital management). From 2010 to 2017, it ranged between 0.2501 and 4.5195 with an average value of 2.928482. Its standard deviation was 1.2865704.

Average Account Receivable ranged from 1.1159 to 3.6148, with a mean value of 2.137135 and it deviated at 0.6476179. Average Account Payable ranged from 1.0803 to 3.6413, with a mean value of 2.175604 and it deviated at 0.7835990. Cash Conversion Cycle ranged from -1.0312 to 359.2770, with a mean value of 35.274035andastandard deviation of 107.4714434.

We then proceed to test for reliability of the data using the Cronbach's Alpha and the KMO and Bartlett's test as shown below;

Table 3: Cronbach's Alpha Test for Reliability

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No. of Items
.247	.829	4

Source: Computed by the Author (2018)

Cronbach's alpha is a function of the number of test items and the average inter-correlation among the items. The table above gives the Cronbach's alpha values for the variables in the research model. The standardized fact or loadings were 0.829. This means that construct validity of the measures were satisfied. Cronbach's alpha values of the factors was high. This showed that all working capital management measures and performance factor had acceptable reliabilities.

Table 5: KMO and Barlett's Test for Reliability

KMO measures of Sampling Adequacy		.50
Approx. Chi Square		36.43
Barlett's Test of Sphericity	df	
	Sig.	.00

Source: Computed by the Author (2018)

KMO & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the ratio of the variable for the analysis being conducted. While the KMO ranges from 0 to 1, an index of over 0.5 is widely accepted. With a significance chi square value which is lesser than 0.05, thus denotes that the data is adequate.

Table 6: Model 1 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
.345[a]	.766	.701	.0658678	

a. *Predictors: (Constant), CCC, ICP, AAR, AAP*

Source: Computed by the Author (2018)

From the result on table six presented above, the coefficient of multiple determination indicates that 70 percent variation of the dependent variable (profitability) is jointly accounted for by the variables used in the model while the remaining 30 percent is explained by the error term.

Table 7: Model 2 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
.415[a]	.662	.601	.0324156	

Source: Computed by the Author (2018)

From the result on table seven presented above, the coefficient of determination indicates that 66 percent variation of the dependent variable (profitability) is jointly accounted for by the variable used in the model while the remaining 34 percent is explained by the error term.

Table 8: Regression Results

Model	Coefficients		T -Stats	Sign
	B	Std Error		
Constant	1.606	.519	3.091	.021
ICP	-.002	.078	-3.323	.003
AAR	-.004	.068	-4.176	.001
AAP	-.386	.161	-2.400	.034
F-Stats			8.45	0.03

Source: Computed by the Author (2018)

From table eight above, we can see that the F-statistics is significant when comparing it with our 5 percent significant level. This implies that our overall result is reliable and good for policy making. Inventory Conversion Period has a negative effect on Return on Investment as observed on the table. This implies an increase in inventory conversion period will reduce return on investment in eneo Cameroun S.A by 0.002 units. Based on the t-statistics, we observed that the influence of the ICP on the profitability of eneo is significant. This means a conversion period with fewer days maximizes eneo's capacity to be liquid. This liquidity reduces the need for debt financing which in turn will make them more profitable. This finding is consistent with the just-in-time approach where effective inventory management helps keeping inventory levels low with few days of inventory conversion period. The strategy aims to make the orders of material produce and deliver just in time when it is required and not before (Brealey, et al, 2009).

Average Account Receivable was found to have a negative significant effect on Return on Investment over the period of study. This indicates that an increase average account receivable will lead to a decrease in return on investment of eneo Cameroun S.A by a magnitude of 0.004 units. In eneo Cameroon S.A they have a shorter period for

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account receivables which enables the company to collect cash first from their sales (customers). This then can be use to finance their short term liabilities and thus enables them to falter. It is therefore evidence that companies may focus on improving the management of accounts receivable and may still not be able to solve the problem of excessive cash out flow. This then means that the managers of the company should focus on all the key factors of working capital management because the sole focus on only one variable is misleading.

Average Account Payable equally has a negative effect on return on investment as observed. This indicates that a unit increase in average account payable period will lead to a decrease in return on investment in eneo Cameroun S.A by 0.386 units. This is in here not to eneo Cameroun S. A, the sector in which this company operate is a heavy and intensive capital business and eneo has most of its suppliers abroad and since as this suppliers know the economy in which this company operates they tend to require upfront payments through letters of credit first before they supply their goods or services. The findings of this study is contrary to Karakumanetal. (2010).

Table 9: Regression Results

Model	Coefficients		T -Stats	Sign
	B	Std Error		
Constant	2.231	.620	3.501	.003
CCC	-.001	.000	-4.125	.001
F- Stats			4.95	0.042

Source: Computed by the Author (2018)

Table nine as shown above denotes that our probability F-value is significant hence our result is good for policy making. The Cash Conversion Cycle exerts a negative significant influence on Return on Investment as portrayed by the table above. More precisely, a unit increase in cash conversion cycle will lead to a fall in return on investment by 0.001 unit. The cash conversion cycle is directly linked to financial profitability. Thus, a reduction in the cash conversion cycle will consequently lead to an amelioration in the financial performance of eneo Cameroun S.A and will enable managers to keep track of how effective their working capital is managed in their operating cycle. Eneo Cameroon benefit from having a short cash conversion cycles in ceit will generate more value in the long run. The benefits that it provides are, better liquidity due to a more effective operating cycle and increased earnings due to the faster routines and therefore less tied up capital. As such, managers have to find a good balance between the current assets and liabilities, a balance that is in favour for eneo Cameroun S.A and that will provide the most value. A well-adapted balance will promote both profitability and liquidity which is a desirable outcome formost companies.

V. Recommendation and Conclusion

From the empirical findings conducted, were analized that inventory conversion period has a significant negative impact on the profitability of eneo Cameroun S.A. Our recommendation to eneo Cameroon S.A is that their Inventory Convention Period should be reduce by having an Economic Order Quantity of all the stocks in the warehouse. That is by making use of inventory optimization technologies and collaboration tools that tells them what the perfect mixture of inventory and cash on hand should be.

We also observed that average account payable has a negative influence on the profitability eneo Cameroon S.A. As a result of this, eneo Cameroon S.A should implement policies that will entice their customers to pay faster such as allowing discount to customers who pay their dues promptly or within the due date. Also if they use their existing relationship with their customers that is by understanding them and knowing when they are paid they can then time their billing procedures to coincide with their customer's regular pay cycle. They canal so try getting customer's their bills sooner in order to help speed up the pay process.

With regards to Average Account Payable, eneo Cameroun SA should sign conventions and treaty agreements which will prolong the time of payment as long as possible as they can use the advantage of their suppliers to finance other investment until payment made. Therefore, in the management of the company, it is important o take both profitability and liquidity into consideration because even profitable companies might sometimes face cash flow problem. Company's liquidity ties up in working capital which comprises current assets and current liabilities. The management of working capital which plays an important role in company's operations concerns the management of cash, inventories, accounts receivable and accounts payable.

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