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# Exploring Working Capital Management Strategies and Challenges in Small and Medium Construction Enterprises in Douala, Cameroon

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**Abstract.** The working capital management (WCM) strategies often transform according to changing preferences in terms of cash flow management, cost mitigation, and other strategies to stabilize their financial performance. Construction companies need efficient WCM strategies to achieve their financial goals by managing their current assets and liabilities. Very few studies have investigated the WCM strategies used by the construction companies in Cameroon. Therefore, this study focuses on construction companies from Cameroon, which are categorized as SMEs. Study has employed a qualitative approach to fulfil objectives. Data collected by conducting semi-structured interviews with 22 employees from two construction companies in Cameroon. NVivo has been used to conduct the analysis. Findings highlighted various WCM strategies, including effective management of inventory, cash, disputes, accounts payable, accounts receivable, and project costing. Identified challenges include political, economic, legal, environmental, social, and legal factors, which may influence the implementation of WCM strategies in construction firms in Cameroon.

**Keywords.** Working capital management, construction companies, accounts receivable, Cameroon

## 1. Introduction

Working capital management (WCM) is a crucial component of any company's financial management regardless of the size of company or sector. The effectiveness of any organization and its financial stability is dependent on the capacity to manage the short-term assets and financial liabilities (Wang, Akbar, & Akbar, 2020). Hence it is very important and imperative to handle the current business assets (cash and inventory) appropriately and efficiently to achieve optimal WCM (Honesta Chidiebere Anorue & Ernest O Ugwoke, 2022). Businesses and companies must be able to settle their immediate debts and refrain by keeping excessive amount of cash stashed away in non-revenue producing assets (Brunnermeier & Krishnamurthy, 2020). One of the key component of any company or business's financial management is working capital management (WCM), which ensures operational efficiency as well as financial stability (Ibrahim, Usaini, & Elijah, 2021). In order to preserve liquidity and prevent tying up too much cash in unproductive assets, it entails managing short-term assets and commitments, such as cash and inventories. The optimal WCM may have a significant

influence on any organization, company or business's financial success and their cash flow, borrowing cost and profitability may all be increased with efficient WCM strategies. (Kumar, Sawarni, & Roy, 2024). Due to this reason, companies must maximize their inventory levels and enhance their accounts payable and receivable process and must utilize other financial alternatives for gaining maximum from WCM strategies. These effective WCM strategies can be helpful in assisting a business in achieving financial objectives, enhancing competitive advantages and achieving financial objectives (Honesta C Anorue & Ernest O Ugwoke, 2022). Optimal working capital management (WCM) may have a strong influence on a company's financial performance accompanied by reducing borrowing cost and increasing cash flow and profitability and companies may be able to enhance their operational capacity, performance and achieve financial targets with the help of WCM as a result of effective WCM strategies, business emphasize current assets to maintain liquidity and provide sufficient cash flow to pay short-run obligations (Honesta C Anorue & Ernest O Ugwoke, 2022; Honesta Chidiebere Anorue & Ernest O Ugwoke, 2022).

Just-in-time (JIT) inventory management systems were developed as a result of operational management methods that prioritized WCM approaches in the 1980s and 1990s. Organizations embraced more strategic WCM solutions in the 2000s, which improved supply chain financing, enhanced cash flow, decreased costs, and enabled dynamic discounting (Phelps III, 2023). SMEs, which employ more than 80% of the workforce, are essential to the Cameroonian economy because they spur innovation, boost growth, and reduce poverty (Nyuonguo, 2022). These businesses do, however, confront difficulties including inadequate funding, outdated infrastructure, and staff with insufficient skills (Kergroach, 2021). The actions made to solve these problems will determine the growth and prosperity of SMEs in Cameroon. Numerous laws and initiatives have been put in place by the Cameroonian government to support the growth and development of SMEs, which considerably strengthen the country's economy (Elvis, 2022). The legal definition of Cameroonian SMEs is found in the Cameroon Law 2010/001 on the Promotion of Small and Medium-Sized Enterprises, which divides them into three categories: "Very Small Enterprises" (VSEs), "Small Enterprises" (SEs), and "Medium-sized Enterprises" (MEs) (Bikai, 2021). Working capital financing options include cash facilities, spot loans, seasonal agricultural credits, long- and medium-term instalment loans, and overdrafts (Banjo; Bank, 2023; GAUTAM, 2022).

Most quantitative research on the impacts of WCM towards organizational performance discovered a positive relationship between WCM and organizational performance (Addin Al-Mawsheki, 2022; Piao et al., 2024; Seth et al., 2021; Shahid et al., 2020). Despite these outcomes, the respondents' potential to make significant and novel contributions to WCM strategies was relatively disregarded. As such, this qualitative study derived and explored respondents' contributions to create novel concepts in WCM strategies and bridge existing literature gaps. As of March 31, 2023, the project completion rate of Phase 1, which started in May 2017 with the goal of building 10,000 social housing units in Cameroon, is at 25%, according to official statistics obtained from the steering committee (Tabi, Lissouck, & Ohandja, 2020).

The project has received investments totaling slightly more than 43 billion CFAF to far. An Italian business named Panzerotti was given the task of completing the first phase, which was funded by a credit deal with Intesa Sanpaolo, an Italian bank that agreed to provide 115 billion CFAF. Technical project management incompetence and funding concerns for the project management unit operations were the main causes of delays in the project's advancement. However, poor technical project management and money problems were the

main causes of delays. Therefore, the aim of this study is to ascertain the various WCM strategies which are being employed by Cameroonian construction companies as well as to address the challenges faced by SMEs in Douala, Cameroon in the successful implementation of WCM strategies. Similarly, this study provides through understanding of ECM strategies to boost investment, employment opportunities and ensures economic growth in Cameroonian construction industry. Moreover, this research serves as a resource for academics and offers valuable insights into the opportunities and challenges experienced by construction companies in managing their WCM.

## **2. Literature Review**

Working capital management (WCM) in businesses is a critical aspect of financial management across industries. A previous study contended that WCM is important for SMEs as it directly affects their capability to operate efficiently and look for growth. Whereas in current dynamic business environment, a variety of financial issues remains to arise, therefore, it becomes necessary to examine WCM and also the individuals' policies (Morshed, 2024).

Although there are many industries that significantly contributes to the economic development, however, construction companies face evident challenges and opportunities in optimizing their working capital strategies such as Douala, Cameroon. Previous literature also highlights that WCM has been a crucial financial accounting term that evolved over the previous of time in financial theories. Given such importance, construction industry is financially dynamic and there is dire need to understand the WCM practices. Further, there is continuous call from the industry players to conform to efficient financial management practices as an outcome of the huge financial gaps (Asare et al., 2024). Another study by Owolabi and Alu (2012) argued that working capital ensures a balance between liquidity and efficiency. Such operating efficiencies in Douala includes managing cash flow and accounts for profit maximization. The literature seeks to explore the importance of WCM, challenges and opportunities faced by small and medium enterprises in implementing WCM strategies. It will also explore the WCM strategies and specific obstacles faced while implementing them among companies of construction in Douala, Cameroon which will help with developing interventions for their financial resilience and sustainability of SMEs in sector. However, the literature related to the use of WCM strategies is limited regarding construction companies of Douala, Cameroon.

### **2.1. WCM strategies in construction companies**

Effective WCM is essential for the company's sustainability and financial health. Several studies have explored the WCM strategies onto construction industries (Sim). Range of practices are aimed by construction companies in Douala to maintain liquidity and operational efficiency. Inventory management is one of the prominent strategies which ties up valuable capital by taking the risk of over-stocking where companies balance the need for sufficient materials (Mohamed, 2024). In Douala construction firms are striving to strike a balance between sufficient materials on hand and excessive inventory avoidance (Tiwebyse, 2016). Researches indicate that implementing just-in-time inventory practices and monitoring demand forecasts are possible by effective inventory management. construction companies can release working capital and reduce the risk of damage to stored material with the help of minimizing excess inventory (Bhattacharya, 2021). A study by (Kok, 2019) focuses on the adoption of quality management systems (QMS) by construction companies in Cameroon. The study highlights that there was a significant improvement in project delivery times after the implementation of QMS such as ISO 9001 certification.

Another strategy highlighted by Beauchamp Jr and Hurt (2007) is for minimizing the time between completion time of projects and payment receiving after timely invoice is accounts receivable management. Timely collection of account receivable for companies linked to construction is another crucial aspect of WCM in Douala. There are often issues with funds after completion of projects which hampers the financial obligation of company and ongoing of funds. For this challenge companies implemented streamlined accounts receivable management practices. This includes, upon every project completion sending invoice on time, establishing terms of clear payment with clients and diligently following up on invoices that are outstanding (Mann, 1999). Construction firms can reduce reliance on external financing by improving their liquidity position with the help of period of collection and improvements in cashflow. To meet operational needs and capitalize on growth opportunities cash flow management is a key WCM strategy employed by construction companies in Douala. Firms in Douala extend credit terms by negotiation of favorable payment terms with their clients which boosts the cash flow (Brenton & Isik, 2012). Such instances help the company to address any measures needed in case of shortages of cash which secures short-term financing. Another critical strategy is management of supplier relationship for the construction companies in Douala. Studies show that firms of construction in Douala emphasize communication that is open, mutual trust and fair way of dealing which nurtures the long-term partnership with their reliable suppliers (Ansell, Sørensen, & Torfing, 2022). By the collaboration process companies optimize the procurement processes which enhance capital efficiency. Another study by Chentu (2015) found that information and communication technology (ICT) are being used in construction companies to support their WCM strategies in Douala, Cameroon. The author found that such technologies improve coordination and collaboration among stakeholders involved in construction process i.e., suppliers, contractors, and clients. This leads to highly satisfied customers, better decision-making and fast response time (Affoukou et al.). Another study by OBAYE (2021) explored the integration of lean construction practices in Cameroon's construction sector which emphasized onto the value stream mapping in achieving operational excellence. Such practices helped with reported reduction in cost, minimization of project delay and increase in profits. This study does not highlight how there is an alignment between WCM strategies and lean constructions.

## ***2.2. Challenges faced by SMEs in implementing WCM strategies***

There are several challenges faced by Douala construction companies regarding the implementation of WCM strategies. The obstacles are faced primarily by small and medium enterprises (SMEs) in implementing WCM strategies. According to a study by Dansoh, Oteng and Frimpong (2017) investigates that challenges such as limitation in financial resources, lack of technical expertise and resistance towards change are faced by Ghana construction industries SMEs. These challenges have similar resemblance to those faced by construction industry in Douala, Cameroon (St-Pierre et al., 2015). A key factor in implementation of WCM strategies in SMEs is the institutional environment. A study by Henrekson and Sanandaji (2011) found that favorable institutional environments for entrepreneurship are those with free trade and control of corruption for them implementation of technological innovations becomes easier. This also suggests that policy makers should provide high-quality institutions i.e., working on the level of technological innovation and encourage entrepreneurship among SMEs of the construction industries in Douala, Cameroon. Another study by Gbandi and Amissah (2014) is limited access to financing is another major obstacle. Studies point towards SMEs as they lack of credit history hindering their capability for capital optimization due to which they have to face difficulties obtaining loans or credit lines from financial institutions. Purchasing material,

covering labor costs, and meeting short-term obligations are contributors of this hindrance. Implementation of WCM strategies is impeded which are aimed at optimizing inventory levels, managing accounts receivable and maintenance of adequate cash reserves at a given organization (Simiyu, Achieng, & Makoti, 2024).

Another issue with challenges for SMEs that does not support the implementation of effective WCM practices is inadequate technological infrastructure. Wood, Brown and Howe (2013) discussed that the heavy percentage of SMEs end up on limiting their ability to monitor cash flows, track inventory levels and real-time analysis of financial performance by relying heavily on outdated accounting systems. SMEs face difficulties due to deficiency to modern accounting software, inventory management systems and tools required for cash flow forecasting in implementing WCM strategies that require timely and accurate financial data. This absence of required technological infrastructure blocks their ability to make informed decisions related to working capital allocation and optimization and leads to inefficiencies and missing of opportunities (Nwokolo et al., 2023).

Another vulnerable situation i.e., volatile economic conditions is a focus of past studies which pose challenges for implementation of WCM for SMEs in Douala. Devereux, Lane and Xu (2006) discussed regarding the exchange rates, inflation rates and policies of government which may be affecting construction projects factors such as payment schedules, timelines and cashflows. SMEs faces issues like delays in receiving payments from clients, difficulties in sourcing materials and unexpected cost escalations during periods of economic instability. Such uncertainties blocks the effective cash flow and implementation of WCM strategies (Honesta Chidiebere Anorue & Ernest O Ugwoke, 2022). Additionally, it has been observed that SME owners and managers present with significant barrier in implementing WCM strategies due to the lack of financial literacy and expertise. Many SMEs in Douala operate under people who have limited understanding of concepts regarding finances. SMEs struggle to implement WCM strategies specific to business needs and operating environment, without the necessary skills and knowledge. This lack of financial knowledge hampers their ability to identify opportunities needed for working capital optimization and direct challenges such as cash flow shortages or unexpected expenses (Wang, 2024).

In conclusion, the literature review reveals that in order to improve competitiveness among construction companies in Douala, Cameroon, WCM strategies are being increasingly adopted by small and medium-sized enterprises (SMEs). These strategies help with optimization of their working capital and include efficient inventory management, streamlined accounts receivable management, effective supplier relationship management, proactive cash flow management, lean construction practices and use of ICT. They balance between maintaining liquidity and operational efficiencies to ensure the financial health of the companies. Throughout this review, it was identified that implementation of WCM strategies by these companies pose significant several challenges. These issues are seen among owner and managers of SMEs include limited financial resources, lack of technical expertise, inadequate technological infrastructure, volatile economic conditions and lack of financial literacy and expertise. Policy makers should provide high-quality institutions equipped with technological innovation in SMEs in the construction industry in Douala, Cameroon. Collaborative efforts are required to provide SMEs with the necessary support, resources and guidance from policymaker's financial institutions, industry associations and other stakeholders by addressing these challenges. Initiatives need to be taken for enhancing the financial resilience and can help SMEs overcome barriers to WCM implementation which includes access to affordable financing, investing in technological infrastructure, providing training and education on

financial management and promoting stable economic conditions. Construction SMEs in Douala can improve their liquidity, profitability, and competitiveness in the market by addressing these challenges and implementing effective WCM strategies. Moreover, a strong focus on WCM can contribute to the overall growth and long-term success by development that drives economic progress and create opportunities for expansion of sustainable business for the construction sector in Douala.

### **3. Methodology**

The aim of this study is to ascertain the various WCM strategies which are being employed by Cameroonian construction companies as well as to address the challenges faced by SMEs in Douala, Cameroon in the successful implementation of WCM strategies. Similarly, this study provides through understanding of ECM strategies to boost investment, employment opportunities and ensures economic growth in Cameroonian construction industry. Moreover, this research serves as a resource for academics and offers valuable insights into the opportunities and challenges experienced by construction companies in managing their WCM. For this purpose, interpretivism research philosophy is utilized in this which allows complicated investigation of WCM strategies being used in construction industry and allows the exploration of challenges faced by SMEs in construction industry in the implication of WCM strategies in Douala, Cameroon. Inductive research approach which allows formation and identification of new theories, ideas and perspectives which the people experience in the implication of WCM strategies in construction sector in Douala, Cameroon. This study utilizes purely qualitative approach which includes collection of data, analysis of data and interpretation of data. Qualitative approach was employed for the collection of data mainly relating to the judgement, perception and preferences about the working capital management in construction companies in Douala, Cameroon. The reason to this is data is collected through semi-structured interviews which offers a balance between standardization and flexibility provided to both the interviewer and the interviewee as the questions were open-ended evolving non directional and tending to seek, discover, explore and describe experiences. Semi-structure interview involves 22 respondents working in two Cameroonian construction firms, which are categorized as SMEs. The sample size for the current study is sufficient. As this study examine the WCM strategies which are being employed by Cameroonian construction companies as well as to address the challenges faced by SMEs in Douala, Cameroon in the successful implementation of WCM strategies. Previous study has also recommended a sample size of 10-15 for action research and 9-17 for in-depth interviews (Lim, 2025). Therefore, there is no issue with the sample size of the current study. The pre-planned set of questions, making comparison and trend analysis of the data simple ensures the consistency among respondents and a non-random sampling strategy, known as purposeful or purposive sampling, was chosen for the collection of data which entails choosing research respondents following traits or standards that are key to addressing the research question. is Thematic analysis utilized in this study which is based on the six step technique for thematic analysis which includes familiarization of data, generation of codes to data, combining codes with themes, reviewing themes, determining significance of themes and discussion of findings (Braun & Clarke, 2006). Finally, for systematic analysis, NVIVO software was used in this study. NVIVO is a software which is commonly used for qualitative and mixed method analysis especially for the analysis of unstructured text, audio or video and images enabling researchers to manage, analyze, and visualize qualitative data. The process of systematic analysis through NVivo software involve familiarization with the data and initial coding which involves identification and labeling of segments of the text which are

relevant to research objectives and research questions. The next step involves development of themes and reviewing and refining of themes by identifying themes and patterns and providing evidences to support the conclusions.



**Figure 1: Phases of thematic analysis**

#### 4. Results

This section presents the findings from the interview conducted with 22 respondents working in two Cameroonian construction firms, which can be categorized as SMEs.

##### 4.1 Presentation of Findings

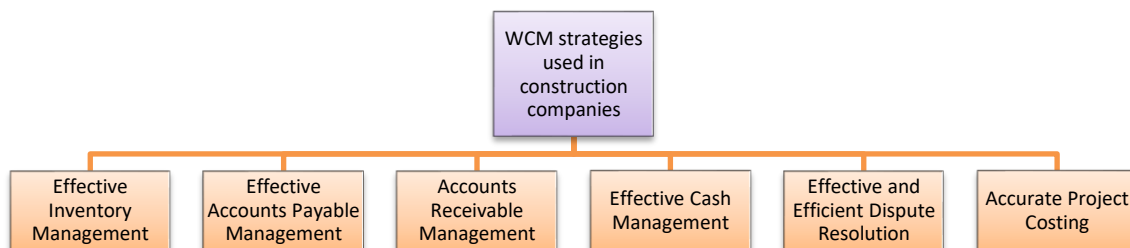
The thematic analysis of the interview data was conducted according to the guidelines of Clarke and Braun (2017) as shown in Figure 1. NVivo was used to facilitate the coding and theme-generation processes.

##### 4.2 Respondent Profile

For convenience, the respondents were assigned codes from R1, R2, R3.... R22. The interview was conducted in a face-to-face manner and the participants consisted of 6 employees from the top management, 9 from the middle management, and 7 belonged to operational management. Among the participants, 15 were men and 7 were women. Three of the study participants were secondary school leavers, six had a “Higher National Diploma,” nine had a bachelor’s degree and four of them had a master’s degree.

##### 4.3 WCM strategies used in construction companies

Figure 2 indicates the findings from the interview, which fulfil the first objective of the study and delineate the major WCM strategies implemented in the construction firms in Cameroon.



**Figure 2: WCM strategies in Construction companies, Source: Author-generated**

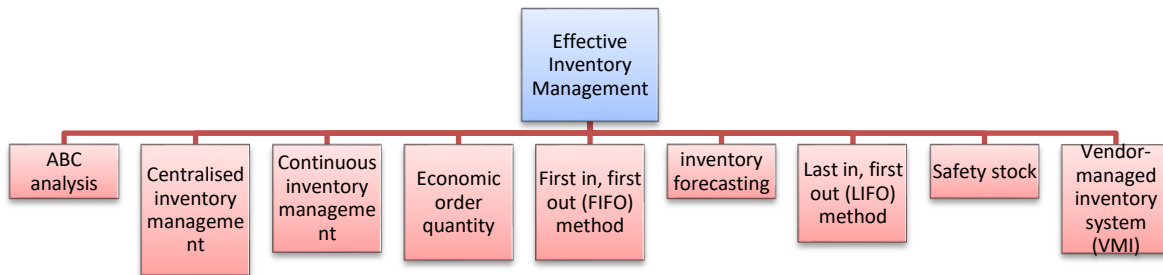
##### 4.3.1 Effective Inventory Management

Effective inventory management emerged as the first WCM strategy cited by twenty respondents. One of the respondents commented:

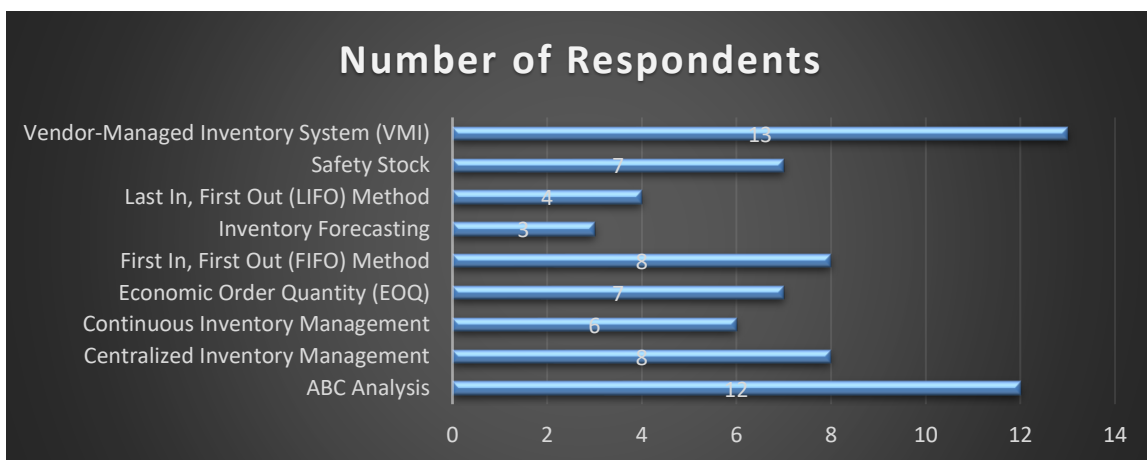
*“As a construction company, we must always have the right inventory to complete projects without overstocking. We rely on effective inventory management to reduce the amount of working capital tied up in inventory at any time.” (R1)*

The analysis of the interviews highlighted various techniques used by the organizations to ensure effective inventory management as shown in Figure 3.





**Figure 3: Techniques for effective inventory management, Source: Author-generated**



**Figure 4: Strategies used for effective inventory management, Source: Author-generated**

Figure 4 indicates the number of respondents who favored these strategies. As per the results Vendor-Managed Inventory (VMI) system emerged to be widely proposed strategy. It suggests that the organizations depend on their suppliers to monitor and replenish their inventory levels. Further, Safety stock and Economic Order Quantity (EOQ) were each cited by 7 respondents, showing a moderate level of adoption. Overall, findings reflect about the pattern that Cameroonian construction organizations tend to favor the practical control-based inventory strategies.

#### 4.3.2 Effective Accounts Payable Management

Fourteen respondents highlighted the use of accounts payable as a WCM strategy. The approaches adopted by the organization for this strategy are shown in Figure 5.

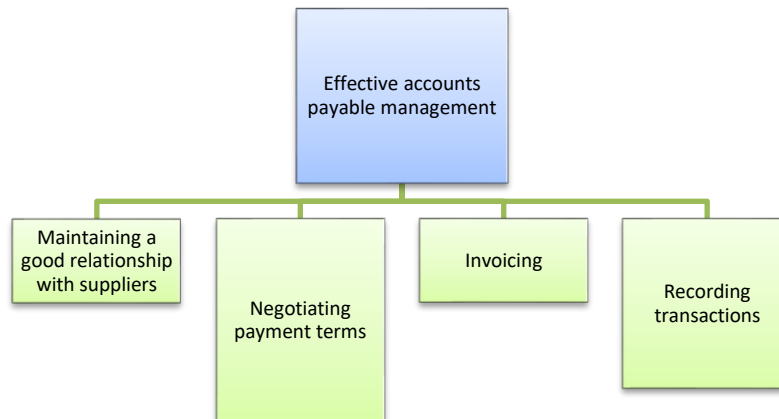


Figure 5: Approaches to effective accounts payable management, Source: Author-generated

### **Maintaining a good relationship with suppliers**

Ten respondents claimed that they focused on building a good rapport with the suppliers to guarantee favorable terms for credit. One of them opined:

*‘Maintaining positive relationships with clients and suppliers, even when issues arise. Doing this creates an environment for repeat business and referrals and reduces the risk of legal battles and reputational damage’.* (R4)

### **Negotiating payment terms**

Seventeen respondents mentioned using this approach in managing accounts payable. One of them commented:

*We negotiate longer to delay payments and conserve cash. For example, we can negotiate a 60 or 90-day payment term instead of a 30-day one’.* (R7)

### **Invoicing**

All 22 mentioned using this approach in accounts payable management. One respondent commented:

*The invoice often describes the conditions of the contract and lists the options for payment because, most times, projects are acquired on credit either partly or fully’.* (R7)

### **Recording transactions**

17 respondents used this approach to manage the accounts payable. One respondent shared:

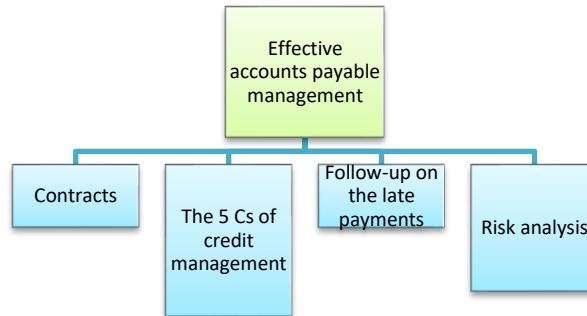
*‘All financial transactions must be registered within the daily journal before it is posted to the various journals.’* (R7)

#### **4.3.3 Accounts Receivable Management**

21 respondents favored this strategy for an effective WCM. One respondent commented:

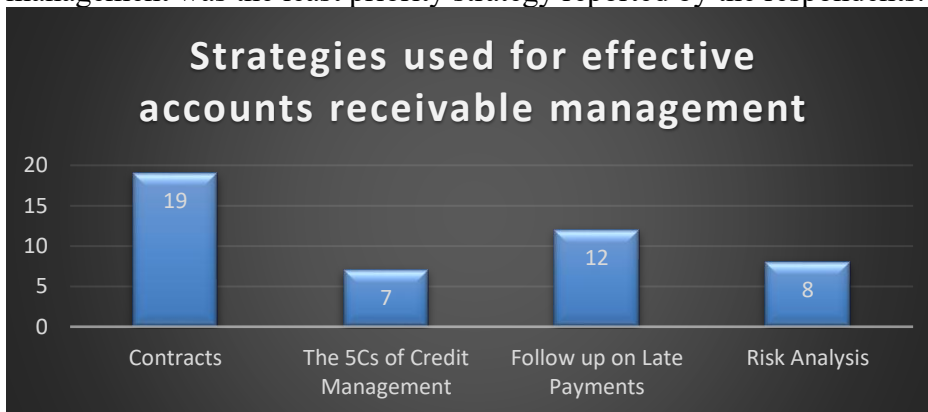
*‘We also use the effective accounts receivable management strategy. We have learned that construction companies should have effective accounts receivable management policies to ensure the timely collection of payments from customers’.* (R9)

Figure 6 indicates the strategies used by the companies in managing their accounts receivable.



**Figure 6: Approaches to effective accounts receivable management, Source: Author-generated**

Figure 7 shows the name of the strategy used along with the number of respondents who mentioned those strategies. Contracts emerged to be significant strategy used for the management of receivables. Further, findings highlighted that follow-up of payments by the organization seems to be right choice for such issues. Followed by this, 5Cs of credit management was the least priority strategy reported by the respondents.



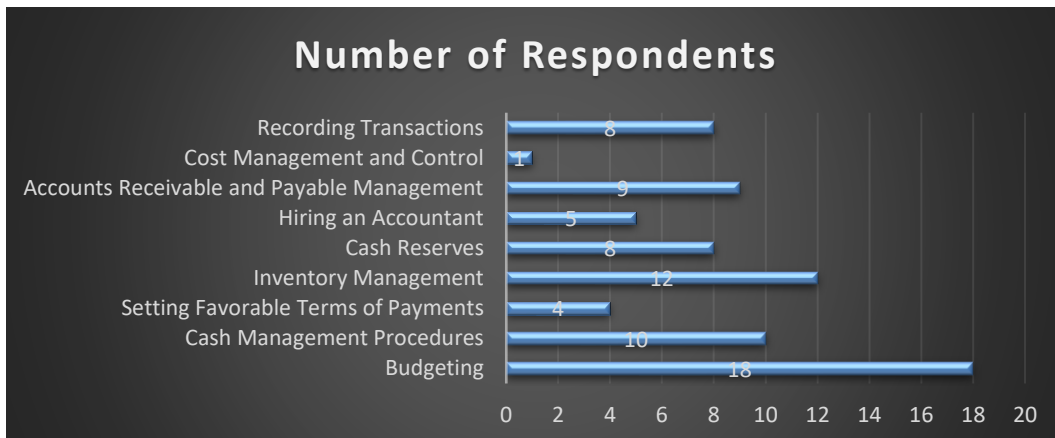
**Figure 7: Strategies used for effective accounts receivable management, Source: Author-generated**

#### 4.3.4 Effective Cash Management

Eight respondents mentioned using this WCM strategy. One of them shared:

*“Tight cash flow management is vital in the competitive construction market, allowing us to understand and control our cash inflows and outflows”.* (R5)

Figure 8 indicates the names of cash management strategies mentioned by the respondents along with the number of respondents who mentioned them.



**Figure 8: Strategies used for effective cash management, Source: Author-generated**

#### 4.3.5 Effective and Efficient Dispute Resolution

Dispute management emerged as a significant WCM strategy in Cameroonian construction companies. It indicates their optimal approach towards WCM and was cited by 10 respondents. One of them commented:

*“Managing disputes is an essential strategy to improve our working capital management. Disputes can arise from various circumstances, including project delays, contract disagreements, and quality concerns.”* (R1)

For effective WCM organizations may emphasize more on the optimal and proactive approaches of WCM. For example, they can better focus on the accelerated payment cycles, reduction of uncertainties in receivable payments, reduced legal and admin expenditures, and close collaboration with clients etc.

Figure 9 indicates the effective dispute management strategies cited by the respondents. For example, early identification of disputes, contracts, and effective conflict resolution emerged to be the significant strategies.



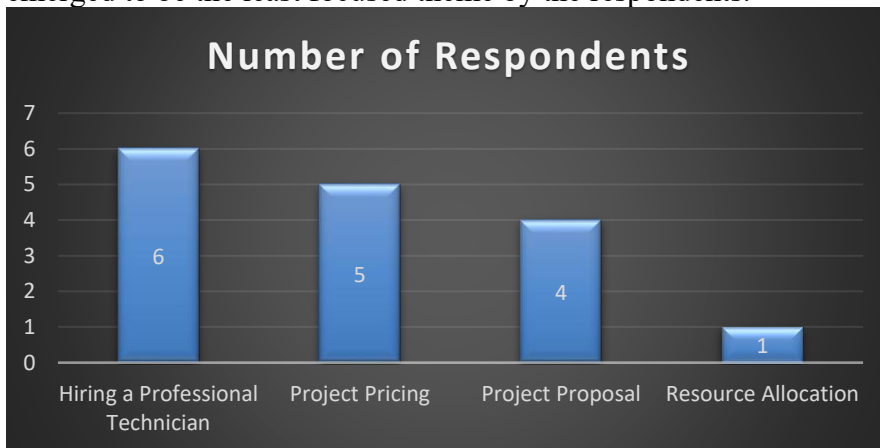
**Figure 9: Strategies used for effective dispute management, Source: Author-generated**

#### 4.3.6 Accurate Project Costing

Accurate project costing can be made possible by making well-informed forecasting in terms of project timeline and resources required for the implementation of the project. Six respondents cited this approach as an effective WCM strategy. One of them shared:

“Accurate project costing is an essential working capital management strategy to manage cash flow and improve profitability. Accurate project costing involves determining the actual costs of construction projects, including materials, labor, and overhead costs, and using this information to make informed decisions about pricing, budgeting, and resource allocation”. (R19)

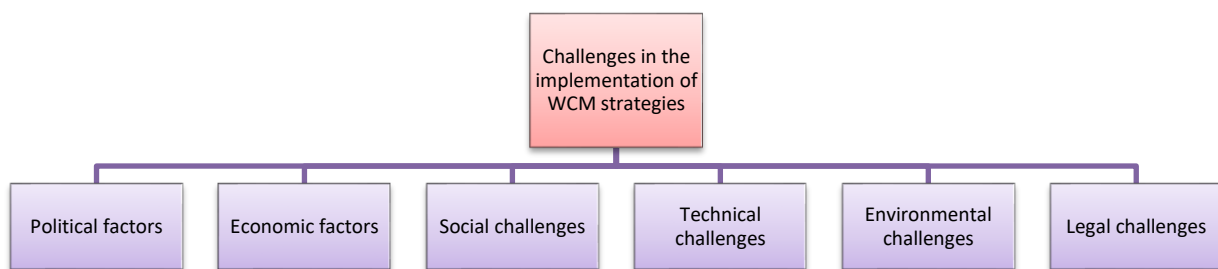
Figure 10 shows the approach of the company's studies towards accurate project costing. Hiring of the professionals, project pricing were the highly indicated themes. And, resource allocation emerged to be the least focused theme by the respondents.



**Figure 10: Strategies used for effective project costing, Source: Author-generated**

#### **4.4 Challenges in the implementation of WCM strategies**

Figure 11 shows the findings from the interview, which align with the fulfilment of the second research objective and highlight various types of challenges faced by construction SMEs in implementing their WCM strategies. Political, social, economic, technical, environmental and legal challenges are reported by the respondents. The details of each challenge is discussed in next section.



**Figure 11: Challenges faced by the construction companies in implementing WCM strategies, Source: Author-generated**

##### **4.4.1 Political Factors**

Construction companies in Cameroon faced several political challenges, which affected their implementation of WCM strategies.

##### **a) Political instability**

There is immense political instability in the region due to the strong allegiance of the natives to tribal authorities. Therefore, the construction companies find it very challenging to implement their WCM strategies as highlighted by one of the respondents:

*“Cameroon's economy and political environment can sometimes be unstable, impacting the availability and cost of credit. We face challenges accessing credit during times of economic downturn or political unrest”.* (R14)

**b) Corruption**

Corruption is another political challenge, which hinders the implementation of WCM strategies for construction companies. One respondent was of the opinion:

*“There are times when we go to get building permits for a project, and we are not attended to till we “grease some palms” of the officials to facilitate the process of obtaining the permit. Even when our stock is in transit, some road officers hold the drivers transporting them until they are offered money before they continue their journey, which sometimes causes project delays and disruptions”.* (R19)

**c) Regulation changes**

Construction companies find it very challenging to comply with the regulation changes due to the significant amount of time and resources required. As one of the respondents asserted:

*“We may face regulatory challenges, such as cumbersome permit processes, which can cause delays and increase costs”.* (R6)

**4.4.2 Economic Factors**

The findings from the interviews also revealed various economic factors, which may influence the implementation of WCM strategies in the construction companies in Douala.

**a) Financial constraints**

Companies in Douala find it challenging to gain access to adequate financial resources to proceed with their growth and development initiatives. One respondent commented:

*“Working capital management entails reconciling erratic and fluctuating short-term cash inflows and outflows. Managing short-term assets and obligations is difficult due to fluctuations in demand, unforeseen costs, and changes in market conditions”.* (R9)

**b) Delayed payment**

Payment delays are often initiated by organizations to assess the accuracy of the statement. However, delays in prices can have a damaging influence on the cash flow. One of the respondents commented:

*“We are talking about delays in payments from customers or clients, which can impact our cash flow and ability to manage working capital effectively”.* (R12)

**c) Inflation**

Inflation can have a significant influence on a business depending on its economic situation. One respondent commented:

*“And there are also challenges related to inflation. If the cost of goods and materials increases over time, it can make it easier for the construction company to pay off their credit accounts, as they may be paying back more than the original cost”.* (R17)

**d) High-interest rates**

Higher interest rates have an adverse impact on revenue generation and put immense financial pressure on the company. One of the respondents asserted:

*“We frequently risk paying excessive interest rates when we take out loans to finance our endeavors. Our overall costs may rise, which would hurt our profitability”.* (R18)

**e) Limited access to finance**

Companies often find it challenging to gain access to financial resources, which makes it challenging for them to implement their WCM strategies as highlighted by one of the respondents:

*“We sometimes need help accessing financing from banks and other financial institutions. Implementing working capital management strategies that require significant financial resources takes much work”.* (R1)

**f) Limited resources and storage**

Companies must have an efficient mechanism for resource allocation to avoid resource scarcity. One respondent shared:

*“Inventory management strategies may require significant technological, training, and infrastructure investments. However, we need help accessing these resources due to financial constraints or a lack of availability”.* (R11)

Other financial challenges included market competition, seasonal demand, supply chain disruptions, increased costs, and unreliable suppliers.

**4.4.3 Social Challenges**

Social challenges have a pivotal role to play in the companies' implementation of WCM strategies. For instance, cultural practices have been highlighted by one of the employees as a social challenge:

*“Cultural practices also have their role to play. Some cultural practices in Cameroon may also pose challenges when implementing cash management strategies, such as a preference for cash transactions or a lack of trust in banking institutions”.* (R14)

Other social challenges that emerged from the findings include customer resistance, gender inequality at work, health and safety, damaged reputation, and time constraints.

**4.4.4 Technical Challenges**

Various technical challenges also emerged from the findings, including the complexity of the projects, information and inventory management, inadequate infrastructure, slow rate of technological adoption, and other quality issues. One of the respondents commented on the slow rate of technological adoption:

*“The challenge that comes with inadequate technology must be addressed. Inventory management strategies often rely on technology to track inventory levels, forecast demand, and optimize supply chain operations. It is always an enormous burden when we need access to adequate technology or face challenges”.* (R19)

**4.4.5 Environmental Challenges**

Considering the immense significance of environmental challenges, construction companies have to deal with various environmental challenges, including climate change, energy cost and usage, pollution, and soil erosion. Regarding the energy cost, one of the respondents commented:

*“Since the COVID-19 pandemic, we have seen a drastic increase in the cost of energy, especially electricity, oil, and gas, which are the primary energy sources needed to run our businesses. These prices have increased our production cost, which is eating into our WC. We need oil and gas to power machines and running machines. We equally need it to transport goods from one place to another. We need electricity to light up our construction site to increase the health and safety standards. This has drastically increased our cost of production”.* (R20)

**4.4.6 Legal Challenges**

Legal challenges highlighted by the respondents included disputes and contractual issues, inefficiency in procurement practices, legal complexities, and taxation. Regarding taxation, one of the respondents said:

*“Taxes in our sector come in different shapes and forms. Sometimes, we have been awarded specific contracts, and before we start the construction, we are told to go ‘see’ the chief or elders to bless us for a successful contract”.* (R6)

## 5. Discussion

For the maintenance of operational efficiency and stability in finances the management of working capital is important for construction companies. This chapter will be highlighting the findings extracted from our study i.e., exploring Working Capital Management Strategies and Challenges in Small and Medium Construction Enterprises in Douala, Cameroon. It will also be related to the findings to relevant literature. The findings offered by this research study are significant contribution to the literature. As indicated by previous studies, for example, Morshed (2024) argued that WCM is dire need for the SMEs as it influences their performance and capability to grow further in their domain. Since SMEs are working in the dynamic business environment, they need to address their financial issues (Morshed, 2024). Thus, this study offers significant insights on the WCM among SMEs. Going on further, this study addresses the previous call for more research on the WCM. Since, construction firms are dealing in ever-dynamic environment so they need to better manage their WCM strategies (Asare et al., 2024). This study not only offers the primary evidence but it extends the literature on WCM.

### *5.1 WCM strategies in Douala's construction industry*

The key strategies that align with empirical evidences are as follows. In order to ensure liquidity for ongoing projects construction companies prioritize cash flow management including managing the timing of cash inflows from clients. Cash management as emphasized by Shash and Qarra (2018) is crucial for construction companies. Another study by Tarasi et al. (2013) emphasized on cash flow for the maintenance of operational efficiency. Cash reserves allow for continuity in project execution by covering immediate expenses. According to Nyambane and Ouma (2017), efficient cash management can reduce the risk of insolvency. To forecast inflows and outflows many companies create detailed cash budgets. This is consistent with literature which highlights the importance of budgeting. For reducing holding costs techniques such as Just-In-Time (JIT) inventory are employed which is echoed in the findings by Kairu (2015) who emphasizes the importance of inventory management among construction companies. For minimizing holding costs optimal level of material used in construction is strived by companies as Kamau and Kagiri (2015) emphasized that the in order to avoid delays in projects inventory management needs to be focused. Strong relationship between company and the suppliers helps with on-time deliveries by negotiated favorable terms. This is supported by Baños-Caballero, García-Teruel and Martínez-Solano (2012) their emphasis on maintaining optimal inventory levels.

The construction companies in Douala, by providing early fund discounts to clients, aim to shorten their receivables cycle. For the optimization of the flow of cash they extend payment periods to suppliers where so ever possible. According to Lee, Palaniandy and Tan (2011), this reduces the risk of bad debts. As the extended periods are negotiated with suppliers by deferring payments aligns with findings of Salek (2005) highlighted the importance of balancing receivables and payables. Strict policies are enforced by Douala's construction companies for minimizing bad debts. Such policies are a big contribution to the cycle of working capital. Companies seek financing options such as short-term loans and overdraft facilities for supporting their working capital needs. This helps with the issue of maintaining balance between receivables and payables. According to Wang, Akbar and Akbar (2020), for the maintenance of a positive working capital cycle financing strategies play a vital role. Short-terms loans are secured by companies to bridge the gap between receivable and payables. This is consistent with the findings of Brown, Fazzari and Petersen (2009), emphasized maintenance of positive cash flow by financing strategies. Some companies utilize overdraft facilities to



cover immediate expenses. This helps with the management of fluctuations in short-term cash flow. Alternative options are also explored by companies such as factoring which means to sell receivables at a discount for immediate cash which provides an additional avenue for managing work capital (Van der Vliet, Reindorp, & Fransoo, 2015).

From the practical aspect, this study recommends that organizations such as SMEs should adopt the monthly and project-based cash flows forecasting to predict funding gaps and payment obligations. For this purpose, they can also use the digital tools instead complex systems. Construction projects in Douala often face a delay in payments by clients and instable prices which leads to liquidity shortages. For this purpose, organizations may forecast which may help them to firm plan for payroll, materials, and subcontractor payments.

### ***5.2. Challenges in implementing WCM strategies***

There were multiple challenges identified despite the strategic approach faced by Douala's construction companies. Many SMEs struggled to secure short-term loans due to absence of credit history restricting their cash flow. Such companies may not have necessary assets for meeting the requirements of loan approval this aligns with findings from Baños-Caballero, García-Teruel and Martínez-Solano (2012) who highlighted financing access in managing working capital. Market fluctuations such as in material pricing- is a part of construction industry similarly SMEs face financial streams due to difficulty in managing cash flow. This aligns with Orlitzky (2013), pointed to the impact of volatility in market on construction projects. SMEs often lacks tools required for cash flow management which effects the continuity of project this is consistent with Sah (2022), highlighted the strategy for avoiding financial strain includes managing receivables. Mismatches take place when system management is inadequate making it difficult for SMEs to maintain financial stability this aligns with the findings of Oni (2019), emphasized on the need for effective inventory management in order to avoid operational inefficiencies.

In conclusion, the study results demonstrate that construction companies use the diverse nature of WCM strategies for inventory management, cashflows, receivables, and project costing effectively. Although these strategies are effective, the findings further reveal that they can help organizations to capitalize on liquidity control and operational efficiency. It further improves their handling to operational and organizational challenges. Overall, the study highlights that strengthening and integrating WCM practices is essential for improving financial sustainability and project performance in construction companies

### ***5.3 Recommendations for future work***

Based on the findings future recommendations are based on enhancing the ability to implement effective WCM strategies in construction companies. For managing work capital efficiency access to finances should be provided such as collaboration with microfinance institutions (MFIs) which offers financial products, establish a government and financial institutions to credit guarantee schemes, encouraging companies to explore alternative financing options, such as factoring and invoice financing. Cash flow management should be practiced for financial stability such as providing SMEs with training on cash flow management techniques and tools, enforce strict credit policies to manage receivables, encouraging companies to maintain a sufficient cash reserve. For avoiding delays and additional costs improvements in operational efficiency can be a help. By using tracks, avoid mismatches and monitor stock levels by implementing inventory management systems such techniques like Just-In-Time (JIT) inventory to synchronize material deliveries with project schedules, enhancements in project management practices by creating project plans, monitoring progress

regularly and addressing issues promptly. Collaborative opportunities can be explored for streamlining operations by the companies with suppliers, clients and stakeholders of the company which will reduce the lead time. Maintaining stability in market conditions may also contribute with managing capital such as with government support as it plays a prominent role in stabilizing the construction market with the help of policy implementation for reduction of volatility in market which also provides control over the prices of material and financial assistance. For supporting SMEs during market fluctuations industry associations can advocate for policies that stabilize the market by providing resources as well as trainings for managing the changing conditions of market. Significant reduction can be observed in the impact of fluctuating demands by encouraging companies to diversify their services for their financial stability with the help of expansion of new project types, exploration of complementary markets and revenue streams can be broadened.

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