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Perceptions of Microfinance in Cameroon: A Case Study of UNICS, Yaoundé

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SIT Study Abroad

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Abstract:

The subject of this project is the common perceptions that exist towards microfinance in Cameroon within the community of those who work with or are influenced in some way by microfinance institutions. Furthermore, the project focuses on the ways in which these perceptions affect the institutions, the actions of the institutions amidst and in response to these perceptions, and to what extent these actions have a positive effect on the community and the firms themselves. I also examine to a certain degree the relationship between the two main goals of category two and category three microfinance firms: specifically, the fulfillment of social goals such as poverty alleviation and financial success. A large part of my research is based on my involvement with UNICS Plc., a category two microfinance institution with its head office in Yaoundé. For the purposes of research, I was an intern at UNICS for two weeks of this project to better understand how individual microfinance institutions function in the face of community perceptions.

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Introduction

I. Context

Microfinance can be an extremely positive force on the economic development of individuals, communities, and the nations in which they exist. It is believed by many that by offering credit and savings opportunities to members of society to whom these services are not regularly available, microfinance institutions can facilitate the economic growth of these individuals to help them to significantly improve their standards of living. In areas of the world where many do not readily have access to banking services, the presence of microfinance institutions can be an extremely important force in narrowing the gap between the rich and the poor.

The national population of Cameroon in 2009 is approximately 18.2 million.[1] Of this population, approximately forty percent are living below the poverty line, which is a considerable improvement from 1996 when over fifty percent of the population was living below the poverty line. This percentage varies greatly between rural (49.9%) and urban (22.1%) areas in Cameroon.[2]

Given the relatively limited amount of access to traditional banking as well as the large size of the informal business sector in Cameroon, it is on the surface an ideal candidate for the services offered by microfinance.[3] Furthermore, since corruption is essentially regarded as ever-present on all levels in Cameroon[4], microfinance would seemingly be an ideal solution to the economic problems of the countries poorest citizens. That is, the inherent "bottom-up" approach of microfinance is far more likely to affect the lives of Cameroonians living in poverty than are other "top-down" approaches, such as foreign aid to the

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[1] IFAD. "Cameroon Statistics." Rural Poverty Portal http://www.ruralpovertyportal.org/web/guest/country/statistics/tags/cameroon
[2] Ibid.
[3] Ashcroft, Mariama Olatunde. "Microfinance in Africa-the Challenges, Realities, and Success Stories." p. 5
[4] Beighle, James. Personal Interview.

Cameroonian government. As such, there are currently over five hundred officially registered microfinance institutions in Cameroon[5] and microfinance is commonly regarded as an important influence on the development of the country.

II. Problem Statement

As is true with all potential forces of development, there are those experts who believe that microfinance institutions could be improved to become better tools for development. While these expert opinions are certainly not to be disregarded, it is arguable that there are certain other opinions which are to be taken more seriously than those of experts: specifically, those who are directly affected by the work of these microfinance institutions. In my opinion, this group of people includes organizations and government institutions affected by the actions of these institutions but, most importantly, the individual clients and potential clients of the institutions. The success or failure of a given microfinance institution is directly affected by this group of people, as these are the people who interact directly with the institutions or, consequently, choose not to based on their beliefs.

The opinions and perceptions of this group of people, thus, are integral in considering the successes and failures of a given microfinance institution. If these people have generally positive opinions of the services offered by a microfinance institution in their community, it can be inferred to some extent that the microfinance institution is having a positive effect on the community, while a commonly held negative opinion could feasibly imply the opposite.

More importantly, whether or not the opinion of this group toward a particular microfinance institution is generally positive or negative could have a significant effect on that microfinance institution. For example, if a particular institution is regarded very negatively by this group of people, they will find few people interested in their services and

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[5] Yomi Nyassi. Personal Interview

will most likely not be successful while a institution that is regarded positively would presumably experience success. In this light, the opinions and perceptions toward a microfinance institution of the community affected by its work have the potential to greatly affect the success of that institution in return. Furthermore, the subsequent actions of the institution would be affected by these perceptions, as a negatively viewed institution would be forced to interact with the community differently than one that is positively viewed.

Thus, the main research question of this work will be to determine, in the communities of people with whom microfinance institutions interact, what are the general perceptions and opinions regarding microfinance in Cameroon? Given that these perceptions are so important in determining the success of microfinance institutions in achieving their goals and how they are able to interact with communities, it seems pertinent to study just what they are and why they exist.

In asking this question, the following questions must be asked as well: are the common opinions and perceptions held in this community generally positive or negative? Do they tend to be justifiable? If not, why do they exist? In what ways to do these views and opinions affect the perceptions and opinions of a given microfinance institution toward the community? And, finally, how do the perceptions and opinions held within the community and the perceptions and opinions held by the microfinance institution affect its ability to achieve its goals, both to make profit and to alleviate poverty?

III. Objectives

The objectives of this research are as follows:

- To determine the general perceptions and opinions toward microfinance and whether or not they are generally positive or negative.
- To determine the ways in which these perceptions affect microfinance institutions and the actions that they take amidst and in response to these perceptions.
- To determine whether or not and to what extent the actions taken are in the best interest of the affected communities and of the institutions themselves.

- To determine these objectives for my case study of UNICS as well as the general case.

IV. Hypotheses

In response to the above objectives, the hypotheses of the work are:

- While many community members perceive the presence of microfinance institutions as a positive influence on the community, a lack of understanding or respect of their services and regulations prevents microfinance institutions from achieving their goals, both of making profit and of alleviating poverty.
- The ways in which microfinance institutions operate amidst and in response to these perceptions and opinions is ineffective in key ways and further causes them to fall short of their goals.

V. Methodology

The initial objectives of the research, as previously stated, were to determine the general perceptions of the community toward microfinance in Cameroon and how these perceptions affect microfinance institutions themselves. These objectives have been researched with several delimitations. The first is that for the first two weeks of the Independent Study Project I worked with the UNICS PLC, a category two microfinance institution with two branches in Yaoundé: one located in Immeuble Grand-Carrefour in Marché Central and one near Carrefour Biyem-Assi. I spent a week at each institution, working in Marché Central on a project for the advancement of disadvantaged women run in conjunction with the Centre de Promotion de la Femme et de la Famille (CPFF). The next week, I assisted in the daily collection for UNICS's Dayness and Futuris savings accounts at the Biyem-Assi branch. I used my experience at UNICS as a case study in my research of the microfinance institution in general in Cameroon. As a result of this delimitation, another delimitation arose; that is, the research done for my Independent Study Project is specific to Yaoundé, as all of the research for this project was done there. I devoted the third week solely to conducting interviews and began writing at the beginning of the fourth.

The methods of the research are composed of the following techniques: participant observation, interviews (both formal and informal), background research, and one focus group conducted at the CPFF with women who were participants in the project. This participant observation includes all of my activities at UNICS, which consisted of loan collection visits, savings collection visits, credit background checks, and some general office work. The interviews that I conducted were with microfinance employees, clients, potential clients, government officials, and employees of organizations who worked in some capacity with microfinance institutions. I wished to interview this relatively diverse group of people in order to better establish a well-rounded sense of the general perceptions of microfinance in Cameroon.

On the whole, I experienced a great deal of success in conducting a diverse group of interviews, and was able to conduct interviews with each of the people that I previously described. Most of these interviews were formal and recorded with a tape recorder, though I conducted many interviews with clients during field visits informally and took notes afterward to avoid making them uncomfortable due to the presence of my tape recorder.

Several small difficulties arose during this research. For one, my race became an issue in some cases and influenced the answers I received to some of my questions, for the most part while speaking with clients. For example, while on savings collection visits, many clients refused to express any detailed opinions about the work of UNICS or microfinance in general as they thought I was a branch manager or some other important person in the world of microfinance coming to make sure that everything was running smoothly. In many cases, it was necessary for my colleagues at UNICS to explain that I was really only a student, as many people would not believe me when I said it.

Furthermore, there were a small amount of interviews that I was forced to conduct during which I was spoken to in pidgin or French. While my knowledge of French is relatively strong and did not generally inhibit my ability to understand what I was being told, my knowledge of pidgin is minimal. Thus, I was forced in some cases to rely on the translations of a colleague at UNICS. Though I believe that these translations were generally accurate, I cannot know with absolute certainty that this was the case. The majority of my interviews were easy to comprehend, however, as they were conducted in English.

On the whole, the project was relatively successful and I did not need to deviate from my original plan of research at any point. UNICS was very helpful in facilitating meetings and field visits during which I was able to interview clients and many clients were in turn very willing to speak openly with me once they discovered that I was merely a student. Additionally, UNICS allowed me to study in depth two of their projects which offered a great deal of help to my research. In these regards, I was largely able to accomplish my goals to a satisfying extent.

VI. Plan of Work

The plan of the work is as follows:

Chapter 1: General Perceptions of Microfinance
Chapter 2: Microfinance in Cameroon
Chapter 3: Perceptions of Microfinance in Cameroonian Communities
Chapter 4: Microfinance in the Face of the Perceptions of the Community.

Chapter 1: General Perceptions of Microfinance

I. Why Microfinance

As we approach the end of the decade, microfinance has become a global phenomenon that is still growing and does not seem to be showing any signs of slowing its progress in the near future. Today, there are estimated to be approximately ten thousand microfinance institutions throughout the world. The worldwide amount of foreign investment in microfinance sectors is currently estimated to be about 10 billion USD. This is more than double the amount of 4 billion USD reported at the end of 2006, which itself had more than tripled since the beginning of 2004.[6]

In fact, international support for microfinance as a source of development has been increasing consistently since the early 1980s. Much of this described support and growth can be linked initially to the success of institutions such as the Grameen Bank, which was formed by Muhammad Yunus in Bangladesh in 1976. With its goal of extending banking services to poor men and women in Bangladesh by offering them savings and microcredit, the Grameen Bank has today become the model for successful microfinance and currently has well over 6,500,00 active borrowers.[7] In 2006, Yunus received the Nobel Peace Prize for his contribution to the alleviation of worldwide poverty.

The success of Grameen Bank can be largely attributed to its lending practices, which have been created specifically to combat the inherent risk of lending to the poor. For example, Grameen Bank has been able to bypass the predicament of the limited collateral of many poor clients who desire loans by instituting the practice of "group lending."[8] Rather than lending to individuals, the bank gives larger loans to groups of borrowers with the assumption that they will repay together. In this case, if one or more borrowers in the group

[6] Platteau, S. & Siewertsen, H. "Trends in Microfinance 2010-2015." p. 1
[7] Ibid. p. 2
[8] Beighle, James. Personal Interview

choose not to pay, the other borrowers in the group have the incentive to influence him or her to pay, as they presumably desire to receive more credit in the future. Because of the implementation of techniques such as these by institutions worldwide, the global repayment rate of microfinance borrowers was 95% as recently as 2001 and continues to be formidably high in many institutions.[9]

II. Positive Perceptions of Microfinance

While poverty alleviation is perhaps the most clear perceived benefit of microfinance in the world today, many other claims have been made regarding its indirect benefits. It is widely believed, for instance, that microfinance is an influential force in the empowerment of women in society. It is believed by many that women with access to financial services are likely to make financial decisions benefiting their entire families in addition to themselves, as well as become more involved in community activities and to confront communal gender inequalities.[10] Thus, microfinance could conceivably lessen the trend of worldwide perceptions of gender inequality.

Other perceived benefits to microfinance borrowers include increased education levels and improvements in quality of health, as some studies suggest. One impact study of a microfinance institution in Uganda found that the households of clients were able to invest more money in education than were the household of non-clients, as the resources to do so were more readily available to them. Furthermore, another recent study conducted in Bangladesh concluded that the use of contraceptives occurred regularly for a far greater percentage of members (59%) than non-members (43%) due to increased access to education.[11]

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[9] Barr, Michael S. "Microfinance and Financial Development." p. 274, 283
[10] Littlefield, Elizabeth, Morduch, Jonathan and Hashemi Syed. "Is Microfinance an Effective Strategy to Reach the Millenium Development Goals?" p. 7
[11] Ibid p. 5, 6

Another potentially attractive benefit of the presence of microfinance is the belief that institutions can thrive even in communities and nations which are poorly governed. For example, the use of techniques such as group lending can act as substitutes for legal action in the case of a delinquent loan, negating the necessity for a strong presence of regulatory activities on the part of governmental authorities. Thus, microfinance institutions may be capable of "grow[ing] up in the cracks between the cement blocks of bad government."[12]

III. Negative Perceptions of Microfinance

However, as is true with all potential forces of development, there are those who doubt the ability of microfinance to aid in development without one or more significant setbacks. A minority of experts even claims that the link between microfinance and the economic and social development of its clients has not yet been proven. This is to say that, while many studies indicate that the presence of microfinance has aided in the development of individuals and communities, there are those who are skeptical and are still waiting to see results that they believe are thorough and accurate.[13]

Even for those who believe that microfinance is a positive developmental force, there are certain doubts that arise regarding its efficiency. For one, there exists doubt about whether or not an institution that offers credit exclusively to micro, small, or medium enterprises can do so to such an extent that it may become able to exist without outside financial assistance. In other words, while microfinance institutions may be able to achieve their social goals, they may not be capable of doing so to such an extent as to be both financially independent and sustainable.[14]

[12] Barr, Michael S. "Microfinance and Financial Development." p. 284
[13] Zeller, Manfred, Lapenu, Cécile, and Greeley, Martin. "Measuring Social Performance of Microfinance Institutions: a Proposal." p. 3
[14] Djoum Serge. Personal Interview

Many microfinance institutions attempt to combat the problem of sustainability by charging high interest rates to offset the increased cost of managing many small loans. This becomes another perceived downside of microfinance, as the interest rate applied to microcredit worldwide is often between thirty and fifty percent on average.[15] With interest rates such as these, it may be difficult for someone living in poverty to repay these loans or, even if they are able to repay, to benefit enough from them to be able to lift themselves from poverty.

Even outside of these disadvantages of microfinance, there are many documented conjectures about certain circumstances which render the services of microfinance largely ineffective. For example, if there is not an adequate amount of pre-existing financial activity occurring in a given community, microfinance will not likely have a positive effect.[16] Rural areas that lack infrastructure and access to markets are one instance where microfinance would theoretically not be very effective, as any credit that would be given to members of these communities would not be able to be put to any particular use and could thus leave borrowers in the compromising position of having to pay loan fees without generating adequate income to do so. Furthermore, for those who lack the specific skills necessary to manage a micro or small enterprise, simply making money available to them will not solve their problems. Before they could benefit from microcredit, they would first need to receive education about a particular income generating activity in which they would be able to participate. In other words, "the skills required for self-employment…are not a standard set of characteristics."[17]

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[15] Daley-Harris, Sam, Pollin, Robert, and Montgomery, Felicia. "Debate on Microcredit."
[16] "Microfinance, Grants, and Non-financial Responses to Poverty Reduction: Where Does Microcredit Fit?" CGAP Focus Note Seriesp p. 2
[17] Ibid. p. 9

One final negative opinion of microfinance is the worry that "mission drift…and increased sustainability will coexist."[18] In other words, it is a concern that certain microfinance institutions value economic success over achieving their social goals of personal development and poverty alleviation. In some cases, the opportunity is given to an individual institution to make choices that will either bring increased profit or increased success in alleviating poverty and, as can be imagined, sometimes choices are made in favor profitability.

Nevertheless, there still exist many positive opinions of the work of microfinance, as can be inferred from the previously noted constant increase in worldwide support. Perhaps the most common opinion encountered in reference to microfinance is that it can indeed be a successful tool in development when used in combination with other developmental tools and certain environmental contexts. In other words, while "microfinance is not a panacea for poverty and related development challenges…it can play a critical role in poverty eradication."[19]

[18] Platteau, S. & Siewertsen, H. "Trends in Microfinance 2010-2015." p. 3
[19] United Nations. Office for the Special Coordinator for Africa and the Least Developed Countries. Microfinance and Poverty Eradication: Strengthening Africa's Microfinance Institutions.

Chapter 2: Microfinance in Cameroon

I. History of Microfinance in Cameroon

Though the growth of microfinance truly began to escalate in the early 1990s, it has existed in Cameroon for almost fifty years. The first appearance of microfinance institutions occurred in 1963 in the Northwest Province where Anthony Jasen, a priest from Holland, created the first savings and credit cooperatives in the country.[20] The relative success experienced by these institutions lead in 1968 to the creation of the Cameroon Cooperatives Credit Union League (better known as CAMCCUL), which is currently the longest standing microfinance network in Cameroon.

Toward the end of the 1970s, Cameroon first began to experience an economic downturn, during which certain banks in the country began to suffer financially from a lack of available liquid funds.[21] During the early 1980s, banks in Cameroon became increasingly unable to support themselves as it became more difficult to receive international credit and they were largely unable to obtain their own resources within the country.[22] In the late 1980s, this resulted in government action; namely, there was a complete restructuring of all financial institutions, causing many banks to close their doors while taking the savings of many Cameroonian citizens with them.[23]

I1. Legal Framework

It was out of this bank crisis that microfinance was born in Cameroon, as many citizens were still in need of banking services that were no longer readily available. Microfinance proved to be able to provide these services and the number of institutions in

[20] Zangue Edouard. "Contribution du Contrôle Interne à la Performance Économique et Sociale des Établissements de Microfinance au Cameroun." p. 3
[21] Ibid. p. 3
[22] Ibid. p. 3
[23] Beighle, James. Personal Interview.

Cameroon began to increase. In the interest of more efficient regulation of the financial sector on the part of the Cameroonian government, a series of new laws were created. The first of these was the loi nº 90/053 of 19 December 1990 granting freedom of association. Two more laws were passed in 1992 and 1993 outlining specific responsibilities and regulations for groupes d'initiatives communes (GIC) and groupes d'initiatives économiques (GIE) respectively. [24]

In 1998 the loi 98/99 was passed and began to recognize microfinance institutions as unique entities in the financial sector. Under this law, microfinance institutions were placed under the control of the Ministry of Finance rather than the Ministry of Agriculture, by whom they had previously been overseen. Furthermore, La Commission Bancaire de L'Afrique Centrale (COBAC)[25] was officially recognized as an authority figure of microfinance institutions that was capable of dissolving them if they did not adhere to its regulations. Finally, in 2002, the régement nº 01/02/CEMAC/UMAC/COBAC, which clearly defines and controls the activities of microfinance institutions in Central Africa, came into effect.[26]

I2. Structure of Microfinance in Cameroon

Under article 5 of these regulations, a microfinance institution may be considered either a category one, category two, or category three microfinance institution. Those which fall under the first category are cooperative institutions, which provide savings opportunities exclusively to members and then use these savings to offer credit for member-run projects. These organizations cannot seek profit and exist for the sole purpose of the empowerment of their members. Category two microfinance institutions are profit-seeking institutions which offer savings and credit services to the public. UNICS, the case study of this project, is one of

[24] "Communal Intiative Groups" and "Economic Initiative Groups"
[25] The Banking Commission of Central Africa
[26] Zangue Edouard. "Contribution du Contrôle Interne à la Performance Économique et Sociale des Établissements de Microfinance au Cameroun." p. 67

these institutions. Finally, category three microfinance institutions are profit-seeking institutions which provide credit services to the public but do not offer any savings services.[27]

As was mentioned in the introduction, there are currently over 500 microfinance institutions in Cameroon. These institutions account for approximately eighty percent of all microfinance institutions in Central Africa, which does contains relatively few institutions compared to other regions of Africa.[28] Cameroon is also among the top ten African countries for both savings (3.0%) and loan (0.8%) penetration rate, indicating that a relatively large percentage of the Cameroonian population uses the services of microfinance institutions.[29]

In relation to other countries in Africa, Cameroonian microfinance institutions operate relatively efficiently. Cameroon is one of thirty-one African countries to have passed new microfinance-specific legislation since 2002 and is one of relatively few to have specific laws governing microfinance institutions separately from banks. Additionally, unlike some African countries, Cameroon does not impose maximum interest rate caps.[30] Such restrictions are considered by many to be counterproductive, as they are often set at a restrictively low rate that hinders the sustainability of microfinance institutions.[31]

There are, however, certain factors that deter the success of microfinance in Cameroon to some extent. For one, there is a distinct lack of infrastructure, especially in rural regions, and a population density that is less than ideal in much of Cameroon. [32] These conditions differ from those in countries such as India and Bangladesh, where extremely high population density allows services to be distributed to millions of people in some cases rather than to

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[27] Zangue Edouard. "Contribution du Contrôle Interne à la Performance Économique et Sociale des Établissements de Microfinance au Cameroun." p. 68
[28] Tchomobe Pierre. Personal Interview.
[29] The "penetration rate" of each service indicates the percentage of the adult population that engages in the service.
Mix/CGAP. "Africa Microfinance and Benchmarking Report, 2008." p. 2
[30] Ibid. p. 5
[31] CGAP. "Beyond the Headlines: Policy Change in Africa (an Interview with Jennifer Isern)." Opportunity in Africa
[32] Ashcroft, Mariama Olatunde. "Microfinance in Africa-the Challenges, Realities, and Success Stories." p. 5

thousands, as is true in Cameroon.[33] Because of this constraint, the cost to operate microfinance institutions in can be quite high in Cameroon and can hinder their ability to be financially sustainable.

Furthermore, effective strategies to manage loan delinquency are not always available. A technique such as group lending could theoretically be employed in certain rural communities, where agricultural or other groups are more common and the incentive to receive a loan as a group exists. However, in large cities like Yaoundé, it is difficult to employ such techniques due to the lack of organized groups such as these and the diversity of the populations that live there.[34]

In lieu of these techniques, institutions in Yaoundé attempt to employ others that are more appropriate in an urban setting. For example, certain institutions require "co-makers" for the credit applications of clients who lack a satisfactory amount of collateral. In the case that the person who takes the loan is unable to repay, the responsibility then falls on the co-maker to do so. Furthermore, it is usually insisted upon that this person is a civil servant, as that allows the institution to demand unendorsed paychecks for the purpose of using them to repay the loan should it become necessary to do so.[35] We will further expand upon other techniques in the following chapters.

II. Presentation of UNICS Cameroon

This technique and others are used by Unity Cooperative Society (UNICS), the main focus of my research and the case study of this project. Created on 15 January, 2000 in downtown Yaoundé, UNICS was a category one microfinance institution dedicated to the mission of "co-operat[ing] to solve future economic problems through present day decisions

[33] Beighle, James. Personal Interview
[34] Djoum Serge. Personal Interview
[35] Anonymous Interview with UNICS Employee. Personal Interview

and actions, thereby producing viable citizens capable of living creatively in society…[and] work[ing] towards poverty alleviation through the uplifting of the rural sector through the financing of agricultural and small-scale commercial projects."[36] Since its initiation, UNICS has expanded its operations considerably and now has a total of ten branches in Douala (3), Limbé, Kribi, Buea, Bafut, Bamenda, as well two in Yaoundé located at Marché Central in Centreville and in Biyem-Assi.

In recent years UNICS has undergone considerable structural changes. Much of its current management has been hired within the past three years[37], and since November 2008 the number of employees at UNICS has increased from 63 to 103 as the company attempts to expand its operations.[38] However, there is one change that UNICS has undergone that is perhaps the most interesting: as of January 1, 2009, UNICS is now a public limited company. This means that its status as a microfinance institution in Cameroon has changed from category one to category two and, therefore, that it is now a profit-seeking organization which can offer its services to non-members. In the coming years, UNICS hopes to expand its operations even further to become a large bank that still offers microfinance services.[39]

As a result of this change, UNICS must now learn to balance the dual goals of obtaining profit and maintaining sustainability while still working to alleviate poverty. While simultaneously achieving these two goals is not impossible in general, doing so can be quite difficult, as at times specific situations arise where only one or the other is obtainable. In the case of UNICS, the attempt is certainly made in some respects to pursue both its social goals and its goal to make profit, but they occasionally will make choices that result in the most profit rather than the choice that best accomplishes their previously stated social goals.

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[36] UNICS. Advertisement : "About Us" 10/11/09
[37] Ibid.
[38] UNICS Head Office. "Text on the In-House Training Programme of UNICS Credit Department Staff."
[39] Tasi Patience. Personal Interview.

II1. The CPFF Project

During the first of my two weeks as an intern at UNICS, I was made to work at the Head Office on their project for the advancement of disadvantaged women run in conjunction with the Centre de Promotion de la Femme et de la Famille (CPFF). This project was funded originally by the World Bank through the Cameroonian government and, since 2007, has granted UNICS funds for the purpose of distributing small loans at a "relatively low" interest rate[40] to impoverished women who demonstrate need and the capacity for economic growth. Before receiving credit from UNICS, each of these women must prepare a loan application which must be approved by a credit committee put in place by the CPFF. Furthermore, the CPFF gives them a "crash course" on good business practices before they are permitted to submit their loan applications to UNICS. Since 2007, this project has funded almost one-hundred and fifty individual projects, which are divided into eight groups based on when the loan was approved.

II2. The Daily Collection Service

During my second week, I was transferred to the UNICS branch in Biyem-Assi to assist collection officers in the daily savings collection service that UNICS offers to its clients who have opened either Dayness or Futuris savings accounts. These particular accounts were designed with the intention of making savings available to all members of the surrounding community regardless of economic status. For example, while UNICS's standard savings account costs 15,000 CFA to open and must contain at least 10,000 CFA at all times, the cost to open a Dayness or Futuris account is only 2,385 and individual deposits as small as 500 CFA are accepted.[41] Furthermore, with this daily collection service available to account

[40] According to the partnership agreement between UNICS Plc and the CPFF, the interest rate on these loans is fixed at 20%.
[41] Mboule Serge. Personal Interview

owners, clients do not need to leave their homes or places of business in order to make deposits into the account; a UNICS collection officer can visit them daily to take their deposits and to help them fill out all necessary deposit information.

The Dayness account is constructed such that clients may deposit or withdraw funds at any time after the account is opened, although the withdrawal of funds is accompanied by a small services charge that is proportional to the amount withdrawn and they must maintain a balance of at least 2,000 CFA at all times (the same amount must remain in a Futuris account). The Futuris account, on the other hand, is an account from which withdrawals are blocked for either six months or one year. The interest rate on accounts blocked for six months is 4% while the interest rate on accounts blocked for a year is 8%.[42]

A considerable portion of the information gathered and interviews conducted were in relation to either one of these two projects or to the operations of UNICS in general. While other opinions and materials were gathered for the purpose generalizing the claims made in this project, it seems worth noting one last time that the majority of research conducted for this project focused on UNICS.

[42] Mboule, Serge. Personal Interview

Chapter 3: Perceptions of Microfinance in Cameroonian Communities and Their Effects

I. Growth and Positive Perceptions

If one asks a given Cameroonian whether or not they believe that microfinance has a positive effect on development in their country, they will more than likely respond in the affirmative. To many Cameroonians, microfinance institutions are an opportunity to achieve economic stability or success even without ready access to the capital required to do so. Some of the most enthusiastic proponents of microfinance institutions are some of their poorest clients, as success stories exist which tell of many Cameroonians rising out of poverty almost solely due to the opportunities afforded to them by microfinance institutions. In the words of one UNICS employee, "[microfinance] has changed the lives of so many small business people."[43]

And, indeed, these success stories do exist. From simply speaking to participants of the aforementioned CPFF project at UNICS, many a success story was to be found. For example, I was taken by a colleague at UNICS to the CPFF in Yaoundé in order to meet and speak with three women who had received two loans each from the project. One of them told me of how she and her husband were homeless and lacked the capacity to improve their quality of life before the CPFF and UNICS offered her a business loan. However, after receiving this loan, she began a business (at which she now employs others) in which she breaks large rocks into smaller ones and sells them to construction companies. After meeting with her at the CPFF, I was taken to see the house that she and her husband had built with the money they had earned from her business, as well as observe some of her employees at work. She stated very clearly while showing me her house that this would not have been possible without the help she had received from UNICS.

[43] Beteck Maurine. Personal Interview.

Seemingly in response to commonly held positive perceptions such as these, the popularity of microfinance institutions in Cameroon has kept pace with the rest of the world in rising rapidly since the early 1990s.[44] UNICS alone has more than doubled its number of accounts in the past two years from just below 13,000 to approximately 26,000.[45] While generally positive perceptions of microfinance institutions certainly cannot be held entirely responsible for this rapid increase, it seems quite plausible to say that the increase could not have occurred without a generally positive perception on the part of Cameroonians.

II. Delinquency

However, this rapid increase in the popularity of accounts was not entirely constant. Microfinance institutions in Cameroon actually experienced an overall decrease in borrowers in 2007, as "many [microfinance institutions] worked to clean up their books, clearing off loans with long term delinquency."[46] During that year, Cameroon experienced the greatest decrease in borrowers of any African country and as a result Central Africa was the only African region to experience an overall decrease in borrowers.[47]

Delinquency is undeniably a formidable foe of microfinance institutions in Cameroon. In many cases, clients do not promptly repay their loans (or repay them at all) and microfinance institutions are forced to suffer the consequences. In some cases, clients are unable to pay for reasons that are out of their control. Yet this is not always true, as relatively often "people don't pay not because they don't have the money. Some deliberately don't want to pay. It is just like that with normal human beings."[48] In other words, sometimes loans are not repaid because of a conscious decision on the part of the borrower not to pay. Given the limited involvement of delinquency authorities in its prevention, there is not a great deal

[44] Beighle, James. Personal Interview
[45] Yomi Nyassi. Personal Interview
[46] Mix/CGAP. "Africa Microfinance and Benchmarking Report, 2008." p.3
[47] Ibid. p. 3
[48] Anonymous Interview with UNICS employee. 10/11/09

of incentive for a borrower to repay loans if he or she does not consider a future relationship with a given microfinance institution to be important.

There are, however, multiple reasons that a client might default on a loan. The most common reasons for clients to default on loans are listed in the "Text on the In-House Training Programme of UNICS Credit Department Staff" as the following: low household income, mismanagement of funds due to bad business practices, bad faith (the deliberate act of not repaying, as was previously described), and so called "acts of God," or situations that arise that the borrower is unable to control. It is further stated that low household income is the most common of these reasons, indicating that in some cases credit from a microfinance institution is simply not enough to pull some people out of poverty. This can be due to a lack of the basic education or initiative required to generate income once credit is given, as was described in Chapter 1.

Nevertheless, there are still certain cases in which the capacity to repay exists but either the will or knowledge of how to do so does not. For example, a client may receive a loan for the purpose of starting a small business but may instead use the loan to send their children to school. The use of the funds to meet this immediate need, though understandable to an extent, prevents the client from using the funds to begin his or her business. Thus, the client may now not be able to repay the loan at all as he or she no longer has the capacity to begin the business. Also possible is the case where a loan is taken and used for business practices but used poorly, such as in the hypothetical situation in which a woman buys an excessive amount of tomatoes to sell at a market with her loan and is unable to sell many of them before they rot. Thus, she loses her capacity to earn and, therefore, her capacity to repay the loan[49] Many of the UNICS employees with whom I spoke believed that situations such as these occur relatively often.

[49] Nchotu Elvis. Personal Interview.

Yet, certain situations arise in which delinquency occurs due to some unforeseeable occurrence. For example, as part of a loan collection excursion conducted by the UNICS Head Office, I was sent to meet a woman with a delinquent loan at the hospital. After speaking with her, I discovered that she was there in part because her son had been sent to jail she had been forced pay to release him. Due to the stress of the situation, she had fallen ill and had been in the hospital for five days at the time of our visit. Given that she earned her income by selling produce in a local market, she had been unable to work and could not make loan payments as a result. Thus, in this case, her inability to pay was largely out of her control.

II1. The Trouble of Recovery

Though laws are in place to defend microfinance institutions against delinquency and though the Cameroonian government “compte sur la secteur de la microfinance,”[50] putting these laws into action is another story entirely. In many cases, though the laws against delinquency are sufficient on paper, in many cases government or COBAC authorities simply do not pursue delinquent borrowers of microfinance institutions.[51] In the words of one UNICS employee, COBAC authorities “are working on large debtors, those who owe a lot of money. So for those who may owe small amounts, they may not be able to fish them out.”[52] Thus many microfinance institutions are unable to effectively battle delinquency. UNICS specifically has adopted several policies in the past few years to address this problem, but these policies sometimes cause additional dilemmas.

Nevertheless, several measures must to be taken by UNICS to protect against delinquency. As recently as 2007, UNICS was experiencing great difficulty with delinquency

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[50] “count on the microfinance sector”
Ongolo Maximin. Personal Interview.
[51] Djoum Serge. Personal Interview.
[52] Tasi Patience. Personal Interview.

due in part to its relatively lax loan-granting practices. In many cases, loans were being granted solely on the basis of character or need and a client's capacity of repayment was not given heavy consideration. As a result, there were some instances in which clients were receiving loans and simply disappearing, and UNICS was unable to recover the funds that they had distributed.[53] In the words of one UNICS employee: "we were just giving money away."[54]

In the case of the CPFF project, I noticed that delinquency was a considerably large obstacle while editing account information as part of my internship duties. For example, in the first four of the eight groups of women (all of whose loans are scheduled to have been repaid by this point), over sixty of the ninety-five loans granted have not yet been repaid and are incurring penalties. Furthermore, of these same ninety-five accounts, nine have made zero payments to UNICS as of 10 November 2009. Some of these loans were approved as far back as August of 2007.

A noticeable result of this lack of repayment is a decline in the number of women in the last four groups. While group one and group three contained twenty-one and forty-five accounts respectively, groups five and seven only contained six and eight accounts respectively. This is quite clearly due to a lack of remaining funds to distribute to women who have completed the CPFF formation, regardless of the legitimacy of their projects and their individual repayment capacities.

As part of my work for this project, I spoke to a woman who had previously borrowed money from UNICS as a part of the first group of the CPFF project and was attempting to borrow a second time. The loan that she requested was for 500,000 CFA in order to further expand the business operations of her clothing boutique during the Christmas season. However, UNICS did not at that time possess 500,000 CFA in the CPFF project account to

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[53] Finila Belinda. Personal Interview.
[54] Yomi Nyassi. Personal Interview.

allot to her. Thus, though she had been responsible with repayment during her previous involvement with the project, UNICS was unable to fund her project due to the overwhelming amount of delinquent loans experienced by the project.

IV. The Issue of Trust

The other great negative perception discovered during this research was the lack of trust on the part of some community members toward microfinance institutions in Cameroon. In some cases, these perceptions were based in fact and are quite justifiable. In other cases, however, they resulted from misinformation or a lack of understanding of the ways in which microfinance institutions function.

From the field interviews done for this research, the most common basis for this lack of trust on the part of the community seems to result from a perception of microfinance institutions as "thieves."[55] In other words, there is the belief on the part of some that if they save their money at a microfinance institution, it will be lost or stolen from them by the institution. This belief is not entirely unfounded, as there have been many cases, especially during the bank crisis, where the savings of many clients of banks were lost as many banks were closed permanently.[56] Furthermore, while the instability of savings is a much less common phenomenon today, there are still occasionally microfinance institutions which will "open their doors today and then close them tomorrow" either due to poor management or dishonesty.[57]

While perceptions such as this one are certainly justifiable, there are others that simply result from a lack of education about microfinance institutions. There are some who think of microfinance institutions as untrustworthy for reasons that the institutions themselves cannot

[55] Aboh Angeline. Personal Interview.
[56] Djoum Serge. Personal Interview.
[57] Tchomobe Pierre. Personal Interview.

feasibly change. There are those who, for example, criticize microfinance institutions for charging fees for salary overdrafts[58] despite the fact that any financial institution that is issuing a salary overdraft would charge some fee to do so.[59] Others complain that the interest rates on microloans are excessively high. While this true in many cases, we have previously seen that high interest rates are largely inevitable if a given microfinance institution hopes to be financially sustainable.

In some other cases, distrust of microfinance institutions results from the perception that, like traditional banks, they are only interested in profit. While this could conceivably be true in the case of category two and category three microfinance institutions, I spoke to one manager of a CAMCCUL branch who claimed that this perception existed regarding his cooperative as well. Given that cooperatives such as those in the CAMCCUL network exist solely for the benefit of their members and do not seek profit, this perception would seem relatively unfounded. Nevertheless, he insisted that many people regarded his branch as "simply another bank."[60]

The other most common negative perception found in this research regarding microfinance institutions is that they do not make their services adequately available to the poor despite their stated social goals. This perception exists for a number of reasons which I will describe in detail in the next chapter.

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[58] A "salary overdraft" is the payment, in part or in full, of a wage-earner's salary before the date when it is scheduled to be issued by his or her place of employment.
[59] Aboh Angeline. Personal Interview
[60] Nyeh Mbah Zachs. Personal Interview

Chapter 4: Microfinance in the Face of the Perceptions of the Community

I. Faults of Microfinance in the Face of Perceptions of the Community

As was mentioned in the last chapter, microfinance institutions in Cameroon suffer to some degree from negative misconceptions of their work by members of the surrounding community which are due at least in part to a lack of education regarding microfinance. Thus, it would be very much to their advantage to offer educational services to their clients and potential clients so that the overall perception regarding them could improve. Yet, in many respects, no real effort is made on the part of the institutions to better explain their services or how they function to the community so that they will be better understood. Rather, they are more interested in marketing themselves and their services than in explaining them to community members. In other words, microfinance institutions "don't do the necessary work in informing the population about what they are doing. The whole thing for them is to establish an office and distribute some papers."[61]

In the case of UNICS, this statement is only true to a certain degree. Their budget set aside for marketing purposes is one of their largest budgets, if not the largest.[62] Thus, they do take part in a great deal of so-called "paper distribution." However, another method that is often employed by UNICS is word of mouth. For example, the same daily collectors that I described before are also employed for the purpose of speaking to potential clients in the community while making savings collections.[63] Thus, clients and potential clients alike are given the opportunity to ask questions and have the answers explained to them personally by a UNICS employee without necessarily having to leave their home or workplace.

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[61] Djoum Serge. Personal Interview.
[62] Yomi Nyassi. Personal Interview.
[63] Ibid.

Though lack of education in the community is certainly an issue for microfinance institutions, perhaps an even greater problem is delinquency. It is often the case that microfinance institutions experience difficulty retrieving loan payments from clients as the only real incentive for a client to pay is to allow for a future relationship with the institution. If this desire does not exist, there is remarkably little outside motivation for them to repay. While to some degree this problem is out of the hands of microfinance institutions, there are certain measures that they could take to combat delinquency which many do not take.

For example, due to the competitive relationship between microfinance institutions in Cameroon, there is remarkably little information shared between them.[64] While to some degree this may be advantageous for certain institutions, this appears to be a remarkably large blunder for the microfinance community as a whole when it comes to preventing delinquency. Under current conditions, a client could receive credit from one institution, "disappear" without repaying a single franc to the institution from which they borrowed, and then receive credit from another microfinance institution the following week. This other institution would have no way of knowing that the client was a frequent delinquent as the information regarding him or her would not be shared. Furthermore, if the same incident befell the second institution, they would likely release no information to other institutions to warn them and this client would continue to be able to exploit the microfinance community.

II. Protecting Against Delinquency

Certain measures, however, are taken by microfinance institutions to help ensure against delinquent loans. In the case of UNICS, for example, delinquency is combated by the use of extensive background checks of the business proposals put forth by potential borrowers and conducting interviews with potential borrowers before deciding whether or not they are

[64] Beighle, James. Personal Interview.

adequately trustworthy to be given credit. Furthermore, once the credit has already been granted to the borrower, UNICS sends loan officers into the field to observe the extent to which the borrower's business project has progressed and to make certain that the credit they provided is being used for its stated purpose.[65]

Furthermore, they tend to insist on some form of collateral against the value of the loan or, if collateral is not available, a co-maker. This co-maker is generally expected to be a wage-earner so that their pay checks can be held as collateral in advance in case the borrower does not pay.[66] While the necessity for collateral is in many ways a deterrent for poor borrowers and non-wage earners, UNICS does make some effort to offer alternatives to collateral though, as one UNICS employee stated, "it is difficult with bayam-sellams."[67]

In the absence of collateral, UNICS will make the effort to accept what they believe to be "good savings practices" as adequate incentive to grant a loan.[68] This is to say that if a client has had a savings account for a relatively long time with UNICS and has demonstrated the capacity to save regularly despite not earning a salary, UNICS will often still grant them a loan. Additionally, customers with savings accounts but no collateral are encouraged to transfer money from these accounts into a Futuris account, from which funds cannot be withdrawn for a specified amount of time. Given, then, that these funds are in UNICS's control and cannot be removed by the client, they may then use the blocked amount as collateral against a loan.[69] However, this procedure creates difficulties for clients as well, as now they do not have access to their savings should they need to withdraw them.

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[65] Finila Belinda. Personal Interview
[66] Anonymous Interview with UNICS Employee. 12/11/09
[67] Ibid.
[68] Anonymous Interview with UNICS Employee. 10/11/09
[69] Anonymous Interview with UNICS Employee. 12/11/09

The Problem of Profit-Seeking

Despite these concessions, the fact still remains that it is difficult for poor clients to obtain credit from an institution if faced with this many constraints. In many cases, microfinance institutions are not willing to accept the greater risk involved in lending to poorer clients and choose to restrict lending largely to wage-earners and those who are less poor and therefore presumably present less risk. In fact, one study of microfinance in rural communities indicated that only 15% of those considered to be poor in these communities actually had access to microfinance credit.[70]

While to some degree microfinance institutions must limit risk in order to maintain financial stability and sustainability, for many institutions (and especially those which are in the second and third category) sustainability is not the greatest issue. In many cases, profit-seeking institutions undermine their social goals not for the purpose of sustainability, but for the purpose of making profit.[71] This is to say that many institutions will neglect poorer clients when lending to them interferes with opportunities to make greater profit. In this way, the populations who are actually benefiting from microfinance credit can be quite different from the populations that the institutions claim to want to help in their stated social goals.[72]

In response to this clash of priorities, the accessibility of microfinance services to the poor becomes much more limited. During the research project, I was able to interview many relatively poor clients of UNICS who had applied for loans but whose applications had not been approved for various reasons. In some cases, they had simply not provided adequate or accurate information to UNICS when applying for the loan, but in many cases they had done so but had still not received credit do to issues such as a lack of collateral or an inability to find a co-maker.

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[70] Djoum Serge. Personal Interview.
[71] Ibid.
[72] Beighle, James. Personal Interview

Additionally, I experienced a case in which a “more fortunate” client was granted credit in place of a poorer client. During a series of visits to clients of the CPFF project who were behind on loan payments, I began speaking to a woman with a delinquent account only to find out early in the conversation that she was in fact a teacher. Furthermore, she explained to me that her husband was an army colonel and that they had bank accounts at two other large banks. Her loan was delinquent, she explained, because these accounts were in her husband’s name and, as he was currently fulfilling military duties in Sudan, she did not have access to them.

Thus, even in this project, which was created for the purpose of helping needy women, a salary earner (I found out later that there were also several others who had benefited from the CPFF project) was given a loan even though she was clearly not poor. The gravity of this situation becomes even greater when we consider the woman mentioned in Chapter 3 who requested the 500,000 CFA loan but did not receive it due to inadequate funds in the CPFF project account. Not only was she unable to receive a loan because there were not enough funds available, but these funds were unavailable at least in part because of the delinquency of a woman who did not need the credit nearly as much as she did.

In UNICS’s defense, the existence of projects such as CPFF and of the previously mentioned Dayness and Futuris savings accounts theoretically demonstrate several ways in which they are able to balance the goal of seeking profit and the goal of alleviating poverty. Namely, they attempt to separate projects and services available to the needy from those intended for clients who are less needy. Theoretically, this is could be an effective way to operate, as they could seek profit on one hand and then separately seek to alleviate poverty on the other hand. However, if we examine the CPFF project alone we can see that this is not entirely the case and that even those projects and services that are intended to aid the poor sometimes neglect them to provide services to clients with less need.

In the "Text on the In-House Training Programme of UNICS Credit Department Staff," it is stated that "the security of UNICS Plc. takes precedence over the justified credit need of any client." While this statement is to some degree understandable, it also indicates that the success of UNICS will always take precedence over the need of a given client. It is because of the implementation of sentiments such as these that UNICS, as well as many other microfinance institutions in Cameroon that are profit-seeking, cannot truly devote their attentions to their social goals. While they all surely attempt to alleviate poverty and aid the development of the community to some degree, they seem to be generally unwilling to pursue their social goals to such an extent that doing so interferes with making profit.

Conclusion

Perceptions and opinions of microfinance in Cameroon tend to be positive on the whole. It is generally believed that microfinance is a force that greatly aids in the development of the country and in the alleviation of poverty. This generally held positive perception without a doubt has aided in the rapid growth in size and in number of microfinance institutions experienced since the early 1990s.

Yet, microfinance institutions do suffer from the negative opinions held by community members. There are a considerable number of potential clients in their respective communities who refuse to take part in their services at least to some extent because they do not trust that their money will not be stolen. Furthermore, uninformed perceptions, frequent delinquency, and a lack of education on the part of the community of microfinance further hinders the success of institutions and makes achieving both their social goals and goal of being profitable much more difficult. Furthermore, the fact that the authority figures of microfinance in Cameroon are not particularly active in pursuing delinquency is undeniably a problem for institutions.

This evidence seems to support the first hypothesis. While the opinions and perceptions regarding microfinance in Cameroon are generally positive, the negative opinions that do exist are indeed causing difficulties for individual institutions. The social and profit-making goals of the institutions are not generally achieved and this is due at least in part to the perceptions that exist regarding microfinance in the communities with which they interact.

However, the practices and methods employed by microfinance institutions also have considerable room for improvement. Communication between institutions would greatly aid in their ability to combat delinquency, but it does not currently exist due to the competitive nature of microfinance in Cameroon. Additionally, while the education level of the community about microfinance may at times be inadequate, measures are not generally taken on the part of microfinance institutions to improve it. Finally, while increased measures taken to protect against delinquency can be effective in doing so, they can make access to microfinance services difficult for poor clients, who present more risk and tend to lack the resources needed to prove to a microfinance institution that they are capable of consistently making loan payments.

Additionally, the desire to obtain profit on the part of category two and category three microfinance institutions tends very much to interfere with their ability to achieve their social goals of development and poverty alleviation. While to some extent these two objectives can co-exist, there are certain situations that arise which demand that either one or the other is pursued exclusively. More often than not, it seems that the option is made to pursue profit.

Given this evidence, the second hypothesis seems to be accurate as well. That is, microfinance institutions do not always respond well to the opinions and perceptions held of them in the community and are thus further unable to achieve their goals, both social and profit-making. This is true both because of the ways in which they interact (or refuse to interact) with the community and the fact that they often choose to seek profit rather than pursue the goal of poverty alleviation

While microfinance certainly seems to positively influence the development of Cameroon, it can be easily seen that improvements could be made so that it could do so more effectively and to a greater extent. Many Cameroonians have positive opinions of microfinance institutions; it is likely true that the majority of Cameroonians regard the presence of microfinance as beneficial. However, the room for improvement outlined in this project should certainly not be ignored. If these negative perceptions are made more positive, microfinance could be even more valuable to the development of Cameroon.

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