


Fall 2017

Formalizing Through Finances: A Case Study with UNICS

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Formalizing Through Finances:

A Case Study with UNICS

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Fall 2017

ISP Key Words: Microfinance

The George Washington University

International Affairs

Abstract

This paper seeks to analyze the microfinance industry in Yaoundé, Cameroon through the lens of the microfinance institution UNICS. The main question guiding this study deals with whether or not the UNICS is encouraging a shift to the formal sector through their work with business people. Other questions relating to repayment rates and subsequently economic development also remain pertinent to the information found. In total, it is found that UNICS seeks to encourage formal sector growth through their work with businesspeople in the informal. Repayment rates however do not determine success of any aspect of a customer's business or encouragement from institutions. Overall, while microfinance does contribute to socioeconomic growth, it is found that microfinance has deviated from its original goal of helping the poor and with the poor being left behind, it is to sustain real economic development.

Résumé

Cet article cherche à analyser l'industrie de la microfinance à Yaoundé, au Cameroun, sous l'angle de l'institution de microfinance UNICS. La principale question qui guide cette étude est de savoir si l'UNICS encourage ou non le passage au secteur formel à travers son travail avec les gens d'affaires. D'autres questions relatives aux taux de remboursement et par la suite au développement économique restent également pertinentes pour les informations trouvées. Au total, on constate que l'UNICS cherche à encourager la croissance du secteur formel à travers leur travail avec les hommes d'affaires dans l'informel. Toutefois, les taux de remboursement ne déterminent pas le succès de l'entreprise d'un client ou les encouragements des institutions. Dans l'ensemble, alors que la microfinance contribue à la croissance socioéconomique, on constate que la microfinance a dévié de son objectif initial d'aider les pauvres et que les pauvres étant laissés pour compte, il est difficile de soutenir un véritable développement économique.

Acknowledgements

SIT staff, I can't thank you all enough for the help and guidance throughout this whole experience. All the advice and being so available was most necessary. We all would have been lost in this beautiful country without you.

Delphine, Thank you for all the guidance and being so open to taking me in and helping with anything I needed, all while planning your wedding!

My Yaoundé family, A million thanks to my family that made their home feel like my own. My brothers never failed to bring a smile to my face, even after the hardest days. I truly appreciate everything you have done for me during my time in Cameroon and making every moment so special and hard to say goodbye to.

UNICS staff, I want to thank everyone at UNICS for welcoming me so openly. Everyone was always available for my questions, whether they be about microfinance or taxis.

My family, Thank you for all the support from afar. Through this semester I really needed all the encouraging emojis my mom never fails to send and knowing I can call you for whatever whenever.

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Introduction

In you find yourself in Yaoundé for even a day, it is impossible to ignore the business constantly booming around you. Tables at restaurants always have someone in a chair having a drink, even at seven in the morning. Men and women are on the street everyday selling everything from beans and beignets, to soccer jerseys, to nail polish. These different businesses, ranging from a micro to medium size are easy to see and elude to the growth of the economic and financial sectors in Cameroon. For someone from a more developed country, like myself, microfinance is an interesting concept as it is specifically for developing regions in the fight to alleviate extreme poverty. In learning about different aspects of the developing Cameroonian economy, economic empowerment, and seeing the very apparent informal sector working every day, I found myself interested in this institution of microfinance.

It is well known in the international development community of the high rates of economic growth in Africa. Actually seeing the reality of the working economy of a Sub-Saharan African country, it is interesting to see where this growth is encouraged. Economic growth goes hand in hand with growth of financial institutions and accumulation of wealth of individuals in a country. One tool used internationally to calculate development of country is the Gross National Income (GNI). This can reflect economic and financial growth of a country by calculating average income. In order for there to be development, even the poorest in a country must be able to increase their income generation in order to show a higher GNI.

Microfinance as an institution works to alleviate poverty. The hope is that by making financial services accessible to the poorest of developing countries, we can work to help them increase income generation and work to create savings for investment. By working with the poor to bring them out of poverty, developing countries can develop economically.

In my preliminary research I ran into some interesting statistics and contrasting ideas and realities about microfinance and decided to set out to do further research of my own to uncover the truth about microfinance. By working with the microfinance institution (MFI) UNICS Plc, located in downtown Yaoundé, I set out to take a look at microfinance from inside the industry and meet with customers to see who this industry touches and how and why it works or does not. I had three questions which I wanted to answer in my four week time with UNICS.

First and most importantly, I wanted to explore whether microfinance institutions, with UNICS as my case study, cause a shift towards creating a larger formal sector or not. From information on high repayment rates, increased utilization of the institutions, and requirements to obtain credit, I hypothesized that the growth of microfinance correlates with a growth of the formal sector. However, with the large informal sectoring existing in Cameroon, I was not sure this was necessarily true or possible.

The next question I wanted to investigate was tied to the first in a way. I wanted to see if the successful loan repayment rate of MFIs meant a successful microenterprise. Microfinances have recorded high loan repayment rates which led me to think that the use of microcredit must lead microenterprises to be successful because they can pay back their loan with interest almost 100 percent of the time. This must mean they have an increase in their income generation, meaning microfinance is successful in aiding small businesses to grow.

My last area of exploration was to tie up everything learned from previous questions and answer whether MFIs like UNICS causes a shift towards the formal sector and how that affects development in Cameroon. A larger formal sector would mean less informal businesses and more people with a concrete shop and license, paying taxes to the government while growing their business, maybe hiring new employees. All these subsequent effects from shifting to the formal

sector I think would be positive contributors towards economic and social development in Cameroon. This question though is partly contingent on my other questions but if my previous hypotheses are correct, I can get a sufficient answer from this question as well.

Methodology

To conduct my research and answer the above stated questions, I worked at the MFI UNICS Plc, located in Yaoundé, Cameroon. It is important to note that all my information is based off of my time there and information I gathered while there. My conclusions will be merely a case study of this specific institution and I cannot draw conclusions much further from there. In the short time of four weeks, I conducted research on a very specific client base, only having access to a small pool of people in which to collect information from. This study also focuses specifically on how UNICS works with businesspeople, further narrowing the scope.

I worked at UNICS Monday through Friday from 7:30 AM to 5:00 PM for a period of four weeks. I worked in different departments during my time there but was able to observe and take part in the work place environment. I observed mostly my supervisor and her colleagues in the credit department, which helped in a better understanding of the everyday workings of inside a microfinance. Being in the office was an important part of the research process. I was exposed the work surrounding microfinance and microfinance for four whole weeks. Hearing the language surrounding microcredit, getting familiar with the products being discussed, and seeing customers in the office everyday was all a part of my learning process in familiarizing myself with this topic.

I conducted interviews with staff members I met during my time there, in part set up by my supervisor. I had other interviews with customers also set up by my supervisor for me. I interviewed customers from the formal and informal sector who had taken a business loan. I used

a very standard interview with customers with slight variations depending on whether they were in the formal or informal sector.¹ I found I typically got positive but short responses from the customers. The customers understood that I worked with UNICS, thus I think I possibly missed out on some sentiments from them because they did not want to open up all their feelings to me in this context. They would fear to say something negative as in this context, they might think it could hurt their relationship with the institution.

I felt interviews were better than surveys seeing as I had a very specific sample population, being customers of the business loan through UNICS in Yaoundé. They were more personal and while the customers sometimes were a little closed, it helped in establishing a rapport with them while asking about personal financial information. I would explain a little about myself and my research while also trying to get to know them a little before asking my questions. I maintained an ethical standpoint to my research by keeping all customers anonymous and thanking them for their information while fully explaining their contribution to my work. All my interviewees were more than happy to spend time with me sharing their experience and in turn asking me about my experience in Cameroon thus far.

In examining interviews from customers, of which I had only four, I looked for patterns and differences within their experience. I interviewed all customers of UNICS which have taken a loan for business purposes, two of which were in the formal sector and two in the informal sector. With a small sample size, it was important to have customers of different backgrounds to ensure multiple perspectives. Some of my customers had been long time UNICS customers, others newer

¹ See Appendix 1: Customer Interview Format

to the institution, from different areas of business, some selling food, some selling general merchandise, and of different neighborhoods within Yaoundé.

For interviews with customers and colleagues, I had to fit in to their work schedule. I would interview businesspeople after they had finished selling for the day or if they were still selling, I had to pause the interview while they handled a customer. I also could only interview my co-workers when they had time in their schedule, and even once had to pause an interview and resume the next day when someone had an urgent call for a customer they had to attend to. I also met with outside economic sources, for which I had to set up appointments and work with both of our schedules to find a time that would work. None of my interviews with co-workers or economics experts were standardized. I came in with questions I needed answered but would also adjust my questions and add new ones as information came up. I felt all of these interviews were crucial to adding to my range of knowledge on UNICS and microfinance.²

In conducting research, whether it be through literature review or interviews, I found it important to overcome biases and not to interpret only what I wanted to see. I came into this research having hypotheses, expecting to find a certain thing. Whether it be my Western bias or what have it, I sometimes found in reading or talking with different sources I was not finding what I expected but I had to remember to realize all aspects of microfinance and how theories might be different than realities and to not let my own presumptions and biases tint my findings.

Background Information

In this section, crucial background information regarding general information on microfinance, UNICS, and my internship at UNICS will be discussed. All information in the next

² See Appendix 2: Important Contact Information

section is important to a full understanding of microfinance specifically in the context of Cameroon and at the MFI UNICS. It will help with later understanding more specific information on the stated research topic.

About Microfinance

“Credit is a human right that should be treated as a human right. If credit can be accepted as a human right, then all other human rights will be easier to establish.” –Muhammad Yunus³

Some of the world’s highest economic growth rates have been seen in Sub-Saharan Africa just within the last decade. 30 countries in Africa, 27 of them being in the Sub-Sahara, noted growth rates of 4% and above.⁴ Despite these impressive rates of economic growth, the continent as whole has made the least amount of progress among developing regions towards reducing extreme poverty, which is defined as earning less than \$1.25 per day.

The continent of Africa has more micro-entrepreneurs per capita than any other place on earth. The expansion of microfinance goes hand in hand with growing the number of micro-enterprises and micro-entrepreneurs. However, little evidence exists to suggest that these micro-enterprises have resulted in significant growth or are working to alleviate poverty.⁵

For some years now, microfinance has been a frontrunner in developing countries for a solution to alleviate poverty. It holds great promise for the extreme poor in developing regions. Microfinance has the “potential to do in finance what the green revolution has done for

³ Mader, Philip, “Financialisation through Microfinance: Civil Society and Market-building in India,” *Asian Studies Review* 38, no. 4 (2014): 601.

⁴ Wapakala, Arthur Muliro, “Revisiting Microfinance in Africa,” *Development*. 59, no. 1-2 (June 2016): 143.

⁵ Nega, Berhanu and Schneider, Geoffrey, “Social Entrepreneurship, Microfinance, and Economic Development in Africa,” *Journal of Economic Issues* 48, no. 2 (June 2014): 370.

agriculture—provide access on a massive scale to the poor.”⁶ Microfinance includes the supply of loans, savings, and other basic financial services to the poor.⁷ It includes everything a regular sized financial institution would provide but just on a smaller scale with smaller amounts of money. The thought is that by providing access to capital through savings or credit, to poor businesspeople, then they will be able to grow their business and increase income.⁸

The United Nations declared 2005 the Year of Microcredit.⁹ The microfinance industry grew more than 1300% in the years 2002 to 2012. They gained 17 million new members and active credit borrowers increased from three million to seven million.¹⁰ It truly is an industry that is gaining many followers and picking up speed in becoming a widespread development phenomenon.

It began internationally in the 1980’s, practiced by NGO’s as a niche activity as an element of development policy after the Third World debt crisis and has grown to a global industry today.¹¹ Microfinance was actually started in Cameroon in 1963, in the form of credit unions first in the North-West region by a Dutch, Roman Catholic priest, Father Alfred Jansen. Credit unions, like this first one, quickly spread all over the North-West and South-West of Cameroon.¹² These were savings and loan cooperatives, mostly located in rural areas.

⁶ Buckey, Graeme, “Microfinance in Africa: Is it Either the Problem or the Solution?” *World Development* 25, no. 7 (1997): 1081.

⁷ Lard, Holly and Barres, Isabelle, “Maximizing Microfinance,” *Georgetown Journal of International Affairs* 8, no. 2 (2007): 55.

⁸ *Ibid*, 56.

⁹ Mader, “Financialisation through Microfinance,” 602.

¹⁰ Wapakala, “Revisiting Microfinance in Africa,” 143.

¹¹ Mader, “Financialisation through Microfinance,” 602.

¹² Shu, Cletus Ambe, and Oney, Bilge, “Outreach and Performance analysis of Microfinance Institutions in Cameroon,” *Economic Research-Ekonomska Istrazivanja*, no. 1 (March 2014): 108.

This practice gained the name microfinance officially in Cameroon after the economic crisis in the 1980s. Many banks were forced to close. Many people who worked at commercial banks were forced to leave their jobs when the banks closed but continued practicing finance in a different form, that being microfinance. The economic crisis in the 1980s created a gap of people who could not afford commercial banks any longer and people who knew how to practice finance.¹³ This led to branding the loan and savings cooperative sector “microfinance” and moved the practice into cities¹⁴.

Currently, about 500 MFIs are licensed with the monetary authority in Cameroon. With branches, it brings the total number of institutions to around 1,000 or even closer to 2,000¹⁵. Most are located in urban areas, offering basic financial services to those populations. However, there do exist many MFIs and branches located in rural areas, reaching the poorer citizens.

While a simple and pure thought of alleviating poverty through finance, microfinance does not always work as a perfect process to bring the poor out of poverty, one loan at a time. There is the assumption that by reaching the extreme poor, microfinance instantly launches a sustainable economic and social development path, but while providing a way out of poverty microfinance does not address the structural issues surrounding poverty.¹⁶

One key idea behind microfinance involves the purpose for credit. Loans are intended to be used to invest, not to be used for consumption.¹⁷ This investment will in hope lead towards a larger generation of income, boosting capital. For this reason, all loan requests must be

¹³ Interview with Dr. Djoum Serge, lecturer at University Yaoundé II, November 17, 2017.

¹⁴ Interview with Dr. Bomda, Executive Secretary of ADAF, November 29, 2017.

¹⁵ Ibid.

¹⁶ Wapakala, “Revisiting Microfinance in Africa,” 143.

¹⁷ Lee, Joung-Hun et al. “Agent-Based Mapping of Credit Risk for Sustainable Microfinance,” *PLoS ONE*. May 6, 2015: 2.

accompanied by a business plan of investment. UNICS has their own requirements for proof of business when applying loans, which will be discussed in a later section.

Microfinance often works with small business people and microenterprises. About 70 percent of loans taken from MFIs are to finance small business activities. Today, the total asset of microfinance is around 700 billion XAF¹⁸. This shows first how much microfinance has grown over the years and has made a big impact on the financial services sector. This number also shows how many people they touch and how it has created a generation of wealth. Working with small business means dealing in small amounts of money but most of that 700 billion has come from small businesspeople working with these financial services from MFIs to accumulate capital.

No evidence exists of microfinance actually alleviating poverty. Microfinance can be a successful industry but not necessarily in the role of poverty alleviation. More recently in the field of microfinance, the shift has changed from poverty alleviation to a focus on sustainable and market based financial services.¹⁹ Working with poor is a challenging task and creates a problem of sustainability. It is very costly to work with the extreme poor and thus, MFIs have found it easier, more profitable, and sustainable to work with middle and higher income people. In a 2006 study by Professor Serge Djoum, lecturer at University Yaoundé II, he noted, “I did a study on the microfinance sector in Cameroon to see who are the people targeted by the microfinance activities. 14.8 percent were from the lower class, the poor and poorest. 51 percent middle class and 35 percent from the higher, the richest of society.”²⁰ This causes a problem and working with those of a higher income and leaving the poor behind, missing the initial goal of microfinance.

¹⁸ Interview with Dr. Bomda.

¹⁹ Shu, “Outreach and Performance analysis of Microfinance Institutions in Cameroon,” 109.

²⁰ Interview with Dr. Djoum.

Microfinance has drifted from its main goal for obvious reasons. While they are supposed to work with the poor, this is costly. The extreme poor are in remote, rural areas, making it difficult and expensive to reach them in the first place.²¹ Also, the poor do not have money to invest. They will take money that is offered to them by institutions but it is hard for them to pay it back, as they have little, if any savings and small income generation, if any.

This creates a problem of sustainability within the microfinance field. How are they to sustain themselves if by working with the poor, they have high costs with little profit. Self-financing is difficult and forces them to choose customers who will be able to help boost their profits to sustain the business. MFIs cannot operate while working with the poor without grants or donations from international organizations. They could also operate better with aid from the government, possibly in the form of tax breaks, in order to better be able to reach the poor and still sustain their business.²² MFIs need to be subsidized in order to survive while helping to alleviate extreme poverty.

About UNICS

The Unity Cooperative Society (UNICS) began in the year 2000 in Bamenda, Cameroon. Currently, they operate a total of 14 branches, in both semi-rural and urban areas, with the headquarters in Yaoundé. With about 30,000 customers, they have a variety of affordable savings and credit options for Cameroonians. Of their 30,000 customers, about 80 percent of those are credit customers, as this is UNICS main business. It should be noted, in accordance with the above discussion of how MFIs have begun working with more middle and upper class, the typical UNICS customer is someone from the middle class in a location close to a UNICS branch, no more than

²¹ Ibid.

²² Ibid.

10 km away. UNICS is known as one of the leading MFIs in the country of Cameroon, meeting up with the needs of the population, offering a diverse array of loan products and policies, and using recent technology.²³

As mentioned, they have 14 branches. Knowing that the poor are located in rural areas and this is expensive, UNICS locations are more in urban areas with just a few in semi-rural areas. They focus their institutions to where there is either a city or an industry. In Bafut for example, where they have a branch that is a semi-rural area or what could even be considered a rural area, rice production makes up most of the economy. While it is more rural than Yaoundé, there is a main industry of production stimulating the local economy, creating a need for financial services.

In terms of technology, UNICS is very modern, having a full functioning website explaining many of their products and locations. With UNICS, customers can pay bills online. And they also communicate alerts to customers and advertise to new customers through SMS. Their website is in French and in English, as are all of their advertisements and forms. I personally noticed that all UNICS employees speak in English and in French in order to be able to work with Anglophone and Francophone customers.

In early 2017, UNICS became a category two microfinance, which means they can give loans to non-members but mostly makes the institution look more stable and credible to customers.²⁴ Many microfinance institutions come up and then shortly after shut down, thus stable liquidity is important in the financial business. Being a category two MFI makes UNICS closer to

²³ Interview with Ngwa-Nde, ARO at UNICS Head Office, November...

²⁴ Interview with Delphine, Head of Credit and Risk Assessment at UNICS Head Office, November 6, 2017.

meeting the regulations to become a commercial bank. From the business standpoint, becoming a bank is a goal of UNICS.²⁵

According to their website, UNICS “seeks to harness the power of its human capital in its mission to build a world class financial institution and contribute to the development of Cameroon.” Stating their mission as building their own business while simultaneously working to develop Cameroon. This captures modern microfinance by wishing to grow their business and turn a profit in order to sustain and expand themselves while still achieving development goals like reaching the poor.

Their website also explains how they use certain policies engrained in their brand, such as the Know Your Customer (KYC) Procedures. The KYC policy requires that new customers present three proofs of identity, a photograph, proof of identity, and proof of address, in order to be able to positively identify customers in order to know customers better as well as being able to employ more safeguards to customer’s money.

UNICS has a variety of savings and credit products adapted to fit the needs of their different customers.²⁶ They have adapted very well to meet needs of their clients and design products specifically for the customer needs. Many products are specifically for businesspeople and meet needs of different business sizes. For example, the Current Account is like a regular bank account, suited for business purposes. People can use this account to store money, withdrawal money, and also issue checks. This account is good for operating conveniently with a third party.

²⁵ Interview with Ngwa-Nde.

²⁶ See Appendix 3: UNICS Account Structure

A Dayness Account is similar to a Current Account in that is well suited for businesspeople but more specifically for those with a small business. Marketing brands this account as one for those who do not have the potential to operate a normal business account. The fees are different than those with the Current Account and more adapted to fit a small business, as are the amounts you can be granted for a loan. With the Dayness, daily collector from UNICS can come to the small business every day to collect savings to contribute to their account. The Dayness Account was designed with informal business people in mind because for this account, the customer does not need a formal business license.

They also offer an Ordinary Savings Account. This account a customer opens with their money and accumulates interest. This money can be withdrawn at any time. Savings accounts are important in an MFI because they are used to build relationships with customers and add capital to the business. MFIs are a form of financial institution and they are in the business of selling money, or giving credit. To do so, they must have money which is gained first through customers investing in UNICS and then through interest on credit.

With the Futuris account, similar to the Dayness, people save money every day but this money is blocked for six months or a year and cannot be touched by the customer for that time. UNICS has been able to adapt to the environment very well with these two accounts specifically because with businesspeople saving money every day, they often do not have time to come to a bank to deposit money every day. Thus, UNICS has daily collectors that they send to collect money from their customers every day. The collectors visit the customers at a point in the day where they would have sold something and thus have money to save, take the money the customers want to deposit for the day, and when the money is deposited back at the office later that day, the customers receive a text notification of the successful deposit.

As far as credit products, UNICS offers loans and overdraft options. They have normal loans, business loans, Dayness loans, and school fee loans. The loans that concerned my research the most were the business loan and Dayness loan. Their business loan finances economic activities in all economic sectors, as long as they generate income, have been in business for at least 2 years, and have a business account with UNICS. They specifically target small and medium sized businesses and only do not finance illegal activities. The business loan can have a term of anywhere from 1 to 24 months and has a monthly interest rate of 2.5% per month.

The Dayness loan is specifically for individuals who have low income generating activities and wish to boost their activity. These are small loan amounts for activities that, while having a low economic turnover, should be able to save daily. Again, only illegal activities are not financed. The maximum amount given is 500,000 CFA. These loans only go for a 1 to 6 month period with a 3% flat interest rate per month. The activity must be practiced for at least two years prior and the customer must have a Dayness account with UNICS.

The normal loan has an interest rate of two percent per month, which equals 24 percent per year. In 2010, the global average interest rate for microloans was 26 percent.²⁷ 24 percent is the median interest rate for microloans in Sub-Saharan Africa,²⁸ making UNICS relatively average in terms of interest rates across the region. These high interest rates present a challenges to microfinance customers. In fact one customer I interviewed commented on this, saying the interest rates are too high which makes it hard to keep a profit after you have paid back the money.²⁹

²⁷ Mader, "Financialisation through Microfinance," 608.

²⁸ Nega, "Social Entrepreneurship, Microfinance, and Economic Development in Africa," 372.

²⁹ Interview with Customer C, November 9, 2017.

UNICS employs a variety of tactics to reach new customers. Often, UNICS will request an audience with employees of a company close to their office and advertise their products to salary earners there. To advertise to potential customers they use flyers, television advertisements, and even advertisements through SMS³⁰.

My supervisor, Delphine, works in the credit department at the head office as the Head of Credit Risk Assessment. All credit request first go through the account relations officer (ARO) at each branch and then are sent to the main office, where Delphine and the rest of the credit staff reviews them.³¹ If a loan for 200,000 XAF or less is requested, the branch can sign off on it and it does not need to go to Delphine. She makes sure the files have all the required elements, such as the photocopy of the business license, a picture of the promoter, the localization plan of business and/or residence, and a written application. Each credit application requires slightly different things and if anything is missing, the head office will contact the branch or the client to get the information.

Every request is reviewed by everyone in the credit department at the head office. Every week, there is a meeting involving everyone in the credit department where they discuss the strengths, weaknesses, and risks of each file, concluding with joint decisions on distribution of credit to customers. This mean that each loan request will take about a week to process, if they submit all their materials with all the required documents.

At the branch level, the ARO meets with customers and looks over applications for credit, often going to the field to verify information given by customers. One customer explained, “When they want to give me a loan, I used to sign documents. When I sign documents, I give what they

³⁰ Ibid.

³¹ Interview with Delphine.

demand. Documents of the house, the shop. They come and verify the shop and evaluate the shop before giving me anything.”³²

My Internship

During my four week time period at UNICS, I stayed mainly in the credit department at the head office with my supervisor³³. She showed me files and answered any questions I had. As previously mentioned, I worked Monday through Friday from 7:30 AM to 5:00 PM for my four weeks. I sometimes went on daily collections to interact with customer and help collect their savings for the day for the Dayness or Futuris accounts. I went with one UNICS employee who collected mostly from the Marche Central area. The UNICS customers would be in the market at their stalls, selling their products and we would just meet with them, have a short interaction while collecting their money they wished to deposit, and then move on to the next. It was important to go fast because she can see as many as 40 customers in day. Customer can save however much they want each day and some days even might not have money to save for the day. There is no penalty for not saving for the day.

I also went out with the recovery team for a few mornings to inform patrons they had defaulted on their loan and collect the amount they owed. A driver from UNICS would take us to the patron’s location and we would meet with them, if they were around. There were a few times we could not locate customers and very often if we did meet with them, they would not have the money and request that we came back at a later time.

³² Interview with Customer A, November 7, 2017.

³³ See Appendix 4: UNICS Organizational Structure

I had the freedom to work around the office and ask questions as I needed. I worked in different departments, as I requested, which helped my understanding of microfinance and UNICS as a whole. I worked in the credit department, legal and recovery, and the marketing and business development. Business Development works very hard to design products to suit their customers while prospecting new customers, seeing market trends, and producing advertisements. Legal and Recovery handle all things involving laws and delinquent loan.

Formal Sector encouragement

In this section, the following subsections will delve into the more in depth information regarding the specific research topic stated from the beginning as formal sector encouragement through microfinance organizations, with specific information regarding how UNICS does this. With sufficient background information covered, in previous sections we can proceed to more specific information.

Credit Risk

To apply for a business loan at UNICS there are quite a few requirements.³⁴ First, you must have an account with UNICS for a minimum of three months before requesting credit. They call this the 90 day rule. There are some exceptions in cases of those with contracts from the government or private companies. You must have a business license as well as a shop. The AROs always go out to the field to verify the shop and sometimes the residence of the applicant. Field visits are also used to verify that the loan is being used appropriately for the stated purpose. Audrey, ARO of the Yaoundé Marche Central branch, said, “We always go to the field with them to buy it or to purchase it. If maybe the purchase is done out of the Cameroon, I should make sure

³⁴ See Appendix 5: Checklist for Business Loan

that after one or two weeks I should see the receipt. Their buying receipt. Their purchase receipt. Or I will go to your shop to make sure that maybe the stock has increased or something has changed in your shop.”³⁵ On occasion, representatives from the head office will go out to the field to also verify a client’s documents.

All these extra steps of field visits for verification may seem cumbersome but are crucial in the microfinance business where managing risk for borrowers of credit is so important. I heard from many different sources in and out of my UNICS office that there is a problem of address and location in Cameroon. People are here on day and gone the next, often lacking documentation of residence, business, etc. This makes it hard for MFIs and even commercial banks to collect information on customers and thus it is difficult to determine credit worthiness of many patrons.³⁶ With the low rates of commercial bank accounts and accounts with MFIs among Cameroonians, many people do not have recorded credit history, presenting another aspect of the challenge of determining credit worthiness to institutions.³⁷ While this is challenging, this is just the nature of how an MFI must operate given the network of people they serve.

One customer I spoke with who had recently been approved for his first loan commented on these many requirements for a loan saying that, “You know it’s a microfinance. It is there to help the businesspeople down there because I think those up there are dealing with the international banks and all the like. But microfinance is for the masses. So, what I will tell you is that they should try and relax the conditions of their loan.”³⁸ It is true that these many conditions for loans

³⁵ Interview with Audrey, ARO at UNICS Yaoundé Marche Central Branch, November 9, 2017.

³⁶ Akinboade, Oludele Akinloye and Kinack, Emilie Chanceline. “Financial Sector Development Indicators and Economic Growth in Cameroon and South Africa,” *Social Indicators Research* 115, no. 2 (January 2014): 819.

³⁷ Lee, Joung-Hun et al. “Agent-Based Mapping of Credit Risk for Sustainable Microfinance,” *PLoS ONE*. May 6, 2015: 1.

³⁸ Interview with Customer D, November 23, 2017.

makes it difficult for people without proper documentation to have access to credit. He continued by saying, “Because there are so many people in need, they need loans but due to the process, the conditions, it scares away so many people.”³⁹ It is the business of microfinance to work with those of lower income and many times those people lack documentation, contributing to the risk MFIs must take when giving credit. Thus, while it makes sense in terms of assessing credit risk that MFIs requires so much documentation, it often keeps out or scares away the clients which they are supposed to be serving.

It has already been established that interest rates from MFIs are high. Interest rates are high because this represents the risk institutions have to take on lending to people. The risk is high and so is the interest. Even though rates are high people continue to lend money. This shows the need for money to invest. No matter the interest rates, people will take the money because they need it.⁴⁰ Simultaneously, this shows the operations of the MFI business. For MFIs to operate sustainably, they must balance pricing of loans with self-financing through profits from interest, which all rests on successful control of credit risk.⁴¹ This is again the problem of sustainability, which is why MFIs have tended to go towards a client base of higher income, because they pose a lower credit risk.

Even the customer I interviewed who complained of high interest rates said that he paid back his loan in full, early, with no defaults because he did not want any problems with money.⁴² He commented that it was hard to profit because of the high interest rates, yet he still took the money, paid it back, and then went through the process again because he had taken multiple loans

³⁹ Ibid.

⁴⁰ Interview with Dr. Djoum

⁴¹ Lee, Joung-Hun et al. “Agent-Based Mapping of Credit Risk for Sustainable Microfinance,” *PLoS ONE*. May 6, 2015: 1.

⁴² Interview with Customer C.

from UNICS previously. This is an example of how people need the money and will take it no matter the cost.

His comment on paying back the money early as to have no problems was interesting. In speaking with Professor Djoum, he explained that even if people do not profit from the investment from the loan people will pay back money because the alternative is worse. No one wants to have problems with a bank and no one want to have to give up the collateral they offered to the banks as an alternative, last resort payment.

Repayment rates

One aspect of microfinance that is championed as a sign of success in the industry is the high repayment rates. Repayment rates are the amount of money paid back in total to an institution. It is not calculated by how many people pay back, but the percentage of money paid back. High rates of repayment for loans could be a sign of successful income generation but this cannot be assumed. High loan repayment rates only prove borrowers are willing and able to repay, they indicate nothing in terms of success in the enterprise. Thus we cannot assume that microcredit improves microenterprise performance.⁴³ Low loan repayment rates might not mean what they seem also. Often MFIs give loans to businesses supplying products to the government because they are sure the government will pay. But with the nature of the government in Cameroon, things move slowly and often money can be mismanaged, leading to long waiting times for being paid for government contracts, lowering repayment rates.

Audrey, ARO of the UNICS Yaoundé Marche Central branch, gave some statistics on their repayment rates. For salary loans, the repayment rate is almost 100 percent. But for business loans,

⁴³ Buckey, "Microfinance in Africa: Is it Either the Problem or the Solution?" 1019.

the rates vary depending on what the loan was taken for. For purchase order loans, the repayment rate is 90-95 percent.⁴⁴ When people do not repay for a purchase order it is typically because the company that gave the purchase order does not have enough money to pay. For stock increase, the repayment is around 70 percent. Stock increase involves many different variables that could cause a customer to not repay, for example buying stock that is irrelevant for this time of year.

Another type of loan UNICS offers is called a salary loan. Salary loans are offered to salary earners either in the private sector or public servants who have their salary go through UNICS. They can be used for miscellaneous things and then every month when the salary comes in, UNICS takes a cut to pay back the loan. The repayment rate for salary loans is almost 100 percent with just a few percent being doubtful because of people diverting payments or being let go from their position.⁴⁵ This rate for loans other than business loans could bolster the overall repayment rate, making MFIs look more successful with helping low-income populations but really also working with middle class salary earners who are more able to pay back credit.

Seeing all the variables that could cause a non-repayment, it is easy to see that repayment rates tell you nothing about the customer's business activity. High repayment rates, while seemingly promising, are a falsehood in representation about success from loans. People will pay back money no matter the cost. No one wants trouble with a bank. Customers must give many guarantees of repayment and if they cannot repay they have collateral which the MFI can collect. People might, for example, give their house as a guarantee of collateral. They will pay back that loan no matter what because they will not give up their house.⁴⁶

⁴⁴ Interview with Audrey.

⁴⁵ Ibid.

⁴⁶ Interview with Dr. Djoum.

In business there are many different variables at play. Sometimes there are fires or thieves break in or business just is not panning out like they planned. Often times with people doing contracts for the state, the state might be slow in paying or even refuse to pay if they think the work is not up to their standard. Any of these events could cause a missed payment. One missed payment however does not make a business loan go delinquent, or defaulted on. Depending on the loan, UNICS might be able to reschedule the payments in extenuating circumstances. It takes three months for a loan to be considered delinquent. That is three months of not paying, where UNICS will make calls, write letters, and even visit the client's house. This is the stage that they call amicable recovery⁴⁷. The amicable recovery starts at the level of the branch with the ARO because they have to check up on clients and monitor loan payments.

After three months the loan file is transferred to the recovery department and they start forceful recovery. Forceful recovery could also involve calls and visits to the person's house. They try to understand why the person is not paying and to get the money the institution is owed. Very rarely, they will take clients to court and try to recover the guarantee the customer gave, the collateral. This could be a piece of land or their house. Guarantees are given and gone through a process to assure them after the loan has been approved but before it is disbursed. It very rarely gets to this point and usually happens with people of bad faith. Though it is not uncommon for business loans to be defaulted on, UNICS takes an approach of understanding with customers and will attempt to see why they cannot pay.⁴⁸

And that is where advice from the MFI comes in to encourage successful repayment rates. If a customer wishes to get a loan for a stock increase of books at the end of the year, the

⁴⁷ Interview with Felicite, Head of Legal Services at UNICS, November 28, 2017.

⁴⁸ Ibid.

MFI could advise against this invest, as people buy more books when it is the beginning of the school year. Thus, buying books then would make for a more sound investment. In my interviews with customers, I asked if they received any advice from UNICS upon receiving a loan. One customer explained, “The loan project manager, she told me that it is better for me to put all the money in the business and then the request that I made permits that I will be serious in it.”⁴⁹

Knowing a customer is important for an MFI because then they can give informed financial advice that would not only help the customer, but also their business.⁵⁰ Given that microfinances deal with smaller amounts of money and smaller pools of customers, they have the advantage of being able to meet with their customers more and know more about them in order to provide strong customer service, one aspect of UNICS I found as such a solid point of their business and in accordance with their KYC policy which was previously discussed.

Offering financial education to clients would be a good addition to UNICS. While they offer advice and do get to know their clients well, I did not observe any aspect of the business focusing on financial education to customers. Seeing as many customers are of low-income, that education could be crucial to be able to use these financial services to the full advantage.

Apart from the thorough background check on customers and the legitimacy of their loan requests in addition to giving advice, UNICS does have an incentive to customers to pay back their loan. There are two fees a customer must pay when getting a loan. One fee is a starter fee and taken by UNICS but the other fee, called the retention fee can be given back to the customer. The

⁴⁹ Interview with Customer A.

⁵⁰ Interview with Audrey.

customer can only regain the retention fee if they pay back their loan in full with no defaults. This fee is to encourage repayment with no difficulties.⁵¹

Loan Conditions and Working with the Informal

While typically UNICS requires a business license of a business loan applicant, they do loan money to informal business people on occasion, when the businessperson has enough money in their account to be blocked as collateral for the amount they are borrowing. There is also a limit on the amount an informal business can take of 500,000 XAF. The highest normal loan amount they can give is 50,000,000 XAF. Audrey explained that while they prefer working with formal businesses, this is a challenge given the large informal sector in Cameroon, saying that, “It’s affecting us in the sense that Cameroon, we have more of informal business than formal business. We have a problem so we are trying to adapt our program to that category of people. It does not go. Everything is pitting against us. To have a loan with us, you should have a shop, you should pay you should have all this. But not many Cameroonians can do that, there are very few.”⁵²

In speaking with Dr. Bomda, Executive Secretary at the Appropriate Development for Africa Foundation, he stated that with MFIs dealing with businesspeople, “I think the first thing that microfinance is doing is helping people go from the informal sector to the sector.”⁵³ His organization oversees a network of strictly poverty oriented MFIs called MC2 and they also oversee MUFFA, an all-female MFI with headquarters located in Yaoundé. He went on to explain that while moving people from the informal sector to the formal is not the goal of microfinance but is what is being observed in the field.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Interview with Dr. Bomda.

The goal for formal businesses is to grow their activity and increase income and that goal remains the same for informal businesses. However, for informal businesses, the expectation of growth includes working towards becoming a formal business. Delphine from the head office at UNICS explained, “The goal is to help these people, yes, this informal sector, first of all grow their activity. And then subsequently move them from the informal sector to the formal sector. Because as your activity grows, there is definitely, you will not maybe want to expand a shop when you do not have constituted documents for it. Because at any time the state can steal it. The state can close it down because you don’t have the required documents for them. So that’s mainly, one of the main goals, moving them, growing, improving their activity and helping them grow economically.”⁵⁴

One customer I spoke with about her experience with UNICS runs an informal business selling food around the market. She took a loan and has an account with UNICS, saving money daily. She says that this credit and savings has helped grow her business. When I asked about her future business plans she said, “I was thinking that if I could have a better capital I could do like a service... for like reception, public reception like marriages like when people have occasions.”⁵⁵ Her plans include setting up a formal catering business, showing desire to move to the formal sector even after 25 years of the informal sector. This shows an example of how through financial services, UNICS is causing a growth in business and inspiring a shift from the informal to formal sector.

Another customer I spoke with who works in the informal sector selling pots and other food stuff has been a UNICS customer longer than he has been in business, with his pots business

⁵⁴ Interview with Delphine.

⁵⁵ Interview with Customer B, November 7, 2017.

coming up on 10 years and having an account with UNICS for almost 20 years, making him one of their oldest customers. He has recently been approved for a loan, which he believes will help his business in the end of year period. He wants to keep growing his business saying, “So that’s my goal in future. Have a bigger shop and I will not even regret because all this while I have barely have, the achievement I have had for this past ten years that I’ve been doing business is enormous.”⁵⁶ Surely in moving out of his small market stall, he will need to acquire a business license to set up a bigger shop, showing how through his time with UNICS he has been able to grow his business and is encouraged to set up a more formal business to continue his business success.

Dr. Bomda explained another aspect of formalization. He said, “Because you see people doing small business here and there. When they start with the banking activities, that is the first stage of formalization.” By working with a MFI, people must present certain documents. Even at UNICS, to have an account you must pictures and identification. To get a loan you need much more documentation, of course. He continued later by saying that, “Formalizing business is not only to register and so on. That is one thing. But in the management also, it helps a lot.”⁵⁷ So, in engaging in financial services, informal businesses are forced to begin a process of formalization that starts with simple things like a personal identification and pictures. This formalization at the level of organization and management can eventually inspire a formalization of the business through a license with the government.

It is also important to note that microfinance does provide more than loans for businesspeople. Along with a variety of credit options, savings other services like money transfers

⁵⁶ Interview with Customer D.

⁵⁷ Interview with Dr. Bomda.

are crucial to business activities.⁵⁸ When people make money, they need a place to save in order to accumulate wealth rather than keep and use in other ways. Money transfers are also important because someone might need to send or receive money from a third party for a product or service. These other services also help empower formal and informal business in Cameroon.

Financial Sector Growth

For many people in the informal sector, there can often be little desire to move to formal business sector. Once in the formal sector, you must pay taxes. If you are conducting a successful business without any government interference, what is the need to get a business license? Except to have a more permanent, established business which the police cannot take away. While the informal business sector is so big in Cameroon, it is not allowed.

People lost faith in the banking and financial sectors during the economic crisis in the 1980s. Only about seven percent of Cameroonians have an account with a commercial bank and about 22 percent Cameroonians have an account with a microfinance.⁵⁹ It should be noted, of these totals only about one to two percent of these populations are women. This is reflected at UNICS with a large majority of customers being male. An ARO at UNICS head office explained the gender gap to me, saying that men are more risky and women are more on the side of precaution, thus the trend is just more in favor of men having the need for financial services like loans.⁶⁰

In asking another UNICS staff about if they try to attract more men or women, the response was, “Our main focus is the activity of the customer. What is the customer’s work to repay our money, yes. Is that activity safe? That activity is risky? We are not looking for men or women, it’s

⁵⁸ Ibid.

⁵⁹ Interview with Dr. Djoum.

⁶⁰ Interview with Ngwa-Nde.

the activity.”⁶¹ I feel that one way in which UNICS is lacking, is their outreach programs to get new customers could be more focused specifically on getting female customers. Whether UNICS is trying to alleviate poverty or grow the financial sector, they cannot do so effectively without incorporating women.

As mentioned earlier, the microfinance sector has experienced high growth rates in the last few years and this is reflected in the number of people working with them in comparison to the commercial banking sector. These statistics also reflect how difficult and expensive it can be for many people to have an account in the commercial sector, leaving many people to look for more inexpensive options. At a very slow rate people are regaining confidence in financial institutions, strengthening the financial sector. This also shows a shift from informal forms of financing such as money lenders or borrowing from friends or family. Money lenders are considered significant sources of financing for low income groups.⁶²

This financial development, that is the improvement in financial intermediary services, in terms of quantity, quality, and efficiency, directly contributes to economic growth. These improvements and regained confidence in the financial sector causes an increase in effective resource allocation.⁶³ Financial institutions encourage people to save and then those savings can be focused into more industrious uses. People will have more money for shock evaluation and can improve ability to invest, especially for small and medium size businesses as well as lower-income individuals. Overall, working with financial institutions can contribute to socioeconomic growth and development.

⁶¹ Interview with Audrey.

⁶² Buckey, “Microfinance in Africa: Is it Either the Problem or the Solution?” 1084.

⁶³ Akinboade, “Financial Sector Development Indicators and Economic Growth in Cameroon and South Africa,” 814.

This development can be directly related to formal sector growth. Seeing as, people are slowly regaining confidence in the financial sector and the financial sector encourages personal savings and investment, hence economic growth. Financial institutions are more willing to work with formal sector businesses and thus the development in financial institutions and economic growth could cause a desire in informal sector individuals to formalize their business in order to reap credit and savings benefits MFIs and commercial banks have to offer.

Microfinance gives people of lower income, and others in their customer base, financial services in which they can accumulate capital and invest. It creates pathways to market creation for those of lower income. Beyond building markets in which the poor can operate, microfinance forces a social development in the encouragement of community building between diverse groups through social entrepreneurship, which can then also spur other aspects of development.⁶⁴

Conclusions

Over the years, many critics have attacked MFIs claiming they are not working to alleviate poverty. And as we have established, there is no evidence that microfinance alleviates extreme poverty. With a few exceptions, MFIs must target a different client base than that of the original goal in order to sustain themselves. They must be able to make a profit in order to continue to operate. Working with the poor is very costly and hard to do, forcing microfinance to reach out to more middle and higher income customers, offering the same products as commercial banks at lower rates.

In Cameroon specifically, microfinance emerged to only fill a gap or those left out by the closure of many commercial banks during the economic crisis in the 1980s. MFIs in Cameroon

⁶⁴ Nega, "Social Entrepreneurship, Microfinance, and Economic Development in Africa," 374.

offer basically the same financial services as commercial banks, just catering slightly more to those of lower income. But they never had the development goal of working to alleviate extreme poverty.

UNICS is known in Cameroon as one of the country's leading microfinance institutions. Their business clearly keeps up on recent technology and stays very in touch with customers, meeting the needs of the clients. They integrate the needs of their clients into their products and their everyday operations. Everyone in the business speaks French and English. Their products are well tailored to work with small and medium size enterprises, in the formal and informal sector. They have a variety of products that allow businesspeople to have highly operational bank accounts with daily savings options. As far as credit products, they finance activities in the formal and informal sector, though favoring the formal sector.

As a microfinance, UNICS should work mostly with the poor and poorest. But, their average client is of middle class. UNICS is not working to achieve the goal of alleviating extreme poverty. This is not necessarily negative, though. If we take microfinance out of the lens helping to alleviate poverty then we can see UNICS as accomplishing something else. They are able to offer a variety of savings and credit options to those left out of the commercial banking sector for whatever reason. Their main achievement is growing the financial sector in Cameroon, which we find is very positive in contributing to economic development

Microfinance in Cameroon is doing what the name would suggest. Providing financial services on a smaller scale, making it accessible to lower-income individuals. And if they are not always reaching lower-income individuals, their services are contributing to benefit the economic state of that individual. I found that UNICS is very unique in that they may not be trying to reach the poorest of the poor but they work very well to adapt to their context and in their context there are poor people. Their variety of savings and loans options are catering at the people they serve

and specific to the areas they serve. One of the best examples of the way they adapt is having their daily collectors for their Dayness and Futuris accounts. With small businesses in the formal or informal, often people cannot leave their storefront to run to the bank and save money every day. To solve this, UNICS sends their collectors to their clients every day to collect the money the clients wish to save. This is an example of how UNICS might not be reaching out to the extreme poor but is working to engage their clients and adapt to their needs in order to provide quality financial services that work in this context.

Even the fact that they work with informal businesspeople shows an adaption to their context and an attempt to serve the network of customers. UNICS, like any other MFI, understands the problem of sustainability and thus must work to make a profit, but they do so in a way that does work with the community. Working with informal businesspeople is no easy task. It only makes sense microfinances would want to encourage people to move to the formal sector because then its guarantees their business better. People are more stable in the formal sector and are more likely to be good customers to financial institutions. But UNICS does work with those in the informal and starts by building a relationship with the customer and growing with them.

In sections following, I will discuss my original research questions and the answers I found to each one.

Question one:

My main research question which drove the bulk of my research efforts asked if MFIs were working to create a larger formal sector through their encouragement of formal businesses. As it has been found and confirmed by many sources, microfinances do work to encourage people in the informal sector to move to the formal sector. Their hope is that through the access of financial

services, people in the informal business sector will be able to grow their business and expand enough to be able to get a shop and need a business license.

Working with people in the informal presents a big challenge. They often lack documentation and a permanent place of business. Informal businesspeople may be selling on the street or sometimes even have little stalls in markets, but because they do not have a business license, at any time the state can come and shut down their business and seize their stock.

UNICS works with people in the formal and informal sector to create savings and loans accounts. They only lend to informal people who have an established account with them and have enough money in the account to be blocked as collateral for their loan. In my time speaking with people in the informal, they did show a desire to move to the formal sector due to the success of their businesses, in part by services provided by UNICS.

In encouraging people to move to the formal sector, UNICS also gains. They prefer working with people in the formal sector because they have a more established business and cannot disappear one day as easily as someone in the informal sector. A larger formal sector would mean a larger pool of clients for UNICS to work with.

At the same time, MFIs working with informal businesses helps the business formalize in more ways than just encouraging registering and getting a business license. By getting the documentation to even get a bank account, begins the process of formalizing a person's activity, if only at the level of management and organization. By using financial services, a person can grow their activity while at the same time becoming more trustworthy in the eyes of the MFI. Also important to remember is that while credit is a very important service offered by MFIs and is

mostly used by business people, they also offer other services provided by the institution, crucial in growing business as well, such as savings accounts and money transfer services.

Question two:

My second research question regarding the success of activities being determined by repayment rates was easily answered. No. Repayment rates determine nothing in terms of activities being financed by microloans. Being able to pay back a loan only indicates that the client is able and willing to pay. In fact, it is important to remember that MFIs give loans for purposes other than business. At UNICS, the repayment rates for some of the business loans were the lowest of all their repayment rates. Other rates for other loans can inflate the overall rate and make microcredit look successful. It is not that microcredit is not successful in financing microenterprises but the repayment rates are not a good indicator of this.

MFIs must take so many precautions when administering a loan. UNICS requires much documentation of a loan applicant and they take many guarantees that the money can and will be paid back. If the money cannot be paid, they take collateral. They have certain fees they give back to customers if they repay the loan in full to encourage repayment without difficulties and they also give advice to customers based on their situation.

Even though they take many extra steps to encourage repayment, it really all comes down to the nature of money and collateral in the context of a developing country, in this case Cameroon. No one wants problems with money and no one wants to have to give up their collateral. It is not UNICS goal to take collateral. They offer many solutions when people default on payments and even wait three months on nonpayment before considering a loan delinquent. UNICS will call,

write, and visit people in order to attempt to encourage them pay and understand their situation if they cannot pay. Rescheduling the loan is always a possibility.

The nature of doing business involves many variables. Maybe business just is not going as planned or there was a fire or thieves or what have it. Even businesses which receive contracts from the government, which seems like a very secure guarantee of payment, are often left waiting for sometimes even three years for their money or sometimes the government can even refuse to pay for the work. UNICS takes a standpoint of understanding in these situations and does their best to work with customers. They only go to court and realize collateral in extreme cases, which is not often.

As one customer told me, while his loan from UNICS helped him in his business, it did not grow his business but just kept the status quo. Showing that, while people are in need of financial services and do use MFIs to help run their business, success in generating income is not always determined by MFIs. Furthermore, this success in microenterprises, or failure, cannot be determined by credit repayment rates.

Question three:

There is no doubt that microfinance in general is working to create a kind of socioeconomic development. While I set out to discover how a larger formal sector, encouraged by MFIs like UNICS, affects development in Cameroon, I found more how MFIs and specifically UNICS affects development in Cameroon. About 80 percent of jobs in Cameroon can be found in the informal sector⁶⁵ and by empowering these people with financial services, UNICS works within Cameroon towards economic growth.

⁶⁵ Interview with Dr. Bomda.

A larger formal sector would mean more businesses registered with the government and more taxes being paid. This could lead to more tax revenue not only from businesses but also from employees, as these businesses would have to hire employees and pay them. This would also lower the official unemployment rate and give many citizens stable employment and source of income. There is no doubt tax revenue would help the government be able to finance more projects but it would be up to the government to be able to manage the money well and not misuse it. With the country generating more money for the government and bolstering the economy, the country can invest in industry and technology, not needing to rely on outside sources as much.

We can see a direct correlation with growth of the financial services sector and economic growth and development. Financial institutions allow money to circulate. People are saving and investing. When they save, they have more money to spend on consumption, for shock absorption, or for investment. Credit helps with investment and even if credit is used for consumption, it promotes the industry from which the products come. Overall, financial services promote positive trade within the country, engaging social aspects as well. By encouraging small businesses and microenterprises, helps build communities and involve citizens socially with small established businesses and their surroundings.

The interactions and transactions which financial services encourage does create a kind of socioeconomic development, which is no doubt having a tangible effect on the economy of Cameroon. At the same time, there is still area for improvement which could further economic growth. UNICS is missing the goal of microfinance by not working mainly with the poor. This does help their business, however is contributing to raising those of low income and middle income while leaving the extreme poor behind. In leaving the extreme poor behind there can be no real economic development. This contributes to a growing income gap, making the rich richer and

leaving the poor poorer. In looking at the GNI of a country, there appears little economic development when there is a large income gap.

Another point where they lack in forwarding economic development is leaving out women. It is not that women are barred or discouraged from UNICS, but the institution does not specifically reach out to women and often women lack the documentation required for their services. Again, in leaving out women we cannot hope for real economic development. Women have been branded as the face of poverty and need solutions specific to their needs in order to work to economically empower.

UNICS has a very efficient and active Business Development Department. They work by going to the field and working with customers. They notice patterns and trends in products and services and work to identify needs in order to develop new products to fit the needs of their customers. I am sure if they notice an interest in products geared more specifically to the financial needs of women, they would be able to develop products to work with that specific client base. But as UNICS is a business and looks to make money, if they do not see opportunity it, they will not invest.

There are models of microfinance which reach women and the extreme poor in rural areas and can sustain themselves without subsidies. Two networks of MFIs in Cameroon called CAMCCUL and MC2 both work with models which work as poverty oriented MFIs. While UNICS does not work specifically poverty oriented, they are working to offer financial services to those left out of the commercial banking sector, and this in itself grows the financial sector, thus furthering economic development.

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Appendix

Appendix 1: Customer Interview Format

1. What did you need a loan for?
2. How long have you been in business?
3. Why did you choose UNICS?
4. Did you have or consider any other forms of financing for your business?
5. What did UNICS require of you before you were approved for a loan?
6. Did UNICS provide you with any business advice or training?
7. Are you still repaying your loan?
8. What is your interaction with UNICS like now? (Do you see them often? At their office or at your business?)
9. Do you still require UNICS services?
10. Overall, have these services from UNICS benefitted your business? Grown your business?

Appendix 2: Important Contact Information

UNICS Office

Phone: +237 22 22 96 10

Delphine Lum Bongnjo

Email: dlphnlum@yahoo.co.uk or dlphnlum@gmail.com

Work Phone: +237 91 69 87 03

Dr. Ing. Justin Bomda

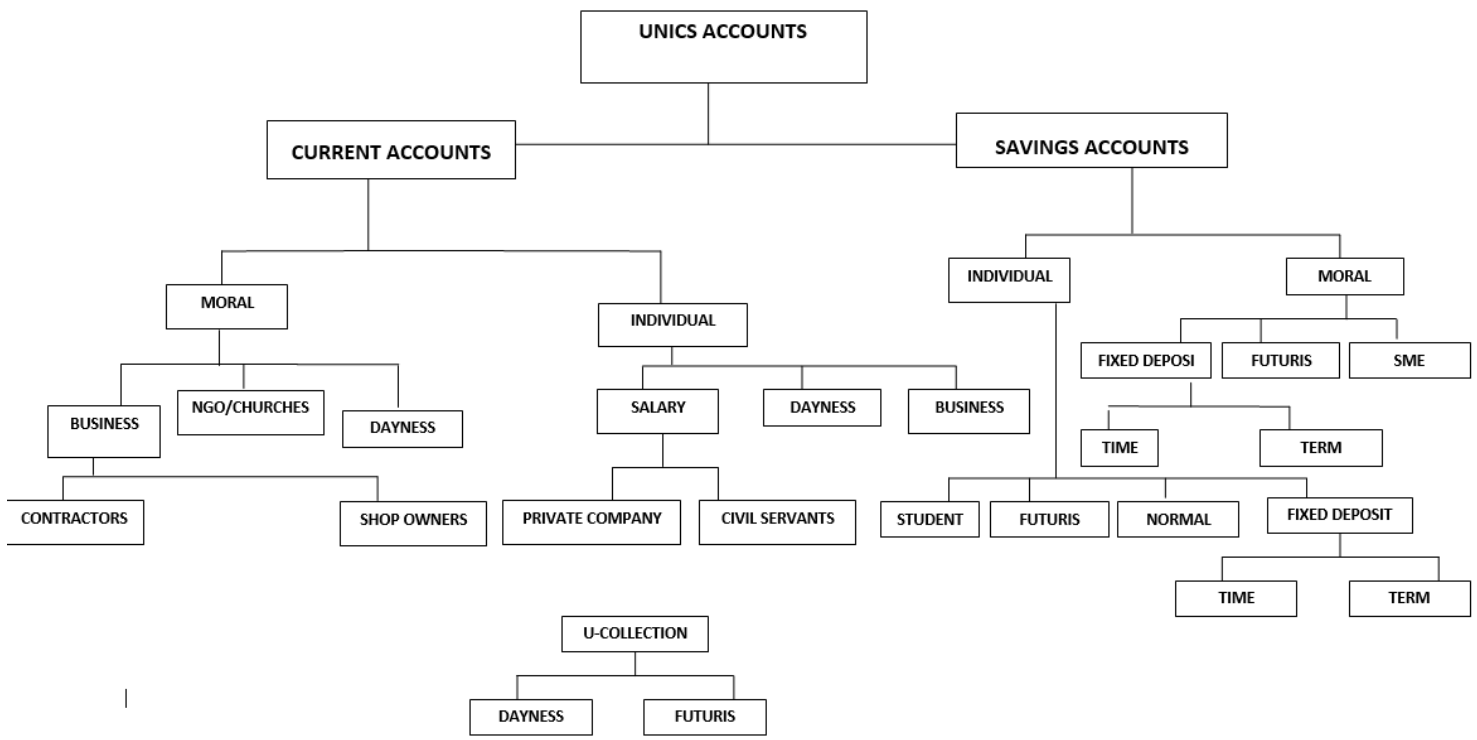
Email: jbomda@yahoo.fr

Phone : +237 6 77 75 21 61

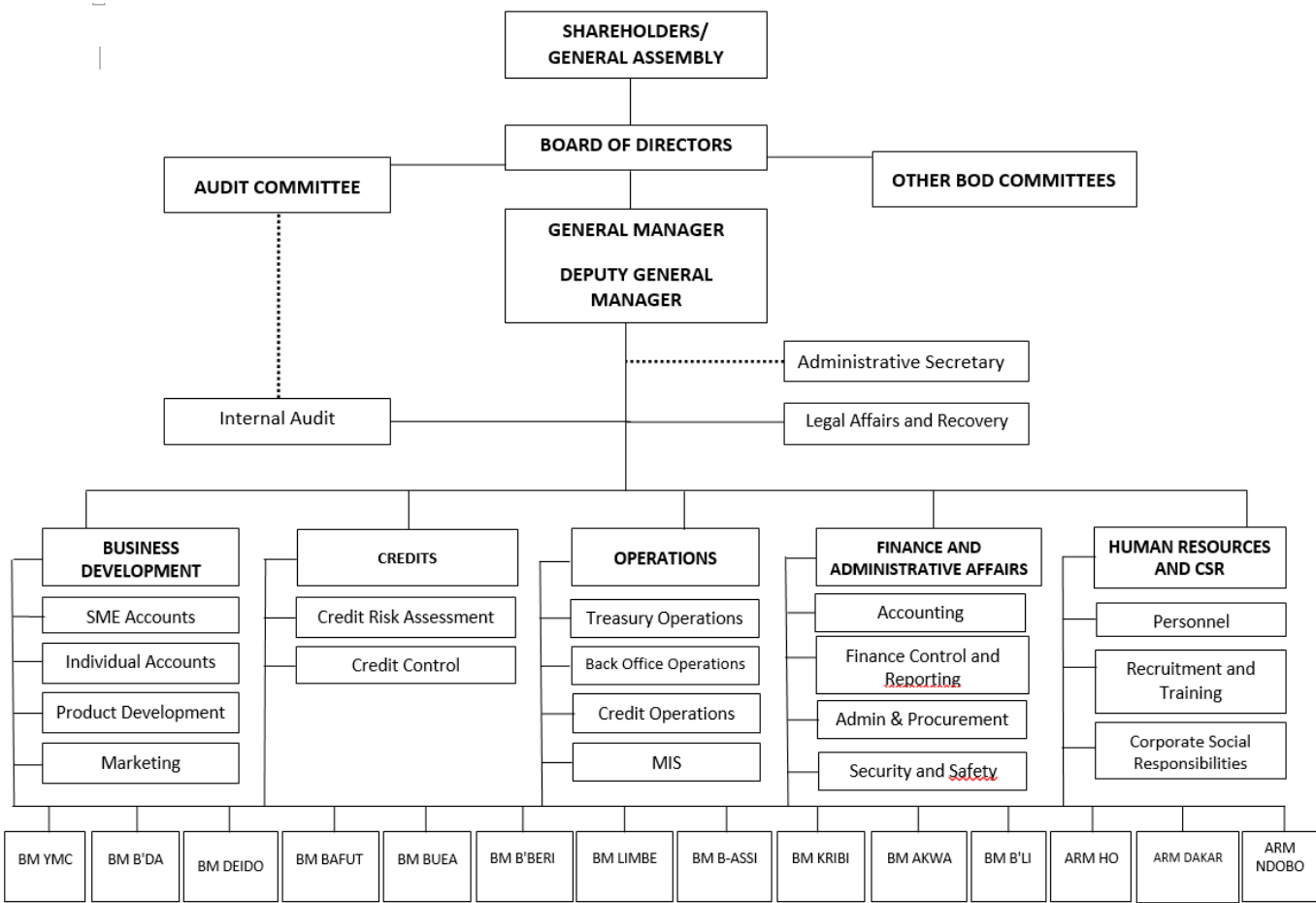
Dr. Serge Djoum

Phone: +237 6 74 98 45 98

Appendix 3: UNICS Account Structure



Appendix 4: UNICS Organizational Structure



Appendix 5: Checklist for Business Loan

LOAN APPLICATION CHECK LIST

BUSINESS FILE CREDIT DEPARTEMENT

Name of applicant _____ Branch _____

Name and Signature of ARO _____ Date _____

S/N	Documents Required	Provided Documents ?		Observations
		Yes	No	
1	A handwritten application			
2	Duly filled and signed loan application form			
3	Visible Signed copy of the National Identity Card of applicant/ promoter			
4	Photocopy of the business license (patente)			
5	Photocopy of the taxpayer's card			
6	Business registration (Registre de commerce)			
7	Customers account printouts (Current , loan and other accounts)			
8	Localization plan for business premises /Residence of promoter			
9	Attestation of localisation			
10	Business plan and financial statements			
11	UNICS loan application checklist			
12	Attestation of Irrevocable Transfer of Funds			
13	Copy of contract/Bon de commande (if applicable)			
14	Write up by ARO			
15	Proof of use of funds (Justification)			
16	Client met 90 Days rule?			
17	Signature verified stamp on all signatures?			
18	Proof of payment of loan processing fee and disclaimer			
19	Full picture of the promoter			
20	Memorandum /Articles of association giving rights to promoter or manager to engage the institution			
21	Account history of other banks in case the customer owns an account in another bank			
22	Real estate/ other asset evaluation by UNICS architect			
23	Specify other guarantees			
24	Cartons, Bon de command, listings, others)			
25	Please precise comaker's collaterals if any			
26	Non Redevance from taxation			
27	Proof of experience in a related contract/market			

28	Billet à Ordre / Promissory Note			
29	Convention de prêt à court term			
30	Declaration of assets			
31	Cautionnement solidaire			
32	Client's Bank Checking			
33	Basic Information Report (BIR)			
34	Other pp documents deemed relevant			

NB: Account Relationship Officers must fill this form without leaving any blank space and to indicate NA if the requirement is not applicable.

Name and Signature of Head of Credit Service.....

Date.....