Outreach and Performance Analysis of Microfinance Institutions in Cameroon

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ABSTRACT

Since people with low incomes do not have access to financial institutions and in most developing countries, only public workers benefit from the services of public banks, the poor and private workers with low incomes cannot borrow from these public banks. Hence, micro financial institutions have become the answer to those who cannot benefit from the financial services of the public banks.

This study tries to compare the performance and outreach aspect of the micro financial institutions in Cameroon against the African benchmark. Furthermore, it investigates if there is a tradeoff between performance and outreach.

A total of 6 selected micro financial institutions with branches all over Cameroon were chosen for this study. Using the difference of mean test, the findings of the study revealed that generally, the micro financial institutions in Cameroon implemented a low cost strategy and are heavily exposed to default risk.

We also concluded a tradeoff between the performance and outreach factors. Micro financial institutions in Cameroon are more focus at making profits rather than reaching out to the poorest of the poor in the communities.

Keywords: Microfinance, Outreach, Performance, Banks, Cameroon

ÖZ

Gelişmekte olan birçok ülkede düşük gelirli insanların finansal kurumlara erişimi mümkün değildir ve sadece kamu çalışanları, kamu bankalarından yararlanabilmektedir. Düşük gelirli insanlar ve özel sektör çalışanları kamu bankalarından yararlanamamaktadır. Bundan dolayı, kamu bankalarından yararlanamayanlara mikrofinansal kurumlar çare olmuştur.

Bu çalışma, Kamerun'daki mikrofinansal kurumların performansını ve erişim yönünü Afrika kriterleri göz önünde bulundurularak karşılaştırılmaktadır. Bunun yanında, performans ve erişim arasında etkileşim olup olmadığını incelemektedir.

Bu çalışma için Kamerun'daki şubeleriyle birlikte 6 mikro finans kurumu seçilmiştir. Ortalama test farkı kullanılarak elde edilen sonuçlara göre, Kamerun'daki mikro finansal kurumlar düşük maliyet stratejisi uygulamakta ve temerrüt riskine maruz kalmaktadır. Ayrıca performans ve erişim faktörleri arasında bir etkileşim görülmektedir. Kamerun'daki mikro finansal kurumlar en yoksul kişiye kadar ulaşma yerine kar elde etmeye odaklanmıştır.

Anahtar Kelimeler: Mikro Finans, performans, Sosyal yardım, Bankalar, Kamerun

To My Family

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INTRODUCTION

1.1 Emergence of Microfinance

Poverty and lack of financial resources in most developing countries especially in West and Central Africa is a major problem. The existence of poverty in large majority of the population in Cameroon has limited the establishment of individual, family and community owned business both on a small and medium size scale. With corruption and embezzlement resulting to unequal distribution of foreign aid and other financial support made by the government to encourage the establishment of small and medium size business. Hence, most people have to now turn to banks for financial and aid and loans. The population living below the poverty line and those with low incomes do not have access to the services of the public and commercial banks in developing countries. These people cannot be served from the public banks because they do not work with the governments and do not have the capital to crate accounts with the commercial banks. In addition, most poor people have few or no assets that can be secured by a bank as collateral (Mokoro et al, 2010).

Denying people the access to financial markets is the main generator and reason for poverty with many consequences such as lack of good healthcare facilities, education, nutrition and others. A new alternative way of providing credit to people living in poverty and vulnerable economic situations is microfinance. Microfinance organizations target the poor who are considered risky and cannot have access to public funds. Research found that the depth of outreach of micro financial services increases more rapidly than public financial banking services (Martzys, 2006). The African Development bank (2006), in their executive summary stated that micro financial institutions plays a critical role in achieving the millennium development goal while mitigating development and financial viability by contributing to poverty reduction, increase political, social development, social empowerment especially for women, community participation, school attendance of children and economic prosperity. Furthermore, the full potential of micro finance institutions could be achieve if microfinance institutions become linked to or integrated with the formal financial sector in building inclusive financial systems that works for the poor by offering services ranging from deposits, loans, payment services, leasing, money and remittance transfers, pensions and insurance services.

1.1.1 The Need for Microfinance in Cameroon

The national population of Cameroon in 2010 is approximately 19 million, of which approximately 48% are living below the poverty line, which is considerable improvement from 1996 when move 55% of the population was living below the poverty line of which 49.9% are in the rural population while 22.1% are in the urban areas in Cameroon (Cai.gove). In a country where 70% of the population of Cameroon depends on agriculture at a sustainable level for their livelihood, it is clear they are in poverty. Since independence, the government of Cameroon has embarked on several attempts aimed at promoting agricultural development. Since 1990, the Cameroon government has embarked on various IMF and World Bank programs designed to spur business investment, increase agriculture, improve trade and recapitalize the nation banks (CIA.GOV, 2011). The "Green Revolution" which was aimed at encouraging the development of agriculture in the country was one of the first few (Simarski, 1992). Despite these reforms, the unemployment rate in the country stands at 34% and just about 9 thousand Cameroonians work in the public sector (cia.gov, 2011). High taxes and corruption in the country discourages those with financial support from opening up small and medium size enterprises (SME) within the country. Hence poverty is persistent for those poor and extremely poor families, hence undermining and limiting their capabilities, limits their opportunities to secure employment, results in their social exclusion and exposes them to external shocks. Then the vicious cycle of poverty is accentuated when then government structures exclude the most vulnerable from the decision making process. Rural households are less likely to have access to potable water and adequate health services, and children are less likely to continue their studies through secondary school. Nevertheless, rural families enjoy some advantages insofar as they grow their own food and build their own housing, and thus have less need for monetary income which is a tradeoff to live in poverty for their entire life and that of their grand children (www.nationsencyclopedia.com).

After a period of sustained growth which Cameroon experienced up to the middle of the 1980s, accomplishing an annual average growth of 7% over a 10-year period (Francis Menjo,2006), the situation deteriorated from 1986 onwards and the country suffered a severe economic and social crisis. The government reacted to Cameroon's shrinking economy from 1980 through the early 1990 by reducing producer prices and government expenditures during the early 1990s. Farmers who sold their cotton, cocoa, or other agricultural goods to state-run businesses saw their incomes drastically reduced while in

1993 the government also reduced civil service salaries by 50 percent, while de-valuation of the CFA franc in 1994 also contributed to increased poverty by raising inflation (www.nationsencyclopedia.com). Presently, urban dwellers and migrants from the rural areas make a living from activities such as shop keeping, street vending, farming, construction, etc. Growth in household incomes appears more likely to be essential for long-term poverty reduction and will be more effective if poverty alleviation programs are targeted disproportionately in favor of rural and semi-urban areas (Francis Menjo, 2006).

1.1.2 NGO and Microfinance Emergence in Cameroon

The evolution of nongovernmental organizations (NGO), foreign aid groups and external finance institutions in the late 1980s and early 1990s in Cameroon was to answer the question of the financial crisis that had previously hampered the economic system of the country. These organizations were to fill the gap left when the financial sector went under in this crisis and extend it to provide services to the poorest of the poor, which would also give them the power to break out of the cycle of poverty. This gave birth to the rise of micro financial institutions within the country. This gave birth to the micro financial Institutions in Cameroon. In an article published by www.aaeafrica.org (2011), stated

> "Although there were already a small number of institutions that fitted the model of Microfinance institutions, it was the African economic crisis of the late 80s and early 90s as well as microfinance's success in Asia that made it seem like the perfect fit for the country in the 90s. International development organizations came to the conclusion that it was the correct approach and insisted that it should be applied as widely as possible. The micro financial institutions were set up by a number of agencies, most notably CamCCUL (a conglomerate of NGOs), Afriland First Bank and the Appropriate Development for Africa Foundation (ADAF - a Cameroonian NGO); many smaller NGOs were also strongly advised to have some sort of micro financial scheme".

Presently, the question is; Are these micro financial institutions serving the poorer of the poorest and alleviating poverty or are they out to make profits from savings made their customers?

The introduction of micro finance in Cameroon started way back in 1963 by Dutch Roman Catholic priest Father Alfred Jansen in Njinikom the North-west region of Cameroon. This idea of Credit Unionism spread all over the North West and South West Regions of Cameroon and by 1968, 34 credit unions that were already in existence joined together to form the Cameroon Cooperative Credit Union League (CamCCUL) Limited. CamCCUL is therefore the umbrella organ of cooperative credit unions and the largest micro-finance institution in Cameroon and the CEMAC Sub-region (www.camccul.org).

During and after the crisis in the 80s and early 90s, many workers were laid off and there was a rise in unemployment. Those who had some funds at hand started to form small saving groups within the communities. This let to small micro credit, savings and credit cooperatives and through which Loan Cooperatives (COOPEC) was founded in Cameroon. The crisis caused many banks and other institutions to collapse due to lack of trust from the population hence the increase popularity of COOPEC. In 1992, a law was passed which placed the responsibility of the management of cooperatives on the members themselves, mandating an internal organ to supervise all the micro finance institutions in Cameroon (Claire and Ruffing, 2009), hence, leading to the emergence of new cooperatives societies and micro finance institutions within the country. Claire and Ruffing (2009) continued with “The laws of 1998 and 2001 in relation to differences between profit-making microfinance institutions and non-profit making microfinance institutions did not stop that increase in creation of COOPEC in Cameroon. But the CEMAC1/UMAC2/COBAC3 regulation on microfinance institutions set on April 2002 and implemented from 2007 restructured the sector of microfinance institutions in Cameroon and henceforth faced out illegal, unqualified and unprofessional microfinance institutions". Presently, the number of registered microfinance institutions in Cameroon number approximately 460 with a sum amounting to over FCFA 258 billion has been accumulated by way of deposits from close to one million customers (News.cameroontoday.com).

1.2 Aim of the Research

Several micro finance institutions (MFIs) have established and have been operating towards resolving the credit access problem of the poor. In light of this, this paper attempted to look at MFIs performance in the country from outreach and financial sustainability angles using data obtained secondary sources. The roots of microfinance lie in a social mission of enhancing outreach to alleviate poverty. More recently there is a major shift in emphasis from the social objective of poverty alleviation towards the economic objective of sustainable and market based financial services (Shahnaz and Tahir, 2009).

- Are these MFIs reaching the right target population (poorer of poor) or are their services for everyone without accomplishing their objective of eradicating poverty?

- The second question is building financially sustainable MFIs that can fully stand on their legs rather than depend on donors through their entire life.

1.2.1 Outline of the study

The plan for this study is as follows: Chapter 1 gives the statement problem and an intro into microfinance section in Cameroon, Chapter 2 looks at the review of literature, and chapter 3 presents the model of outreach and financial performance including the methodology and data source. Chapter 4 reports the main findings about the outreach pattern and its impact on performance of the sector. Important indicators and driving performance factors are also identified. The impact of growth pattern on four aspects of outreach, *i.e.* the breadth, depth, scope and worth of outreach, is assessed.

1.2.2 Methodology and data

Data from 8 major micro financial institutions (with extensive branches) in Cameroon would be used for this study. The data runs from 2004 through 2009. Various institutions have already developed a body of knowledge on how to analyze microfinance institutions and compare them. The metrics used in this study have drawn from this body of knowledge in order to develop a system with which to analyze the costs and benefits of each MFI. Alone, these metrics do not provide a complete picture, as their focus is primarily financial and strategic and they are most commonly used to help the donor community evaluate investments in MFIs. Principal among them are CAMEL model by ACCION, PEARLS model by WOCCU, GIRAFE Rating by PlaNet and MicroRate (CGAP, 2001 as cited in Arsyad, 2005). Amongst these, except the PEARLS methodology by World Council of Credit Unions (WOCCU), all others are hybrid models using both qualitative and quantitative data (Arsyad, 2005). These methodologies are proprietary and not available for use in public domain. Therefore, they leave out an assessment of the social value created by the MFI, making it important to also look social indicators and outreach of MFIs to understand the complete picture.

In addition to metrics drawn from these industry sources, this study will look at social impact indicators.

Chapter 2

OVERVIEW OF MICRO FINANCE AND EVIDENCE FROM CAMEROON

2.1 Microfinance and Evidence from Cameroon

Basically, micro financial institutions are known worldwide to provide financial services to the poor aimed at alleviating poverty in these communities and improving the standards of living of people who benefit from these services thereby encouraging the development of small and medium size (SMS) businesses which are of great importance towards economic growth. Proceeding with regards to our purpose, Robinson (2001) defines microfinance as small-scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas. Microfinance can also be defined as any activity that includes the provision of financial services such as credit, savings, and insurance to low income individuals who fall just above the nationally defined poverty line, and poor individuals who fall below that poverty line, with the goal of creating social value (Raven, 2006)

2.2 The concept of Microfinance

The concept of microcredit and microfinance has turned the world around as many look at it as the main instrument in providing financial support to the poor with the aim of alleviating poverty and encouraging development within the poor communities. It also aimed to reach the poorest of the poor in the fight to alleviate poverty. Before the evolution of microfinance, many developing countries and nations tried to eradicate poverty by providing subsidies to small organizations and business groups, providing free public utilities through the governments, supported by multilateral and bilateral aid agencies (Hoff et al. 1990).

Though the concept of microfinance had started in many countries through other forms, Muhammad Yunus formally introduced microfinance in Bangladesh in the 1970s as a private initiative aimed to alleviate poverty in the country. The aim was issuing small loans ($5-$100) and the target populations were the impoverished Bangladesh citizens living in outlying rural villages (Robert, 2006). Depending on the country, nongovernmental organizations(NGOs), savings and loan cooperatives, credit unions, government banks, commercial banks and non bank financial institutions provide some of the services of microfinance with the same objectives. Ledgerwood,1999 stated the target market for microfinance institutions are the self low income employed entrepreneurs composed of small scale traders, seamstresses, street vendors, small farmers, hairdressers, drivers, artists and others but as the poor are being considered as a single unit worldwide, this doesn’t imply that every poor community have identical financial needs.

Many studies have been done to assess the impact of microfinance. These studies mainly concentrate in three main areas.

- The first which tries to look at the impact assessment of microfinance on the lives of the poor. This looks at the socio-economic impact of microfinance and microcredit programs on the lives of the poor and those in need of financial services. Do micro financial services actually reduce poverty and support the poor? Various studies have shown mixed and contradictory results. Koentaad, 2001 in his note on microfinance support organization, based in Europe, summarized key results of some of the major findings of positive impacts as increasing the household economy and increase economic opportunities. Major studies by Sabstad and Chen, 1996 from 32 research findings on microenterprise services and primarily credit (some used a quasi-experimental research design), on 41 programs from 24 countries in Asia, Africa and Latin America with attention given to household economic security, enterprise stability and growth, and individual control over resources found positive impacts.

- The second looks at who is being served by this MF and who are the benefactors of these services. Is MF serving the non-poor, the quite poor, the poor, the poorest, etc? With the national defined poverty lines used as benchmark to estimate the level of poverty, the use of indicators and ratios (depth of outreach), there is no clear target population for the MF. Studies by AIMS indicate that majority of microfinance clients are from the moderate poor household, followed by the vulnerable non-poor households and then by the extreme poor households

(Sabstad & Chen, 1996). The benchmarking from the Micro banking Bulletin indicates that MFIs are serving the low end of the market is just 20% and any level below this indicate that MFIs are serving the poorest segments (Micro banking Bulletin). Does this means MFIs are not serving their rightful target markets? What are the consequences of this to both the institutions and the population?

- Lastly, there is the sustainability and client satisfaction approach. Before, MFI were being sponsored by donors. Presently, there are reduced donors and lack of financing to these MFIs. Hence, they now have to undertake the mission of poverty eradication and economic growth on their own basis. Some people belief these MFIs can survive without donors while others feel these MFIs depend solely on these donors to successfully complete their goals. Hence, the question is, can these MFIs operate independently without the support of donors while also satisfying their clients financial needs? (Basu &Woller, 2004).

2.3 Cameroon Financial Framework

2.3.1 Overview of Cameroon

Cameroon is generally called “Africa’s miniature” and is located in West Africa and also a member of the Central African community, with the south western region opened to the Atlantic Ocean. With a total surface area of 475,442 square kilometers (183,569 sq mi), it’s the world’s 53rd largest nation, with a population of about 19,700,000 million inhabitants (www.cia.gov). The country is bounded to the north by Chad, south by Equatorial Guinea and Gabon, east by The Republic of Congo and the west by Nigeria. Cameroon is a member of the Economic Community of Central African States

(CEMAC- *Communauté Économique des États d'Afrique Centrale).* With over 200 ethnic groups and more than 250 local languages, Cameroon is one of the two bilingual countries of the world with English and French as the official languages. The country is made up of ten regions, Yaoundé (Central province) is the capital city and Douala (Littoral region) is the economic capital of the country. The currency in use is the Franc (CFA) which is common to all the countries within the CEMAC community.

There is religious freedom within the country. Christianity is common in the southern and western regions of the country, while, Islam is common to the three northern regions. Due to the socio-cultural background of the country, there are other small spiritual indigenous beliefs common to some villages and households. Located along the Equator, Cameroon's climatic condition varies according to terrains, from a tropical climate along the coast, to semi arid and hot in the North. The weather conditions alternate between the wet and the dry season all throughout the year.

Like most developing countries, Cameroon largely depends on agriculture for its economic potential. The agricultural sector contributed about 43.9% to its Gross Domestic Product (GDP) in 2007(CIA, 2007). The discovery of oil resources well situated along the coast line in the southern region of the country has been a big boost to the Cameroonian economy contributing about 7.5% to the GDP in 2004 (Organization for Economic Co-operation and Development, 2004). The French company SONARA (Société Nationale de Raffinage), i.e. National Oil Refinary is the sole exploiter of crude oil in Cameroon with a single refinery located at Limbe, in the South West Region of Cameroon. Some of the main commercial exports include banana, coffee, cocoa, cotton, oil palm, rice, rubber, sugar, tea, timber (which covers about 36% of the surface area) and tobacco. The Gross national income (GNI) of the country is $20.6 billion while the GNI per capita is $1, 050. The service sector contributed 40.2% of the total $23.240 billion GDP (Nominal) in 2008 (CIA, 2008). The population grows at the rate of 2% (which is relatively low for an African Country); the infant mortality rate stands at 86.6 infants per 1000.

The government of Cameroon spends 3.8% of GDP on public education facilities (Tulane, 2008) with French and English as languages of instruction. Primary school education is free in the public primary schools. Cameroon has an adult literacy rate of 68% (World Bank, 2010). The country currently struggles to implement the International Monetary Fund (IMF) and World Bank programs aimed at encouraging investments, improving the agricultural sector, and the re-capitalization of the banking sector. The inflation rate is estimated to be 1.9% in 2010, the current labor force is 7.836 million and the exchange rate is 495.28CFA per Dollar (CIA, 2010).

2.3.2 Cameroon Financial System

The financial system in Cameroon has improved over the past decade. In November 1972, the Bank of Central African states (Banque des États de l'AfriqueCentral-BEAC) replaced the central bank of the state of Equatorial Africa as the Bank of the Central African States with its headquarters in Yaoundé. Cameroon’s financial system is the largest in the CEMAC, accounting for about half of regional financial assets. While in 1993, the Commission Bancaire de L’Afrique Centrale (COBAC) was created as a supranational supervisory authority by the BEAC member states (Ministry of Finance, Cameroon). In 1999, the banking system in Cameroon consisted of nine commercial banks with about 60 branches. The major commercial banks, all with important foreign participation, were the Amity Bank, Banque Internationale du Cameroun pour l'Epargne et le Credit (the last bank to be privatized, in 1999), Caisse Commune d'Epargne et d'Investissement, Commercial Bank of Cameroon, Citibank, Societe General de Banque au Cameroun, Standard Chartered Bank, and the Societe Commerciale de Banque Credit Lyonnais-Cameroun.In 2009,the banking system consisted of eleven commercial banks (of which the six largest are foreign owned, with three holding more than 50 percent of the sector's assets and accounting for more than 55 percent of deposits) and two government-owned specialized financial institutions (Cameroon Postal Services (CAMPOST) and Crédit Foncier de Cameroun(CFC)).The banks are; Nonbank financial institutions, insurance companies (including a government-owned reinsurance company), two pension funds, a social security fund and over 700 MFIs represent the remainder of the sector(imf.org). Banks deal mainly with large companies and other reliable counterparts. High credit risk, together with the lack of long-term deposits, has resulted in limited lending activities to SMEs and in the predominance of short-term lending. Except for one large bank, lending to agriculture and housing is limited. Furthermore, from the paper presented on Cameroon financial system stability assessment by the International Monetary fund (IMF) in 2009 stated less than 5% of Cameroonians in 2006 held bank accounts or used credit services, a lover ratio than in countries with similar growth rates. Hence, indicating these banks served just those working in the public sector or the very rich people within the communities. The report further states that, these banks provide a narrow range of financial products composed of short term loans, with growing volume of medium – term loans, and deposits. With less than four of the commercial banks targeting the SMEs as customers, the loan accounts for these SMEs was only 11%, while 14% were total loans outstanding for these SMEs in 2006. Hence, with the increasing number of MFIs strictly controlled by COBAC, there seems to be an increase in the level of penetration in the SMEs financing within the country mostly in the urban centers.

2.4 Characteristics of microfinance

According to the Murray & Boros (2002) microfinance has several characteristics that are;

1. Small amounts of loans and savings.

2. Short- terms loan

3. Payment schedules attribute frequent installments

4. Installments made up of both principal and interest, which is amortized over the course of time.

5. Higher interest rates on credit (higher than commercial bank rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.

6. Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.

7. Application procedures are simple.

8. Short processing periods (between the completion of the application and the disbursements of the loan).

9. The clients who pay on time become eligible for repeat loans with higher amounts.

10. The use of tapered interest rates as an incentive to repay on time. Larger loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.

11. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, such as the assessments of clients‘repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

2.5 Review of literature

The goal of every microfinance institution is to alleviate poverty and encourage economic growth for their customers. In the early days when MFI started they were financed by donor funds that have a poverty eradication goal. Hence the performance of the MFI was measured on how much MFI reach to the poor (outreach) and impact (how far the live of those who get financial services are changing). In the early days, micro financial institutions were able to achieve these goals via donors who provided the financial resources for these organizations. With the emergence of more and more micro financial institutions, there has been a need for a competitive advantage in the microfinance world.

Masad and Torbjorn (2001) stated there are two generic ways of establishing a competitive advantage, the low –cost supplier or by differentiating the offer in a unique and valuable way. In the past, many microfinance institutions were financed by donors and their sold gold was to eradicate poverty since they were fewer in number, hence no competition. Hence the performance of the MFI was measured on how much MFI reach to the poor (outreach) and impact (how far the live of those who get financial services are changing as compared to those who don't get these services) (Ejigu,2009). Presently, with the increase in the microfinance size and lack of sponsors and donors, microfinance institutions have to attend their goal of poverty eradication on their own basis. This has lead to Aggressive competition and lending policies of MFIs create a debt burden resulting in tensions, conflicts, violence and even suicide within household and communities (Aminur, 1999). Hence, meeting the full promise of microfinance—to reduce poverty without ongoing subsidies—requires translating high repayment rates into profits, a challenge that remains for most micro banks (Robert et al, 2006). To satisfy their various stakeholders, microfinance institutions are expected to provide both social performance (includes outreach to the population, targeting those who deserve their services and also aiming for economic growth) and financial performance (compose of the efficiency, productivity, profitability and other financial parameters) to the best of their abilities. Hence, they had to be sustainable. Sustainability is loosely defined as the ability of a MFI to cover its operating and other costs from generated revenue and provide for profit. It is an indicator which shows how the MFI can run independent (free) of subsidies.

Most importantly, there may exist a conflict between sustainability and outreach, implying that the strife to increase efficiency reduces the scope for lending to the poor. Some evidence for this negative side-effect of sustainability of MIF is given by McIntosh et al, (2005), who show that wealthier borrowers are likely to benefit from increasing competition among microfinance institutions, but that it leads to lower levels of welfare for the poorer borrowers. Therefore, the recent shift of microfinance institutions to progress from small, money-losing operations to large providers of banking services on a more sustainable and commercial basis may go against the traditional aim of microfinance institutions and that is to provide credit to the poor.

Many studies have been done in the microfinance field focused on the outreach and performance over the past years. In studies conducted by Rauf and Mohmood in 2009, they looked at the growth strategy adopted by Pakistan microfinance sector and its impact on performance. They used the six dimensions of outreach model developed by Schreiner in 2002. The results indicated that Pakistan microfinance institutions adopted an extensive growth strategy which involved huge investment in physical infrastructure and rapid increase in recruitment and branch network. Furthermore, the targets set were modestly attained as breadth of outreach is below the target outreach, depth of outreach is concentrated in big urban cities, scope of outreach is mostly limited to credit. The financial performance of the sector is weak, its cost per borrower is increasing and productivity ratios are low. Growth of the sector is being led by a few unsustainable institutions that are neither operationally nor financially self-sufficient.

In 2002, Meyer took an insight into how the microfinance industry is performing by summarizing and evaluating key studies and data from Asia. He used the critical triangle of microfinance, including outreach, sustainability and impacts. The results reveal that outreach is quite impressive, especially in Bangladesh and Indonesia. Millions of poor households in the region are now receiving formal financial services because of the expansion of microfinance. Financial sustainability, however, is an important problem facing the industry in most countries? Many microfinance institutions still depend on government and donor subsidies for their existence. The impact studies reviewed reported some positive benefits but they vary by gender, type of program and country.

Olivares-Polanco (2005) investigates the determinants of outreach in terms of the loan size of MFIs, using data for 28 MFIs in Latin America for the years 1999-2001. The analysis includes only one observation for each MFI in the dataset. Using simple OLS, Olivares-Polanco's study confirms the existence of a trade-off between sustainability and outreach.

De Crombrugghe et al (2008), use regression analysis to study the determinants of self-sustainability of a sample of microfinance institutions in India with data from Sa Dhan, a know- how sharing organization. They investigated three aspects of sustainability: cost coverage by revenue, repayment of loans and cost-control. Our results suggest that the challenge of covering costs on small and partly unsecured loans can indeed be met, without necessarily increasing the size of the loans or raising the monitoring cost.

In Africa, many studies on outreach and performance had been done in some countries. Kereta (2007), attempted to look at MFI s performance in Ethiopia from outreach and financial sustainability angles using data from primary and secondary sources. The results indicated outreach rose from 2003 to 2007 by an average of 22.9% and the reach to women is limited by just 38.4% and also indicated that MFIs in the country are financially sustainable. The studies also concluded there was no tradeoff between financial sustainability and outreach within the country.

Adongo and Stork, 2005 used the ordinary least squares to an analysis of covariance model consisting of cross sectional data from a selected MFIs in Namibia to identify the factors that influenced their financial sustainability with donors involved in providing start-up funds for the loan portfolio. Results indicated lack of financial sustainability yet and the degree of unsustainability was lowest for term micro-lenders and was highest for multi-purpose co-operatives involved in the provision of microfinance services. and there was no evidence that a lower per capita income in the microfinance target group will hinder the financial sustainability of the selected microfinance institutions in Namibia.

In Cameroon, no studies have been done on the outreach and performance of microfinance institutions. Studies focus on other areas of microfinance.

Ruffing 2009, examines the relationship between microfinance and governance generally, and uses the specific example of the MC2 micro-bank network overseen by the Appropriate Development for Africa Foundation (ADAF, who also embraces the idea of a heart in their logo and motto). By examining the governance mechanisms affecting microfinance in Cameroon, namely the Ministry of Finance and the management structure of the firms themselves, an idea emerges of constructive actions to take to allow this industry to flourish in an environment that isn't always conducive to accomplishing the industry goals. Ultimately, by understanding the cool head of governance, the warm heart of microfinance's social mission will be allowed to takes its proper place.

Serge M.E 2009, examine the role of microfinance institutions on creation and expansion of microenterprises in Cameroon using the Schumpeter model and the Verstraete and Fayolle model of definitions of entrepreneurship. The study used nine MFIs from Cameroon to assess the relationship between microfinance institutions services and creation of microenterprises and the relationship between microfinance institution services and expansion of microenterprises. The studies found out that microfinance institutions to boost entrepreneurship in Cameroon prefer to finance expansion than creation and prefer also to supply lending, savings and money transfer services than micro insurance and training services to micro entrepreneurs.

Chapter 3

DATA AND METHODOLOGY

3.1 Introduction to Microfinance Rating Systems

In the world of today, microfinance is being seen by its stakeholders as the main tool towards poverty reduction and economic growth. With the main objective of providing financial support to the poorest of the poor, microfinance has stemmed out worldwide more profitable than most banks serving the very rich target groups. For MFIs to successfully archive their goals, they need continues access to funds meaning they must be financially sustainable to be able to impact socially on the population. Financial sustainability and performance of MFIs looks at the economic situation composed of the financial structure, efficiency, productivity and profitability. While the social performance deals with serving larger number of poor people, awareness of women, improving the financial status of the population and social responsibilities. Hence, MFIs are serving the clients with the cost effective method.

Various institutions and performance rating methods have been used to analysis the MFIs since no clear existing requirements exist for these institutions. Most of the rating systems used try to provide a complete picture of the financial aspects of these institutions as they strive for transparency and as it’s difficult to evaluate the social performance of the MFIs. In addition to these financial performance indicators drawn from these rating systems, this study also tries to look at the social indicators from the outreach perspective. Those MFI with little or no donors rely on the financial sustainability of the organization hence are more focused on the financial performance of the MFI with little efforts of finding out if they are serving the right target group or effectively striving the main mission. On the other hand, MFIs with donors are more concerned with the social indicators and achievements of these organizations. Hence, this chapter takes an inside of some of the basic indicators from the microfinance sector in Cameroon in order to identify the performance and social benefits of MFIs.

3.2 Rating systems in the microfinance World

Recent years have seen the need for a precise rating system for evaluating and comparing MFIs. Some of these metrics focus mostly on the performance aspect of the MFIs with very little information on the social and management standards. Most of these rating methods help donors and investors in these micro financial markets. Leaving out the social and outreach aspects does not give a complete picture of this sector. Hence, our study will try to take into account some of the outreach and social indicators of these institutions to determine if they are fulfilling their objectives. Some of the rating systems include:

Table 1: Micro finance rating systems and source of information

Rating system	**Developed By**	**Methodology (Areas of Interest)**
PEARLS	WOCCU	Protection, Effective financial structure, Asset quality, Rates of return and cost, and liquidity and signs of growth
ACCION Camel	ACCION	Financial statements, Budget and cash flow projections, portfolio aging schedules, funding sources, information about the board of directors, operations/staffing and Macroeconomics information.
Girafe Rating	PlaNetFinance	Governance and decision making process, Information and management tools, Risk analysis and control, Activities and loan portfolio, Funding: equity and liabilities, Efficiency and Liability
MicroRate	Damian Von Stauffenberg (MicroRate)	Management and Governance, Management Information systems,

		Financial Conditions, Credit Operations, and Portfolio Analysis
MicroBanking Bulletin/ MicroBanking Standards Project	CGAP	Outreach, Macroeonomics indicators, Profitability, Income and expenses, Efficiency, Productivity, Portfolio, Capital and Liability structure and Clarification of terms
The Philippine Coalition for Micro- Finance Standards	-	Outreach, Collection Efficiency and Portfolio Quality, Sustainability, Capital Adequacy/Leverage, Liquidity
Institutional Performance Standards and Plans	Donor Agencies for Small Enterprise Development and United Nations Capital Development Fund	Institutional Strength, Outreach, Appropriate pricing policies, Portfolio quality, Self-sufficiency, Movement toward financial independence.

Source: Rating standards and Certification (www.gdrc.org)

The Mix Market is the most reliable international data base available for MFI. They classify MFI into star categories based on their performance, sustainability and social indicators. We have used the same approached put forward by Pankaj and Sinha (2010) to evaluate the financial performance of MFI in India. In this approach, they used the difference of means test to compare the performance of these MFI. They considered α=0.5. We have chosen ratios for this analysis from the Mix Market data base from six major MFI in Cameroon. As an extension from the Pankaj and Sinha model where they analysed companies on six parameters of financial performance, we have decided to include the seventh parameter which measures the outreach of these MFI in Cameroon.

3.3 Financial Indicators Used in the study

3.3.1 Financial Structure

Table 2: Financial structure indicators and ratios

Financial Indicators	Method of Calculation	Data Source
- Capital to Asset ratio	Total Equity/Total Asset	Audited Financial Statements
- Debt to Equity ratio	Total Liabilities/Total Equity	Audited Financial statements
- Deposits to loans	Deposits/ Gross Loan Portfolio	Audited Income Statements
- Deposits to Total Assets	Deposits/Total Assets	Audited Financial/Income Statements
- Gross loan Portfolio to Total Assets	Gross Loan Portfolio/ Total Assets	Audited Financial Statements

3.3.2 Overall Performance

Table 3: Overall performance

- Return on Assets %	(Net Operating Income - Taxes) / Average Total Assets	Audited Financial Statements
- Return on Equity %	(Net Operating Income - Taxes) / Average Total Equity	Audited Financial Statements
- Operational self sufficiency	Financial Revenue / (Financial Expense + Net Impairment Loss + Operating Expense)	Audited Financial Statements

3.3.3 Revenue

Table 4: Revenue indicators

- Profit Margin %	Net Operating Income / Financial Revenue	Audited Income statement

3.3.4 Expenses

Table 5: Expenses indicators

- Total Expense Ratio %	Total expense/ assets (Financial Expense + Net Impairment Loss + Operating Expense) / Average Total Assets	Audited Financial/Income Statements/ End of year reports
- Financial Expense Ratio %	Financial expense/ assets Financial Expense / Average Total Assets	Audited Financial/Income Statements
- Provision for loan impairment %	Provision for loan impairment/ assets Impairment Losses on Loans / Average Total Assets	Audited Financial/Income Statements/ End of year reports

3.3.5 Efficiency

Table 6: Efficiency indicators

- Operating expense/ loan portfolio	Operating Expense / Average Gross Loan Portfolio	Audited Financial/Income Statements/ End of year reports
- Cost per borrower	Operating Expense / Average Number of Active Borrowers	Audited Financial/Income Statements/ End of year reports

3.3.6 Productivity

Table 7: Productivity ratios

- Borrowers per staff member	Number of Active Borrowers / Number of Personnel	End of year reports
- Depositors per staff member	Number of Depositors / Number of Personnel	End of year reports

3.3.7 Risk Management

Table 8: Risk ratios

- Portfolio at risk > 30 days	Outstanding balance, portfolio overdue > 30 Days + renegotiated portfolio / Gross Loan Portfolio	End of year reports
- Loan loss rate	(Write-offs - Value of Loans Recovered) / Average Gross Loan Portfolio	End of year reports
- Risk coverage	Impairment Loss Allowance / PAR > 30 Days	End of year reports
- Write-off ratio	Value of loans written-off / Average Gross Loan Portfolio	End of year reports

3.3.8 Outreach

Table 9: Outreach ratios

- Number of Active Borrowers	(External Customers, Management/Staff, Male/Female, Urban/Rural)	End of year reports, Company Data
- % Women Borrowers	Number of active women borrowers / Number of Active Borrowers	End of year reports, Company Data
- Number of depositors	Number of depositors with any type of deposit account	End of year reports,Company Data
- Gross loan portfolio	(Delinquency, Location, Product(credit), Relationship, Methodology, Gender)	End of year reports, Company Data

3.4 Test of hypothesis for the study

The data will be analyzed using EXCEL 2010. This was a panel data for six major microfinance institutions in Cameroon from 2007 to 2009. This data composed of 16 observations of 18 observations for each ratio.

The t-test is probably the most commonly used statistical data analysis procedure for hypothesis testing. The output from the descriptive statistics is compared with the Benchmark report for 2009 from the microfinance bulletin published by the Microfinance Information Exchange (2009). By using the t-test statistic we determine a p-value that indicates how likely we are to have gotten these results. By convention, if there is a less than 5% chance of getting the observed differences by chance, we reject the null hypothesis and say we found a statistically significant difference and sensitivity of the observation. . The following hypotheses were developed for this study:

H1: There is no significant difference between the mean scores for Cameroon microfinance institutions and the African Benchmark in terms of financial structure.

H2: There is no significant difference between the mean scores for Cameroon microfinance institutions and the African Benchmark with regards to overall performance.

H3: There is no significant difference between the revenue mean scores for Cameroon microfinance and African Benchmark.

H4: There exist no significant difference between the expense for the Cameroon micro finance institutions and the African Benchmark.

H5: There is no significant difference between the mean scores for the Cameroon microfinance institutions and the African Benchmark in terms of efficiency.

H6: There exist no significant difference between the mean scores for the Cameroon microfinance institutions and the African Benchmark in terms of productivity.

H7: There is no significant difference between the mean scores for the Cameroon microfinance institutions and the African Benchmark in terms of risk management.

H8: There exist no significant difference between the mean scores for the Cameroon microfinance institutions and the African Benchmark with regards to outreach.

Chapter 4

EMPERICAL RESULTS AND INTERPRETATION

4.1 Descriptive Analysis of Results

The six micro financial institutions used in this study namely CAMCUL, CCA, CDS, CECAW, MC^2 and SOFINA have the experience and also provide the ready information used for our studies. The main focus will be analyzing the means of each ratio based on the selected core indicators for each of the eight parameters of finance performance and outreach for these institutions against the benchmarks indicators for Africa micro financial institutions.

4.2 Mean Analysis Per Sector

The findings stated below are extracted and analyzed for the micro financial institutions under considerations.

4.2.1. Financial Structure

The table below shows a brief picture of the financial structure indicators for the selected micro financial institutions against the 2009 African benchmark average for African Micro financial institutions.

Table 10: Financial structure mean analysis for Cameroon MFIs

	Capital/Asset	*Debt/Equity*	*Deposits to loans*	*Deposits to Total Asset*	*Gross loan portfolio/Total Asset*
Mean	10.43375	5.58375	190.815	81.89875	46.145
Standard Error	1.937874238	4.161164688	13.44541849	2.011250622	3.337637263
Median	11.39	6.86	191.315	79.46	46.875
Standard Deviation	7.751496952	16.64465875	53.78167395	8.045002486	13.35054905
Sample Variance	60.085705	277.044665	2892.468453	64.722065	178.23716
Kurtosis	-0.554880038	2.355366025	-1.036636183	-1.191433574	-0.939232567
Skewness	-0.486830173	-0.882369731	0.307266187	0.368775983	0.031074296
Range	24.4	71.56	174.9	25.1	46.58
Minimum	-4.04	-34.33	120.76	69.23	23.41
Maximum	20.36	37.23	295.66	94.33	69.99
Sum	166.94	89.34	3053.04	1310.38	738.32
Count	16	16	16	16	16
Africa Benchmark	25.1	0.6	82.2	44.1	62.8
P value	0.000008	0.1248	0.000038	0.00037	0.0000807

The mean for the selected 6 micro financial institutions in Cameroon for the Capital to Asset ratio is 10.43 while the benchmark is 25.1. This more than half of the African microfinance average as seen. Hence, the Cameroon micro financial institutions have less capital to their assets and hence are more bankruptcy in case of credit risk. The p value (α=0.000008) is less than the 0.05 indicating there is a significant difference between the capital to asset structure for Cameroonian MFI to the total Africa benchmark.

The debt to equity ratio mean stands at 5.58 for the Cameroon MFIs while the mean benchmark is 0.6. The higher debt to equity ratio for the Cameroon MFIs means these firms depend on commercial funds from other sources including agency funds. There is no significant difference between the mean value for the MFI in Cameroon and the Africa benchmark (α=0.12>0.05). This means most of the African MFIs depend on commercial funds for their activities.

Furthermore, the mean deposits to loans for Cameroonian MFI stand at 190.8% as compared to the African MFI benchmark at 56.1%. The MFIs in Cameroon receive more deposits than they make loans. The p value (α=0.000038<0.05) is significant. There is a difference between the deposits to loans within MFIs in Cameroon as compared to those all over Africa.

The mean deposits to total asset ratio for the Cameroon MFIs stands at 89.89 as compared to the 44.1 benchmark for Africa MFIs. There is a significant difference between the ratio for Cameroon and the benchmark as p value (α=0.000037<0.05).

There are more deposits in Cameroon MFI with respect to the Africa benchmark. The gross loan portfolio to total asset ratio shows a significant difference at α=0.0000807 with the Cameroon MFIs mean at 46.15 while the benchmark is 62.8.

Hence, H1 rejected

4.2.2 Overall performance

Table 11: Overall Performance mean analysis

	ROA	*ROE*	*OSS*
Mean	-0.4675	-17.59	96.8475
Standard Error	1.107715178	22.71482961	8.259986204
Median	0.555	5.135	104.345
Standard Deviation	4.430860714	90.85931844	33.03994481
Sample Variance	19.63252667	8255.415747	1091.637953
Kurtosis	14.15860635	15.54084277	4.680623207
Skewness	-3.660250047	-3.919096103	-2.188436645
Range	19.65	382.53	128.22
Minimum	-16.67	-356.28	1.88
Maximum	2.98	26.25	130.1
Sum	-7.48	-281.44	1549.56
Count	16	16	16
African Benchmark	3.2	18.5	97.1
P value	0.002375906	0.066475086	0.488008125

We may observe that the absolute mean for the Cameroon MFIs on ROA is 0.467 as compared to the benchmark of 3.2. The p value of α=0.0023<.005 signifies a statistical difference on the return the MFIs generate from their assets and it’s less for the Cameroon MFIs. There is no significant difference between the ROE and OSS for the

MFIs in Cameroon and the benchmark. Hence, the firms generate earnings from their capital.

Hence, H2 rejected.

4.2.3. Revenue

Table 12: Revenue means analysis

	FR	*PM*
Mean	15.759375	-2.49875
Standard Error	2.207433175	9.659794075
Median	12.285	4.18
Standard Deviation	8.829732702	38.6391763
Sample Variance	77.96417958	1492.985945
Kurtosis	0.010047579	13.97017425
Skewness	1.232338778	-3.620780479
Range	24.98	169.55
Minimum	7.97	-143.4
Maximum	32.95	26.15
Sum	252.15	-39.98
Count	16	16
African Benchmark	26.7	36.2
P value	0.000086	0.000572433

There is a significant difference for both the financial Revenue and profit margin for the Cameroon MFIs and the Africa benchmark. The Cameroon MFIs have far more less financial revenue and total asset means (15.76, -2.5) as compared to the benchmarks (26.7,36.2) respectively.

Hence, H3 rejected.

4.2.4 Expenses

Table 13: Expenses mean analysis

	TE/A	*FE/A*	*PLL/A*
Mean	16.6325	3.55875	1.754
Standard Error	2.618733552	0.597383793	0.824903342
Median	12.49	2.865	0.61
Standard Deviation	10.47493421	2.389535171	3.194836906
Sample Variance	109.7242467	5.709878333	10.20698286
Kurtosis	-0.848264493	2.320313058	7.53002511
Skewness	0.907922278	1.580215772	2.766356985
Range	29.22	8.74	11.79
Minimum	6.12	1.13	0
Maximum	35.34	9.87	11.79
Sum	266.12	56.94	26.31
Count	16	16	15
African Benchmark	29.6	3.3	2.6
P value	0.000086	0.335538902	0.14182972

In case of expense, the MFIs in Cameroon seem to be incurring lesser expenses as compared to the benchmark. The total expense to asset ratio is significantly different as the mean is higher for the benchmark compared with the Cameroon MFIs. The financial expenses and loan loss provision expense are not significant as could be seen on the above table.

Hence, H4 rejected

4.2.5 Efficiency

The table below illustrates the efficiency ratios for the mean selected MFIs in Cameroon against the benchmark for Africa.

Table 14: Efficiency mean analysis

	OE/LP	*C/B*
Mean	24.19	145.1428571
Standard Error	4.986370925	28.6208364
Median	16.235	103
Standard Deviation	19.9454837	107.0893639
Sample Variance	397.82232	11468.13187
Kurtosis	-0.004566853	0.967045709
Skewness	1.246823734	1.106158825
Range	55.47	397
Minimum	6.1	0
Maximum	61.57	397
Sum	387.04	2032
Count	16	14
African Benchmark	23.8	202
P value	0.469346142	0.034233165

We can see that the p value is not significant for the operating expense as a percentage of loan portfolios. There is no great difference between the means for the Cameroon MFIs and the benchmark. This may be due to the fact that the MFIs allover Africa follows the same models when it comes to this aspect. There is a significant difference between the mean for the cost per borrower. This may be due to the fact that the loan sizes differ from country to country within Africa.

Hence, H5 rejected.

4.2.6. Productivity

Table 15: Productivity means analysis

	B/S	*D/S*
Mean	105.0666667	202.9333333
Standard Error	20.45633367	32.45956703
Median	81	185
Standard Deviation	79.22703964	125.7153625
Sample Variance	6276.92381	15804.35238
Kurtosis	-1.562327392	-1.009009914
Skewness	0.427160198	0.413359725
Range	213	388
Minimum	9	52
Maximum	222	440
Sum	1576	3044
Count	15	15
African Benchmark	123	328
P value	0.197731601	0.000878564

As expected, p value is insignificant for borrowers per staffs. The mean for the Cameroon MFIs is 105 while the benchmark stands at 123. While for the depositors per staff, it is highly significant. There are fewer depositors per staff in Cameroon MFIs as compared to the benchmark (202<328). This may be due to the fact that the Cameroon MFIs are not fully utilizing the available man power resources at their disposal.

H6 rejected.

4.7 Risk Management

The table below shows a significant p value in case of future bad debts and risk coverage. This shows that the Cameroon MFIs operate under very risky conditions as compared to the benchmark. There was no significant difference for loan loss reserve and write of ratio. This shows the Cameroon MFIs maintain almost the same level of loan loss reserve and levels for write of ratio.

H7 rejected.

Table 16: Risk management mean analysis

	PAR>30	*PAR>90*	*LLR*	*RC*	*WOL*
Mean	16.94076923	13.22846154	3.534	47.28153846	3.334545455
Standard Error	3.27747019	2.759189273	1.809777273	7.269034945	1.65809604
Median	17.1	11	0.825	35.97	0.83
Standard Deviation	11.81708682	9.948398402	5.72301824	26.20887822	5.499282433
Sample Variance	139.643541	98.97063077	32.75293778	686.9052974	30.24210727
Kurtosis	-1.073282218	-1.063918212	5.498894442	-1.403611862	6.05410372
Skewness	0.375993268	0.517470734	2.313883869	0.217439187	2.408717055
Range	34.61	29.26	18.29	74.35	18.29
Minimum	2.03	2.03	0	11.54	0
Maximum	36.64	31.29	18.29	85.89	18.29
Sum	220.23	171.97	35.34	614.66	36.68
Count	13	13	10	13	11
African Benchmark	9.9	5.9	2.7	118.4	3.3
P value	0.026404801	0.010472428	0.327926785	2.2666E-07	0.491893801

4.2.8 Outreach

Despite having almost the same gross loan portfolio as the mean benchmark for other Africa MFIs, the MFIs in Cameroon have failed to serve the needy population of Cameroon. With significant differences and lesser means for the number of active borrowers, the percentage of women borrows and number of depositors, it indicates the MFIs in Cameroon have to do more with regards to serving and reaching out to the Cameroonian target population.

H8 rejected.

Table 17: Outreach mean analysis

	#AB	*%WB*	*#DP*	*GLP*
Mean	28969	28.05	87456	30749765.88
Standard Error	5384.271763	4.923608745	23571.56445	9167602.733
Median	29638	26.555	69887	17291429.5
Standard Deviation	20853.19487	18.42245703	91292.27654	36670410.93
Sample Variance	434855736.3	339.3869231	8334279756	1.34472E+15
Kurtosis	-0.980864432	0.315707503	-0.55504085	1.910452947
Skewness	0.137856933	0.568468849	0.889664939	1.624390482
Range	65079	62.12	249161	124486075
Minimum	1074	0.51	3468	696117
Maximum	66153	62.63	252629	125182192
Sum	434535	392.7	1311842	491996254
Count	15	14	15	16
African Benchmark	42882	60.1	137032	29599618
P value	0.010820074	9.8713E-06	0.027005859	0.450913556

Chapter 5

CONCLUSION AND POLICY IMPLICATIONS

At an in depth look at MFIs in Cameroon through the selected renounce MFIs in our case study clearly gives a complete picture of the entire situation of these organizations in Cameroon. Taking into consideration these micro institutions in Cameroon do not depend on external sponsors and international financial support, they must be financially viable to impact on meeting their goal of reducing poverty and reaching out to the poorest of the poor within Cameroon.

From the financial and sustainability point of view, the Cameroon MFIs are doing well in terms of Debt to Equity, Return on Equity and operating self sufficiency. These indicators were not significantly different from those of the benchmark for the continent and shows these institutions in Cameroon though being more risky are able to sustain themselves on their operations. These organizations in Cameroon are not doing well with regards to the return on their assets and can also be noticed they depend solely on the deposits made by their clients for financing.

From the revenue and expense angle, the Cameroon MFIs are not making enough profits as seen with the profit margin. Their financial revenues are still low when compared to the Africa benchmark. They are really struggling and working within a thin line of inflow. As a result, they also try to reduce their expenses to a significant level. We can notice their expenses are lesser than those of the benchmark which is good.

A closer look at the efficiency and productivity levels of the MFIs in Cameroon from the selected sample, since they offer a smaller package of products because of their limited capital structure, they have a small operating expense to the total loan portfolio and the cost per borrower is significantly lesser as compared to the benchmark. We also notice they are not fully optimizing the human capital resources at their disposal as they have a smaller number of clients per staff as well as depositors. This may be due to the fact that not many Cameroonians are using the services of these institutions. A closer look at the outreach aspect can tell us; these institutions are limited in terms of outreach. They have got very limited branches in the rural communities and are heavily centralized in the urban centers. They are targeting the small and medium size businesses in the urban centers and with very limited focus in the rural areas where they should be serving. Can we say they are not working in line with their objectives? In Cameroon, just the rich people can operate small business, so we can conclude these institutions are striving just for profitability which is far from archive.

It is clear and outright that MFIs in Cameroon do not manage their risk well. Hence, they operate under very high risk. The portfolio at risk > 30 and 90 days is very high as compared to the benchmark. They are very open to default risk. The risk coverage ratio is also very low. Since they charge higher interest rates which are also monthly, they might be a little flexible with the repayment schedule for loans. But this should not be an excuse for opening up to risk. That is why most MFIs in Cameroon close-up after operating under a duration of 5 years and recently looking at the case of COFINEST one of the most renounced microfinance in Cameroon shutting down due to this aspect (www.lionnes.com).

Outreach, which is the most important objective and goal of every MFI, to reach out to the poorest of the poor, poverty reduction and increase economic growth and living standards, was the worst for the Cameroon MFI. As mentioned earlier, these institutions in Cameroon are not meeting these objectives, first, with their concentration in the urban areas and sparsely located in the rural community. This is confirmed with the number of active depositors lower than can be expected as compared to the benchmark for the continent. Secondly, as they focus mostly on serving already established businesses and the rich clients for profitability not concentrating on startup businesses and rural clients can be seen with the number of active borrowers being just 28,969 from a population of 18 million people of which half of the population is still below the poverty line given the same gross loan portfolio as other institutions in the continent. Lastly, just very few women benefit from the services of these institutions. Just 28% of women use the services as compared to the 60% benchmark for the country, with forming the backbone of every family in the country. This can be translated to lower social benefits, very little contribution to economic growth for the nation and lastly no attempt to reduce poverty. We can hence conclude these organizations in Cameroon are meeting their objectives.

5.1 Recommendation

From the findings, we have to acknowledge the fact that this is still a fresh development within the country and with lack of donors and sponsors; these institutions are caught in a tradeoff; to reach out to the target population (poorest of the poor) or the make profits and be sustainable. From a marketing point of view, greater market share is often translated into increase profitability (Hasin *et al*, 2001; Jacoby & Chesnut, (1978). With well implemented strategies to minimize operation cost, reaching out for a larger market share should be their main target now. The needy population who could ever be loyal to the services of these institutions is in the rural communities. More women should be targeted and served. The government should increase the subsidies and support to these communities they are working towards their objectives.

Lastly, foreign sponsors and donors should come in and help these marginal institutions work towards better services to the Cameroonian population.

5.2 Limitations

This study has selected 6 MFIs with data in the Mix Market database. Future studies should include more institutions. This should present a better picture if the sample size in larger. Secondly, data for just 3 years was analyzed for each institution. Further studies should include many more years of data for each institution.

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