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THE MICROFINANCE MARKET OF CAMEROON

Analyzing trends and current developments

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This Market Outlook is based on a comprehensive survey of major microfinance institutions, personal experience in the sector, focus group discussions, peer review and interview with industry players within the Cameroon Banking landscape. It is more of a marketing research report for the entire market sector.

EXECUTIVE SUMMARY

The microfinance market recorded double digit growth in 2011

The microfinance market of Cameroon registered an impressive double digit growth in 2011. Thanks to ongoing expansionary and aggressive market penetration measures adopted by major players, CAMCCUL, CCA and MC2, growing customers and members confidence in the 1st Trust and CCA brand and swift response made by major stakeholders following the collapse of COFINEST to regain customers and members confidence. Major players such as MC2, launched more than eight new units that fully went operational, while CAMCCUL registered more than 10 new units.

The collapsed of COFINEST weakened customers confidence

The exponential growth that greeted the microfinance market of Cameroon in 2010 slow down in 2011 following the collapse of a major player CONFINEST that affected customers and members confidence negatively. In early 2011, the government announced the official closure of COFINEST with major shareholders arrested for mal-practices and mismanagement in the market. This sparked fear within depositors and non depositors who rushed in other microfinance institutions to withdraw their deposits. However, with quick action taken by major stakeholders such as the government to ensure creditors start receiving their funds, and assurance from other players such as CAMCCUL, MC2, and CCA customers gradually regain confidence.

Regulators tightened up control to watch against crooks and quacks

Following the collapsed of CONFINEST a major player in the microfinance sector in 2011 regulatory authorities became actively involved in the control and supervision of MFIs activities. For example, control mission from the regulatory and supervisory authority COBAC became increasingly present in major MFIs to scrutinise their activities with respect to basic prudential norms. Again, attempt by the government to win the interest of different stakeholders particularly in the phase of the crises in North Africa and the Presidential election billed for October 2011 led to a corporate citizenship image. COBAC recently started a nationwide evangelism to sensitise promoters of microfinance institutions in Cameroon on the need of professionalism so the sector does not become an all-comers affair.

Class one institutions dominate with CAMCCUL controlling an outright 53% share

The Cameroon microfinance landscape is out rightly dominated by class one institution that controls close to 86% of the market in terms of number of institutions and outlets with CAMCCUL the market leader controlling an outright 55% of the overall market. In 2010, and 2011 category one MFIs constituted about 510 of the 589 institutions existing in Cameroon at the time. The growing number of category one institution is their easy formation, lower capital requirements and the fact that they can easily opt to belong to a network and benefit the many advantages from the umbrella institution. The case of CAMCCUL, MC2 and CVECA are good examples. However, in value terms and overall market growth, category two institutions experienced the fastest growth, registering more than 35% of value and volume growth in 2010/2011. Thanks to their strong positioning in most urban areas and target of the mid to richer portion of the deprived segment of the population.

ATMS and Cash dispensing gaining grounds within MFIs in 2011

Through growing partnership between commercial banks and MFIs in Cameroon, the distribution of electronic cards became increasingly noticeable between MFIs customers in 2011. Major Commercial banks such as Afriland First Bank distribute electronic cards to MFIs clients through MC2 their rural banking channel, while EB-ACCION the microfinance brand introduced by Ecobank in partnership with Accion International, distribute electronic cards to its customers with possibilities of their customers to withdraw cash using the card directly from the ATMs installed in the MFI or any of those ATMs at Ecobank branches in the country. This trend is expected to continue particularly as major category two institutions warm up for license as a full flesh bank.

EB-Accion remains the only major new player in the market in 2011

EB-ACCION a product of a partnership between ACCION International and Ecobank remains the only major player that enters the market in 2010, with three outlets all based in Douala. It continues to benefit from the country wide banking platform already installed by Ecobank.

15% constant value CAGR expected annually over the forecast period

Over the forecast period the microfinance market is expected to continue to register an annual growth of 15%, in deposits, credits, and number of outlets. Growth is expected to be driven by growing members and customers acceptance of mobile money and micro-insurance, activities of new players such as EB-ACCION, expansionary strategies adopted by CCA and 1st Trust and favourable measures put in place by the government to protect depositors. Again, new players of late have laid emphasis on daily cash collections, with concepts such as bankers on wheel, backup and money pause increasingly gaining customers acceptance. The present of successful and sustainable microfinance models such as the MC2, of the First bank Group and the credit Union that have been able to overcome the challenges traditionally faced by the financial services sector in servicing the low income population are prominent factors expected to drive growth.

1.0 Introduction

Due to increasing attention from international bodies, donors and policy makers, microfinance the world over has entered into a principal phase of development. Practitioners of microfinance have referred to it as the last hope for the poor and are currently divided between those who favour profitability and the second camp combining profitability and social dimension. Other major players within the financial system, such as commercial banks until recently looked at microfinance as a market niche. Attitudes continue to evolve as developing countries strife at incorporating microfinance into the mainstream financial system.

In the phase of this global evolution, top performing Microfinance Institutions (MFIs), are being restructured, their income stream widened and are no longer dependent on subsidies to strife. Many have become profit making institutions as a result to transparent and access to different sources of financing.

In Cameroon microfinance services is no longer reserved for the social Non Governmental Organisations (NGOs) as the boundary between microfinance and commercial banking activities are becoming blurred. In its traditional microfinance form, the route of formal microfinance activities can be traced back in 1963 following the creation of the first cooperative savings and loans institution (Credit Union), at Njinikom in the North West region of Cameroon by a Roman Catholic clergy. Development of microfinance institutions and their activities remain blurred until the early 1990s when President Paul Biya in order to incorporate the elites and various interest groups into his New Deal Policy passed the remarkable law N^{o} . 90/053 of 19 December 1990 relating to freedom of associations, and Law N^{o}. 92/006 of 14th August 1992 relating to cooperatives, companies and common initiative groups.

Another major contributing factor to the growth and development of microfinance activities in Cameroon can be linked to the banking crisis in the late 1980s that resulted to the closure of branches of commercial and developmental banks in rural areas and some cities. Many top executives lost their jobs, some were dismissed. Some of these executives and employees formed cooperative credit unions that function like mini banks. As microfinance activities gained heavy weight in the financial system of the country, the roles of different stakeholders became clearly defined as the supervisory authorities configured MFIs within the national territory.

- Network of MFIs: Made up of institutions developed endogenously such as MC^2, CAMCCUL (Cameroon Cooperative Credit Union League), The Self Directed village Savings and Credit (CVECA) supported through the decentralised rural credit project of the Ministry of Agriculture and Rural Development with the support of BICEC and two other French institutions.
- Two independent MFIs created by individuals and located mostly in urban areas, 3NGOs with development projects, agro industrial activities and credit component. The case of SODECOTON, and South West Development Authority.

With growing interest in the sector in the absence of effective governance mechanism, the monetary authority in other words the Ministry of Finance took over control of the microfinance sector initially placed under the ministry of Agriculture. This led to a series of texts relating to sub regional integration, supervision and control of microfinance activities. These texts were adopted unanimously by a council of Finance Ministers from the Economic and Monetary Community of Central Africa (CEMAC) by 2005.Consequently, the new regulation which became effective as from April 14, 2005, organises the sector and classify MFIs into three categories.

First category includes MFIs accepting savings and credits just from their members. Second category includes MFIs accepting credit and savings from members and non members and the third category, MFIs granting just credits to the general public. They extend credit to third parties without collecting savings.

Since after the classification, commercial banks involvement in microfinance in Cameroon has increasingly become visible. Starting with, Afriland First Bank- created MC^2, the microfinance brand in 1992, BICEC another giant in the banking sector created ACEP and CVECA, while from the opposite direction CAMCCUL network created UBC a commercial bank that out rightly failed to take advantage of the pool of competitive advantage offered by CAMCCUL. New players in the sector include SGBC that introduced the Advans microcredit brand and Ecobank that brought in EB-ACCION the latest player in the market in 2009.

1.1 THE MICROFINANCE ENVIRONMENT OF CAMEROON

Data from the Banking Commission of Central Africa States, industry sources confirmed by various focus groups show that the activity of microfinance is growing rapidly in Cameroon. In the phase of growing consolidation and restructuring in 2006, there were about 490 MFIs in Cameroon (down from the 656 MFIs previously identified in 2000) with about 1052 outlets (against 700 in 2000). The customers/members then stood at about 849030 which were up compared to the less than 300 000 customers registered in 2000. Growing interest, closer supervision and monitoring resulted into strengthening equity base that rose from FCFA 3billions in 2000, to FCFA 19.9 in 2006 and today, according to market intelligence and industry sources total equity sits around FCFA 23,5billions. Capitalization ratio for MFIs continues to grow although; CAMCCUL the market leader is disproportionately represented.

1.2 DEMAND OF MICROFINANCE SERVICES IN CAMEROON

With a population of about 19.8million and being the most populated country in CEMAC, the microfinance industry of cameroon continues to record an impressive growth in terms of members and account holders with current market intelligence estimate estimated at close to 1,4million account holders. Thanks to vigorous reform programs launched to develop and enforce an adequate regulatory framework, measures put in place by the ministry of finance to protect depositors and strengthening internal control system put in place in some of these institutions in partnership with stipulated external auditors. According to current central bank statistics, 52% of MFIs are located in urban areas as opposed to just 48% in rural areas. The distribution of branches of MFIs member institutions is disproportionate with three of the ten regions of cameroon-the North West, Littoral and Centre regions counting about 60%, while the South West, the West and Extreme North controls 28% of the number of MFIs.

Today, within the network of microfinance institutions, cooperatives, and some common initiative groups carrying out savings and credits, it is estimated there are about 1.5million accounts. This number is significant when compared to the almost same level of accounts registered in the commercial banking sector. However, access to financial services in cameroon is deemed very low compared to other parts of Africa particularly when compared to the rest of developing countries.The situation is made worst as most MFIs limits their branch network in urban areas.

Microfinance institutions just like their commercial banking counterparts are concentrated in the cities of Bamenda, Douala and Yaoundé, although most of these institutions had their origin from indigents from the North West and Western regions of the country. Yaoundé, Douala and Bamenda remain the most concentrated cities with MFIs branches. Most villages and some semi urban areas are yet to feel a touch of MFIs. This is due to poor road infrastructures, little or no telephone coverage, lack of electricity supply and low level of security. This is particularly sad as close to 50% of the country’s population live in rural areas and an estimated more than 60% is dependent on agriculture and farming for their livelihood.

Official government statistics on the informal sector is scanty due to the paucity of data on the number of informal enterprises in Cameroon and the annual growth in this sector. What is visible is the fact that growth within the informal sector is faster than that experienced in the formal sector due to the growing number of informal enterprises, street hawking, and arbitral tax assessment system adopted by unscrupulous tax officials. Demand for financial services for the majority of Cameroonians in urban, semi urban and rural areas is still limited to money lenders, petty traders, grocery retailers, roving cash collectors “njangui” houses, with some still relying on grandparents and elderly people to guard their savings. In 2000, the Banking Commission (COBAC) estimated that just an equivalent 7% of the potential market of microfinance have been met with an estimated number of about 300000 customers as at the time. Today, according to sensitive market information data collected and trade interviews with leading experts, the number of customers have more than doubled to sit at about 1.5million, total savings sit at more than FCFA 311billions, total credit outstanding sit at close to FCFA201billions. Total deposit outstanding sit at about 13% of the value mobilised in the commercial banking sector. These figures are still low when compared to the potentials within the microfinance sector of the country. Although, with a good number of financial services offered by both the commercial banking and microfinance sectors, the demand of financial services is still relatively low when compared to other countries like Ivory Coast and Ghana. Worst still less than 48% of Cameroon is currently covered by financial institutions, pushing many to still rely on traditional and informal financing.

Market Outlook: 2000-2011

	2000	2006	2008	2010	2011
Customers/Members	219410	849030	1058498	1445235	1509368*
Deposits Outstanding BFCFA	38	162	258	311	342,5*
Credit Outstanding BFCFA	28	104	138	176	201*
Equity Outstanding BFCFA	3,0	19,9	22,5	23,7	24,5
Number of Outlets	700	1052	1189	1348	1389*
Profit BFCFA					
Number of MFIs	656	490	531	589	645
Employment	4156	7425	15241	15752	16159

Source: Market Insight, market intelligence, trade press, industry survey December 2011

These numbers demonstrate the fundamental strength of the industry and the potential it still has to expand. As presented in the table, the year on- year growth rate has been increasing at an increasing rate, illustrating the increasing opportunities in the sector. The growth rate is still high and is reflective of the industry approaching a more sustainable rate of expansion.

CAGR-Cameroon Microfinance sector 2000-2011

Customers/Members	53.5%
Deposit Outstanding	86,5%
Credit Outstanding	56.2%
Equity Outstanding	65,2%
Number of Outlets	9.0%
Number of MFI	-0.2%
Employment in the sector	26.3%

Source: Market Insight, market intelligence, trade press, industry survey November 2011

Over the past eleven years, the Cameroon microfinance sector has delivered a CAGR of 56.2% in terms of credit portfolio outstanding. The industry also registered a CAGR of 86.1% in deposits outstanding and a CAGR of 53.5% in the client base. In the 11 years from November 2000 to November 2011, the microfinance industry experienced a CAGR of 65.2% in its equity base from just FCFA 3billion in the year 2000 to FCFA24.5billion by the end of 2011. The number of MFIs branches also registered a positive 9% CAGR over the last 11years, while MFI registered institutions experienced a negative constant average growth rate of -0.2% over the last 11years. Negative CAGR at the level of MFIs created is as a result of closure of more than 200 institutions in 2006.

Total deposits collected by MFIs in the Cameroon market at the end of 2010 reached an impressive figure of FCFA 311billions and according to industry sources the figures should reach half a trillion FCFA by the end of 2015. Gross outstanding credits continue to record double digit growth as the figures stood at FCFA176billions at the end of 2010. In terms of resource mobilization, the CAMCCUL microfinance network remains the biggest market player within the microfinance market of Cameroon, controlling out rightly more than 49% value and volume shares of the market. Other major players include Credit Communitaire D'Afrique (CCA) with FCFA66billions (21%), MC^2 micro bank network with FCFA28billions (9%), First Trust Savings and Loans with FCFA16billions (5%).

SUPPLY OF FINANCIAL SERVICES BY MFIS IN CAMEROON

The roots of formal MFIs in Cameroon can be traced far back as 1963 when the first credit union was set up at Njinikom in the North West region of Cameroon. Thanks to the work of a catholic reverend father who encouraged Christians to form groups as a way to help each other improve their economic situation. Today, with the current philosophy of little by little your savings grow, like the biblical mustard seed, it has grown to become the biggest network and player in the microfinance market of Cameroon under the umbrella institution Cameroon Cooperative Credit Union League (CAMCCUL). Apart from the CAMCCUL network, MFIs establishment in Cameroon setting aside CAMCCUL was discouraging until 1980s when the banking crisis led to the collapsed of series of commercial and developmental banks and subsequent closure of commercial banks branch network in most rural and semi urban areas. These expanded existing gap for the supply of financial and micro financial services in rural areas.

Major players and prospects within these periods gathered momentum, with President Biya's New Deal policy inviting the elites and the masses to come up with different methods to help their communities and assist in the national fight against poverty. This call made by the President was strengthened further by the 1990 law N° 90/053 of 19 December 1990 liberalising associations and law N° 92/006 OF 14th August 1992 relating to cooperatives and Common initiative Groups (CIGs). New brands were established beginning with the MC2-microbank- the micro bank brand of Afriland first bank group, First Investment and savings, today known as La Regional, CVECA-**Caisses Villageoises d'Epargne et de Crédit Autogérées,** National Investment and Savings, Confinest, and a host of other MFIs emerged. As at this time, these institutions were all put under the minister of Agriculture, with little or no supervision and control expertise. Coupled with many irregularities and malpractices at the level of each institution and the urgent needs to protect the public and guard depositors' funds, a Prime Ministerial decree moved the granting of licenses, the supervision of MFIs, and control of all MFIs under the Ministry of Finance.

In 2000, the banking Commission estimated the number of microfinance institutions operating in Cameroon at 652 and today, the number is estimated to be about 645 for both registered and unregistered MFIs. MFIs in Cameroon are classified under three categories. Category one, two and three. Category one or class one-institutions are those that have just members, accept deposit and lend money just from and to the members, This category includes associations, cooperatives and credit unions. Class two –those accepting deposits from members and third parties (customers), this category groups limited liability companies that function more like micro banks and category three those engaged just in lending do not collect savings and deposits. They include micro credit and project financing institutions.

Majority of MFIs offer principally three services. These institutions accept micro savings, grant micro credits, and carry out money transfers. Other services such as micro insurance, mobile money and other social services are still at the developmental and experimental stage, with CAMCCUL, the MC2-microbank and CCA vying for leadership position in the development of micro-insurance.

In terms of value and volume shares, Class one institutions dominated by the Cameroon Cooperative Credit Union League, Mutuelle Communitaire de Croissance (MC^2) and Caisse Villages dominate the microfinance market of Cameroon, controlling out rightly more than 68% of the total number of customers/members, deposits and outstanding credits in the sector while prominent class two institutions as CCA, La Regional, First Trust Savings and Loans, Community Credit Company control less than 30% of the entire sector. Many individuals particularly women operate independently in both rural and urban areas, offering roving cash collection services, daily saving opportunities with members adhering to the scheme made to pay a monthly fee which is an instalment equivalent of their daily contributions. However, these traditional and informal financial institutions are constrained by geographical and societal boundaries with no aspiration to expand. New players in the South West region of Cameroon such as Access Finance, and Dominion Finance move from door to door offering households the possibility to pay their electricity and water bills with a fee of FCFA200 per bill.

In the absence of interest rate ceilings, interest rate charged by MFIs varies from one institution to the other. Interest rate on savings varies from 3.25% to as much as 15% annually while interest rate on loans ranges between 3-10% monthly for overdrafts excluding other related charges such as file fees, insurance and subscription charges. Interest charged on credits sits right above 30% with the exception of the MC^2 micro-bank network where a maximum of 15% interest rate on loans is charged to the members. Some MFIs compel their members and customers to save for some period of time before they can be offered any credits. This is unique with the category one institutions. For example, at the level of the MC^2- micro bank, members are made to take their destiny into their hands, build their own savings before seeking any external support.

Name of Institutions	Customers/Members	Deposit outstanding	Credit Outstanding
CAMCCUL	586000	138,3	83,2
CCA	199000	66,6	29,4
MC2	132097	28,5	12,5
La Regional	17256	10,2	5,4
First Trust	33563	11,3	6,5
Others	541452	49,7	25,7
Total	**1509368**	**311,3**	**162,7**

Source: CAM- Market Insight-Market Research, Market Intelligence, newspapers and estimate 2011

It is important to note here that, despite the rising number of MFIs in Cameroon estimated today by the regulatory authority COBAC to sit at more than 856, just about 10% of the estimated potentials of the microfinance industry have been exploited. There is a large amount of untapped geographical territory, client base, services combined with the enormous potential growth strengthened by the favorable agricultural landscape and low level and willingness of commercial banks to go to the field. In addition, no efforts are currently underway to utilize the already created network of some of these MFIs by commercial banks to deliver both, financial and nonfinancial products and services. However, prominent market leaders within the Commercial banking sector have long realized the importance of micro-banking channel. For example, Afriland First bank Group introduced the MC2-Micro bank brand in 1992 while SGBC in partnership with HORUS Finance introduced Advans Cameroun and recently Ecobank in partnership with ACCION introduced EB-Accion.

Unfortunately, Union Bank of Cameroon created some ten years ago by the CAMCCUL network of microfinance institutions failed to maximize the pool of existing advantages offered by credit union branches. It was acquired by OCEANIC Banking Group from Nigeria in 2008. In addition, since it is unlikely the existing potentials for an untapped demand will be satisfied in the short or medium term, opportunities abound for all categories of MFIs that can innovate, take advantage and turn things around. Unfortunately, prominent MFIs such as CCA and First Trust are instead vying for commercial banking licenses while the big ticket lies in the microfinance sector.

In Cameroon, no MFI is currently being listed on the Douala nor is the regional stock exchange based in Libreville Gabon and it unlikely any will do in the near future as most of these institutions are family or village oriented with a very strong focus at preserving the village or family identity.

On the occasion of a consultation workshop on the implementation of the national policy on microfinance in Cameroon held in Kribi-Cameroon, 28-30 June 2004 reinforced in a panel of discussion in 2011, industry players drew up the inventory, and came up with the following findings:

i. The geographical distribution of MFIs on the national territory is uneven
ii. The expansion of savings collection is remarkable, but is accompanied by a low coefficient of transformation of these resources in credit
iii. Deposits are concentrated among a small number of MFIs
iv. MFI resources are insufficient to finance the short-, medium-and long-term clientele
v. The MFIs access to external financing is severely limited by lack of appropriate security mechanisms
vi. The lack of professionalism of some players
vii. Dialogue between different stakeholders is low
viii. The link between banks and MFIs is weak
ix. Lack of resources and government support for expansion in deprived areas
x. The state plays a role still insufficient in promoting the sector, due to insufficient resources.

The unmet needs are mainly the following:

- Lack of long-term funding resources
- Difficulties in implementing effective security system
- Difficulties in creating a channel for donors intervention
- Coverage of the national territory
- Growing loan delinquency level
- Instituting good governance and transparency while strengthening the supervisory body
- Lack of qualified human resources and need of professionalism by:

a. The development of appropriate procedures
b. The implementation of reliable compatible information systems with new communication technologies
c. The definition and implementation of a policy of human resource management
d. Adherence to a code of ethics
e. The design of systems to prevent risk and internal control
f. Development of business plans and strategic development

- Management database, resource center (documentation, information, education)
- Product diversification

1.3 COOPERATION BETWEEN BANKS AND MFIS IN CAMEROON

Commercial banks in Cameroon maintained a positive relation with MFIs in Cameroon, although each remains suspicious of the other for intervening in cross boundary activities. MFIs have always turned to commercial banks for franchising services such as money transfers, management of liquidity, and to a lesser extend funding. Others have created Bank MFI partnership such as BICEC investing in ACEP, SGBC in partnership with Horus Finance created Advans Cameroon, Ecobank in partnership with ACCION International introduced EB-ACCION while Afriland First Bank the market leader long created a rural banking brand in 1992 the MC2.

Relationship and cooperation between commercial banks and microfinance institutions continue to grow. Many commercial banks have identified MFIs as important cost effective rural banking channels to tap into the pool of resources in rural areas long identified by a Cameroonian born entrepreneur Dr.P.K Fokam in a personal study in 1992. The microfinance sector is developing rapidly in Cameroon and major promoters such as Afriland First Bank, CAMCCUL, BICEC, SGBC and UBC have to continue to contribute in finding solutions on how to move the industry to the next stage. MFIs continue to express needs in various fields, but most often lack the skills and resources to go about it. A partnership between commercial bank and an MFI tailored to each of these needs can be a way forward.

In order for other commercial banks to mark a presence and create an immediate impact, they should be ready to learn from major industry players such as Afriland First Bank that created a micro-bank brand, and department while deploying resources to support profitable opportunities with the micro banks. Commercial banks must be ready to shift the traditional Commercial bank MFIs relationship most often limited to bank’s customer and transfer of money window to developing a bank MFIs partnership. Through this partnership, services and products offered by both partners can get to the access of rural people with emphasis on profitability.

Commercial banks should be ready to cooperate with other MFIs in the industry to leverage their expertise, through technical assistance, workshops, and focus group discussions. Through this, commercial banks can grab a higher layer of customers within the microfinance sector. Given this opportunity and growth dynamics in the sector, the microfinance sector of Cameroon is increasingly becoming a viable investment sector for commercial banks and other investors, as social investors thus far are almost absent.

However, intervening directly into rural areas from the commercial bank perspective remains financially unfeasible due to the low volume and high cost dynamic. Again, low income households needs of financial services are different in terms of time, immediate needs coupled with a vulnerable income stream. Consequently, most often, they are not interested in the same financial products usually offered by commercial banks to the rest of the population. Again, existing credit products offered by commercial banks remain unsuitable to low income and rural consumers because of the unavailability of marketable security. Most often established branch of commercial banks makes little or no effort to provide support or sensitization to mitigate these challenges.

In addition, informal institutions remain very strong in some rural areas of the country, with traditional associations, peer groups, “njangui”, elderly people and money lenders still competing effectively due to their 24hrs access, flexibility and matching of payments to the major income stream of the individual. More so, passion for savings in the form of fixed assets, rearing of animals is still relatively high particularly in rural and semi urban areas.

1.3.1SWOT ANALYSES OF THE MICROFINANCE SECTOR CAMEROON

STRENGTH	WEAKNESSES
• The approach adopted by MFIs operating under an umbrella institution like CAMCCUL, and the MC2-ADAF is relatively good for the financing of members' activities and rural development. • Some MFIs charge reasonable interest rate that is commensurate to the low bargaining power of the poor and suit the poverty alleviation objectives they strife to fulfill • MFIs have accumulated an important volume of deposits • Organized traditional leadership structures in rural and semi urban areas • Excellent landscape for tourism in some rural areas-Menchum fall, lake Nyos • Fertile soil and favorable climate to boost agriculture in rural areas • Pasture land for cattle, sheep and milk production • Existence of thousands of cattles, sheeps to be fattened • Attractive and diversified local folklores • Excellent telephone coverage-MTN Orange in some rural areas • Diverse Socio political groupings-Connected to other local markets • Tens of developmental partners, hundreds of CIGs & NGOs	• Poor farm to market road networks to facilitate sales and transportation of agricultural products • Concentration of Civil Society developmental actors mostly in urban and semi urban areas • High interest rates, and growing number of informal financial institutions • Prevalence of HIVs with negative preconception • Denial of assets and landed properties to women in some areas • Type of Credits offered not adapted to the needs and wants of the target customers • Poor treasury management in most MFIs, with a very low transformation ratio with respect to COBAC prudential norms • Growing bad debts and doubtful loans, and laxity in the realization of defaulters guarantee. • Some MFIs are not computerized and most do not respect the prudential norms of COBAC, poor portfolio quality • Poorly trained personnel, under capitalization, concentration in urban areas and dishonesty of some developers
OPPORTUNITIES	**THREATS**
• The presence of a new strategic document for employment that favors the development of the microfinance sector. • Low banking rate in rural areas. This leaves a very huge part of the national territory still to be covered by both prospective and existing MFIs • Strategic document for agricultural sector development presented by the Ministry of Agriculture that gives credit to the development of a rural financing system (Agricultural Bank and Microfinance). • Opportunities offered by the Ministry of Finance to MFIs to be able to pay pensions for retired civil servants, civil servants salaries and a host of other financial services through MFIs • Opportunities to work with and receive support from both national and international players, Ministry of Agriculture, SOWEDA, World Bank, IMF • The underdeveloped capital market/ low level of supply of financial services • Diversified income generating potentials, with direct boarder with Nigeria • Elite committed to the development of the local community • Harmony between the major development actors especially political parties •	• The absence of a unique tax system adapted to the microfinance sector • The procedure to obtain an operations license does not favour the development of microfinance of a particular category present mostly in rural areas. • Poor judicial system that doesn't facilitate and consequently hampers the recovery of debts. • Poor quality of infrastructures, bad roads, no network coverage, low electricity and water supply in majority of rural areas that limits MFIs establishing their operations in rural areas. • The informal sector remains domineering and continues to grow at a faster rate than the formal sector. • Some prudential norms within CEMAC and the Banking Commission disfavor the development of certain categories of MFIs, particularly class one. • The absence of a guiding competitive law that favors MFIs with hidden agendas and low transformation rate of resources collected so far • Frequent cut and blackout of electricity supply/ mass movement of youths • Eruption of constant farmers grazers conflicts in some areas with landslides common in the raining season

	• Political impediment to say yes to decentralization • Low saving culture • People prefer to save in landed properties or animals

1.3.2REGULATORY ENVIRONMENT

Before 1998, microfinance institutions in Cameroon were supervised and placed under the control of the Ministry of Agriculture. During the period the activities of these institutions were seen as essentially suited for the promotion of rural and agricultural activities. However, as a result of many irregularities in the field and due to little or no supervision and control expertise at the level of personnel working in the Ministry of Agriculture the was an urgent need to protect the public and guard depositors' funds. This resulted into a Prime Ministerial decree that puts the granting of licenses, supervision, and control of all MFIs under the Ministry of Finance and COBAC.

In Cameroon, MFIs are regulated by three different laws: (1) the national law, (2) the Economic and Monetary Community of Central Africa (CEMAC) law instituted through COBAC, (3) the Pan African Organization for Harmonization of Business Law in Africa (OHADA). Each institution is compelled to comply with these frameworks paying attention to the basic prudential norms as stated by COBAC. However, despite the existence and clear definitions of these laws and regulations, dissemination among major stakeholders remains relatively poor. Again, the fact that many government bodies and ministries are involved in the provision of microcredit supposedly as a way of alleviating poverty and fighting unemployment from different dimensions complicate matters further. This is because through various memorandums the activities are carefully regulated.

The master text prepared by COBAC for the regulation and control of MFIs focuses on the nature of activities of these institutions and not their legal form. In article one of the text, microfinance is referred to as activities undertaken by authorized entities without the status of either a bank nor a financial institution, but do accept savings and offer credits in addition to other financial products to mostly those left out of the traditional banking system. The same text categorized these institutions under three categories

Category one: are institutions that collect savings and deposits and lend them to their members. This category includes associations, cooperatives and credit unions**.** There is no stipulated capital for category one institutions, instead COBAC text required the capital to be sufficient to cover and meet up with stipulated prudential norms.

Category two: are institutions that collect savings and deposits and lend them on to third parties. This category groups limited liability companies that function more like micro-banks. The minimum capital for category two institutions as stipulated by the text is FCFA50million. Proof of this amount must be shown in the form of a bank statement from any of the commercial banks.

Category three: is made of lending institutions that do not collect savings and deposits. They include micro credit and project financing institutions. The minimum capital requirement for a category three institution is FCFA25millions. This amount must be fully paid with evidence shown in the form of a bank statement from a commercial bank as at the time of application for accreditation.

Prudential and non-prudential requirements are more stringent for MFIs that mobilize public savings, and this follows good practice. As part of the 2002 regulation, COBAC also established 21 regulations defining prudential ratios, and existing MFIs were compelled to comply with these ratios by the end of April 2007

According to article eight, all intermediation operations carried out by a microfinance institution is limited to the country where it is implanted. For any intermediation operations with the rest of the world, all MFIs must pass through a commercial bank, or other financial institutions within the country of operations. At inception, each category is expected to receive accreditation and license before commencing operations. The COBAC text also recommends each MFI to be part of the national association of MFIs. Their membership will serve as a liaison between policy makers, the government and provide members the opportunities to chip in their inputs for the development of better microfinance policies.

REGISTRATION

More than 80% of MFIs in Cameroon are registered as association or cooperative savings and credit institutions. These MFIs are consequently governed by the law No. 90/053 of 19 December 1990 on freedom of Association, and law No. 92/006 of 14 August 1992 relating to cooperative societies and common initiative groups. The other two categories of MFIs are registered either as limited companies or project financing institutions. After obtaining their legal form as it pertains to the various categories, each MFI must request for accreditation from the Ministry of Finance. This is in accordance to Prime Ministerial Decree of 1998 (No. 94 of 98/300/PM laying down the procedures governing credit unions, cooperatives).

This law was supplemented and strengthened further by CEMAC Regulation No.1/03/CEMAC/UMAC/COBAC pertaining to the conditions and regulations governing the exercise of microfinance activities in the Economic and Monetary Community of Central Africa that came into force in April 15, 2005. According to the stated purpose of these regulations: ".....the evolution and growth of microfinance structures in the Central African sub-region require the setting up of a framework to regulate the activities of the microfinance structures in order to secure saving and enable the financing of basic economic activities.

To submit an application, there must be a promoter or manager in place, as well as a general assembly or list of members. A certain amount of minimum capital, depending on the category of microfinance institution, must be already raised and an institution file must be created and submitted. This file, which passes through the Monetary Authority to COBAC, must include the following documents

- A stamped application specifying the requested category
- A registration Certificate
- The minutes of the general meeting for the creation of the institution,
- The Articles of Association of the Institution
- A list of founding members or shareholders
- The members of the Board of Directors or of the organ considered as such
- Where necessary, documents testifying that payments have been made in connection with the liberation of subscribed shares, supported by bank statements or any other documents serving as such
- A three year forecast of the activity, expansion and organization
- A detail of technical and financial means to be used as well as any element likely to enlighten the competent authorities38

	For Management	For External Auditors	
	• Copy of birth certificate • Two passport size identical photos • Copies of certificates obtained • Minutes of the general assembly meeting delegating their appointments • Copies of police report-non conviction for all members o management • Current resident permit in Case of a foriegner in the Board	• Copy of birth certificate • Two passport size identical photos • Copies of certificates obtained • Minutes of the general assembly meeting delegating their appointments • Copies of police report-non conviction for all members o management • Current resident permit in Case of a foriegner in the Board • Agreement as a certifed accountant in CEMAC • Memebrship inscription into the national order of accountants	

A lot is still to be done within the microfinance sector of Cameroon. Most MFIs continue to suffer from poor management, lack of resources, skilled personnel and fuzzy business strategies. Perhaps more serious is the violation of basic prudential norms stipulated by the Banking Commission and poor internal control. Early 2011, the government announced the liquidation of "Cooperative Financière de l'Estuaire (COFINEST), a major player in the microfinance sector with 27 branches over the national territory, and about 57000 customers. In addition, it is possible to find many MFIs operating without accreditation.

Prudential Norms stipulated by COBAC

Prudential norms for the control and supervision of microfinance institutions' activities as stipulated by COBAC are recapitulated in the table below

	Norms Description	**Requirement**
	Solidarity funds as a percentage of Capital	>=40%
	Obligatory reserves norms	>=40%
	Risk coverage ratio	>=10%
	Ratio of highest debtor-Highest debtor as a percentage of total debt	<=15%
	Assets coverage ratio	>=100%
	Administrators, management and employees engagement	<=30%
	Credit /resource ratio or transformation ratio	<=70%
	Ratio relative to line of financing received	>=50%
	Liquidity Ratio	>=100%
	Limit of other activities carried out	<=20%
	Biggest Shareholder ratio	<=20%
	Norme de prise de participation	<=15%

Although the laws and regulations are well spelt out in the microfinance sector of Cameroon, Cameroon is Cameroon. Major players have come to understand it is better to know how to play around the rules than respecting these rules. The sector is governed by Law No 01/02/CEMAC/IMAC/COBAC concerning the conditions of exercise and control of microfinance activities in the Economic and Monetary Community of Central Africa States that went into force in April 2005 while classifying MFIs into three categories:

Category one: are institutions that collect savings and deposits and lend them to their members. This category includes associations, cooperatives and credit unions**.** There is no stipulated capital for category one institutions, instead COBAC text required the capital to be sufficient to cover and meet up with stipulated prudential norms.

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Category three: is made of lending institutions that do not collect savings and deposits. They include micro credit and project financing institutions. The minimum capital requirement for a category three institution is FCFA25millions. This amount must be full paid and evidence shown in the form of a bank statement from a commercial bank as at the time of application for accreditation.

However, due to their direct involvement and collection of public savings, category two microfinance institutions are subjected to stringent regulations. Within this context, the Banking Commission published 21 additional prudential norms that became mandatory in April 2007 and which provide the possibility of the supervisory and control authorities to revoke the license/ authorization of MFIs not complying.

These regulations and prudential norms establish prudential standards with respect to liquidity and solvency of the institutions, the minimum capital (no minimum for the first category, FCFA50million for the second category and FCFA25million for the third category. Attention is also shifted to the distribution of risk, resource processing (transformation ratio) while at the same time cautioning the use of external financing which should not exceed 50% of equity.

Again, with the existent of a law requiring all MFIs to transmit monthly report to COBAC, just end of year audited financial statement are currently being submitted and most often they are submitted late with less than 60% of MFIs are submitting. Supervision and control remain weak at the level of COBAC, due to lack of resources and man power to frequently carry out spot checks and discipline. Prudential regulation requires large financial, human, technological and legal resources. COBAC and other supervisory authorities charged with these responsibilities are poorly equipped in terms of enforcement resources and generally unable to carry out control on the operations of financial institutions.

According to existing COBAC text, MFIs in each member country are recommended to create a single professional association for all microfinance operators. COBAC expect these professional associations to serve as a doorway between policy makers, donors and MFIs and also contribute to the development of microfinance policies, rules and developmental plans. COBAC also expects these professional associations to facilitate the prudential role of regulators by fostering transparency and sustainability in the sector through innovation and professionalism.

Regulators in the CEMAC favor the grouping of microfinance institutions into networks. The regulators have laid down the rules for representation within these networks as well as control and management procedures. Networks apply for accreditation on behalf of their members, vet the management team and develop internal control and reporting mechanisms. CAMCCUL is a very good example of an MFI operating in a network. This choice is strongly motivated by the shortage of resources and manpower. This can be an easy pathway for small cooperative wishing to seek accreditation.

1.4 INTERVENING MODE OF COMMERCIAL BANKS IN THE MICROFINANCE SECTOR

There are principally two modes of intervention used by banks in Cameroon to participate in the microfinance sector. Some have termed these modes, the direct and indirect method. The direct method most often is referred to as the downscaling approach while the indirect route is referred to as the partnership approach with MFIs.

At the level of downscaling, commercial banks adjust it procedures or design new products tailored to a particular niche in the market or directed towards the microfinance sector. The decision to downscale is most often motivated by growing competition in the banking sector and or personal interest developed within a microfinance sector through the identification of a niche. Afriland First Bank Group supported the creation of the MC2 network with the NGO ADAF and also provides direct retail services to small and medium enterprises.

BICEC Bank has recently adopted a new SME strategy, and they have been involved for years with leading MFIs such as ACEP and the CVECA network. Most MFIs hold bank accounts and many work as franchisees for banks to process international and/or domestic money transfers. Recently MFIs report that banks have been closing their accounts and becoming more competitive with MFIs. With the right strategy and good models of alliances, the banks could work effectively with MFIs to extend their retail services.

1.4.1 Creating a Specialized Microfinance Unit

In this strategy, Commercial banks have two options. The bank can create an internal microfinance unit, or incorporate a product of micro finance in an existing unit of the bank. Of the two possibilities, the introduction of new product in an existing unit seems to be the cheapest and easiest to implement. However, based on existing studies made to some of the banks using this method in Latin America, this mode of intervention has very little documented success. The simplicity of its introduction is the fact that the new product requires no special intervention. The product is simply introduced as a new product from the bank, adding a marketing campaign and promotion. The ease with which the product is processed may explain its lack of success as microfinance is a specific product that does not require the same interventions in conventional banking products. This method however easily takes advantage of the following

Use the support of other departments of the bank with charges limited to the hiring of staff.

1.4.2 Creating a MFI Subsidiary

One way to overcome the drawbacks of an MFI internal unit is for a bank to establish a financial subsidiary that specializes in microfinance. The subsidiary is a financial institution regulated by banking authorities. It must be approved by the banking authorities, which submits it to minimum capital requirements and compliance with all regulatory requirements. The financial subsidiary may be a property of the bank or take the form of “joint ventures” with other partners. This form of joint venture can be very beneficial to the bank when investors have associated know-how and experience in micro finance. In addition, the opening of the capital of the subsidiary to other investors also allows it to reduce the risk of entry into microfinance, by sharing with other investors. Other advantages of this model are that the activities of micro finance are equipped with separate governance, which results in a structure of staff and appropriate

management practices. It should also be noted that the establishment of a financial subsidiary allows the bank to be exposed to at least some risks including those related to its reputation. However, it allows for
A clear legal structure
Allows real autonomy of microfinance
Limitation of risks associated with entry into microfinance (shared with other shareholders)
The separation can limit the risks associated with the image

1.4.3 Creating a Microfinance Service Company

The service company in micro finance is a modification of the financial subsidiary that has the advantage of being cheaper and less complex in its operation and its implementation. It is defined as a non-financial corporation that provides services and management for granting credit to a bank. Unlike the microfinance subsidiary, the service company does not require approval and is not subject to regulation by the monetary authorities. This model is fairly new and was tested for the first time by Accion. Just like the microfinance subsidiary, it can be a property of the bank or having investors from several associates.

This model gives the bank the opportunity to seek the expertise of external partners through an opening in its capital assets to investors in microfinance, which would not allow the creation of an internal unit. In this model, all the work of promotion, evaluation, approval, monitoring and collection of funds rests with the service company. However, the credits are recorded in the records of the parent bank and the company is paying for the services. The service company, like the financial subsidiary, usually has a self-governance, identity, and structure of its own personnel. The agents of the service company directly involved in the management of funds are skilled in micro finance and differentiate agents of the bank. The only close involvement of the bank is to provide the company paid services such as IT support, some technologies and personnel for operations not closely related to micro finance.

1.4.4 Forming a Strategic Alliance

One way for a bank to get involved in microfinance without direct exposure to risk, is for her to develop partnerships with microfinance institutions in place in the market. In the context of cooperation between the bank and the MFI, developed alliances are complementary in nature, insofar as they relate to the exchange of expertise or resources. The partnership between the bank and the MFI is mutually beneficial: each partner may feed his account. There are several possible types of partnership: financial, technical, institutional, etc .

A-Financial

The financial partnership can cover several forms depending on the degree of trust between the two institutions. The form of partnership the most common and easiest in Cameroon is for MFIs to invest with a bank of the surplus savings of the MFI. This form of partnership is a traditional relationship with bankers' customers' relationship.

Another form of further financial partnership is for both institutions to sign an agreement to refinance. This partnership requires refinancing a higher level of trust between the bank and microfinance institution and its survival is usually conditioned by results of good management on the part of the MFI. In this context, the product distribution agreements may be concluded between the Bank and the EMF.

B-Technique

The technical partnership is based generally on the service of the bank in favor of the MFI. It can include training, transfer of funds, auditing, monitoring, provision of the bank's infrastructure to MFI. A partnership approach technique is closer to a bank to secure its loan collection counters and the granting of credit for the MFIs

C-Institutional

This form of partnership can cover several institutional forms: sponsoring, subsidizing, provision of expertise, initiator, owner etc.. It allows the bank to be recognized as a preferred partner in microfinance without exposing its brand image.

D-Other Forms of Partnership

These are mainly the equity and investment funds for the benefit of microfinance. When a bank takes a stake in a microfinance institution, at the height of its contribution it might influence decisions right up to board level. Thus, according to this mode of intervention, the bank can help technically to improve the infrastructure, staff, supporting in case of financial difficulties through a loan or even provide refinancing.

2.0 PROBLEMS AND IRREGULARITIES IN THE MICROFINANCE SECTOR OF CAMEROON

On the 18th of February COFINEST a major microfinance institution collapsed sparking protest in the height of the growing unrest and the second wind of change in North of Africa. Thanks to the timely intervention of the government who through the Ministry Finance, promised to reimburse depositors and pay the February salary of the institution close to 300 employees. Cofinest's solvency problems were first revealed in December 2007 when Banking Commission placed it under provisional administration after control team from COBAC disclosed a number of irregularities ranging from substantial non performing and insider loans worth about FCFA3.6billion. All efforts made to turn around the image and activities of the institution failed because of the limited power of COBAC. Again as mentioned by the regulatory authority, the shareholders owed the institution FCFA5billion, almost 10times more than what is stipulated by the prudential norms on insider lending which led the Minister of Finance to accuse the shareholders of embezzlement.

According to the secretary general of COBAC at the time Idriss Ahmad Idriss, despite efforts made by the supervisory authorities and institutions to certify microfinance in Cameroon, the sector remains fragile and suffers from a total disorder that makes it difficult to control. This led the finance minister of Cameroon at the time to promise the public the government would put in place a system to control and closed down all institutions not adhering to the rules.

Cameroon MFIs face several constraints related to loan collection and the realization of collateral. Very few of the hundred MFIs register collateral officially given lack of knowledge and expensive procedures to register. As a result, MFIs have difficulty realizing collateral through the courts. When clients have loans from banks and MFIs, the banks are generally better positioned to seize collateral. As a positive step, the draft OHADA uniform act on cooperatives provides simplified measures for collateral registration and processing. But little or no efforts are currently being done to sensitise the institutions.

The matter is made worst as Cameroon MFIs do not have access to the national credit bureaus and some experts fear this will cause more problems as banks begin to lend more to small businesses. Again, licensing MFIs is not an easy process in Cameroon. Licensing MFIs is a dual responsibility shared between COBAC and the monetary authority-the ministry of Finance. The ministry of finance receives applications, conduct an initial review and submit them onto COBAC for approval within three months. After reception, COBAC issues a positive or negative opinion on the application within three months and the Ministry then formally issues the license or the rejection to the MFI. Although, the Ministry of Finance is not in a position to override any decision from COBAC, it must explain any rejection of application by COBAC. Here, COBAC makes the licensing decisions, while the monetary authority executes them by issuing licenses and closing down unauthorized MFIs.

The microfinance department of COBAC lacks human and financial resources. The department has made considerable progress, especially given the number of MFIs in the region. However, given funding and personnel constraints, the team has only been able to achieve part of their action plan. However, so far, COBAC has made impressive progress in strengthening regulation and licensing of MFIs in the region despite extremely limited resources. To fulfil their role as regulator and supervisor for MFIs, COBAC needs additional human and financial resources and technical assistance.

In addition growing robbery into microfinance outlets in both urban, rural and semi urban areas is a call for concern. News of MFIs being boggled on daily basis is now breaking news in most television post scripts. Some of these MFIs open at 7am and close their offices at 5pm.

Micro-savings in Cameroon

FOTABRIGHT MARKET INSIGHT

January, 2012

MICRO-SAVINGS IN CAMEROON

HEADLINES

- Total deposits in MFIs grew by 10,5% to reach FCFA342.5billions in 2010
- Aggressive marketing and new concept introduction by category two MFIS drive deposits in 2010
- In the absence of interest rate caps, interest on savings is institution dependent.
- CAMCCUL remains undisputed market leader, while CCA experienced the fastest growth
- 10% CAGR expected over the forecast period as overall savings is expected to reach half a trillion by 2016

TRENDS

- The increase in outlets for many MFIs as a result of expansion and money transfer services contributed immensely to the growth of micro-savings in 2011. In addition, more customers were motivated to patronise microfinance institutions as the number of partnership between MFIs and commercial banks increased. Most Commercial banks continue to franchise to MFIs money transfer platform. This increased the visibility and credibility andgave most MFIs a face lift as they indirectly benefited from these cobranding brand equity. Most prospects who enter into any of these MFIs to make or receive transfers were connered to take advantage of the growing network and open up an account thereby boosting savings.
- Again recently, there have been a growing number of microfinance forums and workshops. In each of the workshops and forums, organizers used the opportunity to the maximum extent to sensitize the public about how useful the sector could be and also teach participants and the community on how they could approach micro-financing institutions to aid them in difficult situations.
- In addition, various stakeholders such as developmental groups and international NGOs are introducing schemes basically intended towards launching a battle against poverty wherein the individuals concerned would be encouraged to use their savings and other resources towards helping the unfortunate people in the rural sector and villages as well as the down trodden women in urban as well as semi urban settlements to gain confidence as well as self esteem in away that would ensure sustainability.
- Consequently, overall microsavings registered a positive growth in 2011, however the growth in 2010 2011 was less than the growth registered during the review period as growth was affected negatively by the shocking collapse of a major microfinance institution, COFINEST, on February 22. This resulted to tremors across the sector and the misconceptions that people voiced about how successful the microfinance sector would be and so on.
- Roving Cash Collectors (RCC) encouraging customers to save on daily basis remained the fastest growing category in micro-savings in 2011. Most of these collectors are independent and their activities are inturm confined to a particular area. These traditional informal financial individuals have tended to be constrained by geographical and societal boundaries with no aspiration to expand. However, prominent institutions such as CAPCOL, CCC, Access Finance and CFA are using roving cash collection agents as their market entry strategy.
- Roving cash collection savings service remain the fastest growing concept, the growth of roving cash collection is backed by the sizeable riskless benefits earned by different stakeholders in the process. Each contributor is made to pay a single instalment of his or her monthly contribution as commission to the institution while others charged 10% on the total amount contributed per customer in a month.
- In the absence of interest rate caps on savings, the ministry of Finance and the banking commission officially fixed interest rate on savings at 3.25%. Within most MFIs, an average interest rate of 5% is paid to savings account holders per annum. However some MFIs desperate in need of cash pay as much as 15% on term deposits.
- Most individuals and some SMEs will go to MFIs to save temporal cash of little significance, but for other services such as cash and time deposits, they prefer commercial banks. Although, interest rates on savings and term deposits are relatively low within commercial banks, customers prefer to patronise commercial banks with respect of these services for the sake of security.
- The customers of MFIs are diverse. Cameroonians in all walks of life are involved in some way or the other. However, most MFIs particularly the category two, targets the poorer portion of the aspirer segment and the mid to richer portion of the deprived segment. It has therefore failed to reach the deprived segment leaving a greater proportion of the population unbanked.

COMPETITIVE LANDSCAPE

- CAMCCUL MFIs network consolidate it position as an undisputed market leader in deposit mobilisation controlling an outright 53% value shares. Thanks to the popularity of the brand within the Northwest and Western regions. Two areas with a very strong passion for community development. Again the network has a very strong reputation and credibility as it is the birthrock of formal microfinance in Cameroon and since creation in 1963, none of the units has colapsed.
- CCA saw the biggest increase in deposit mobilisation in 2011 gaining about two percentage point. Thanks to the aggressive market expansion, and positioning of the brand in major city areas. Again, the brand continue to benefit from the umbrella branding strategies of the group, and its association with it other group brands such as Afriexchange, Afrilec, Afrilux, Afrimed that offers CCA brand equity, and cobranding, that competitors find difficult to emulate.
- The position of CCA was closely followed by First Trust Savings and Loans, as the brand gradually following it partnership and association to the ORABANK Group. First Trust opened about two new branches following the injection of fresh equity by the ORABANK Group. This gave the brand an edge particularly in money transfers in Africa, as the money transfer platform of the group was opened to First Trust Savings and Loans.
- Almost 97% of MFIs in Cameroon are domestic brands. International MFIs are not very active in Cameroon, with the only new and significant international market player remaining Advans Cameroun and EB-Accion that entered the market two years ago. Other international brands such as Blue Finance from South Africa and Gatsby foundation are all category 3 institutions with few branches and limited resources.
- EB-ACCION, an international brand introduced in Cameroon following a partnership between Ecobank and Accion International, is the only new major player that entered the market recently. The brand is still to create an impact, as it branches are still limited in Douala. However, EB-ACCION should benefit significantly as an international brand reinforced by the cobranding with Ecobank.
- Mergers and acquisition is gradually gaining grounds within the microfinance sector of Cameroon. In 2011, Chatered Financial Assistance (CFA) took over ROFEC, a small microfinance institution that ran into financial dificulties in 2010. Orabank Group bought over First Trust as they took over 80% equity stake in the institution.
- Deposits within MFIs is currently limited to over the counter. However most MFIs today offers the services of money transfer while other services such as micro insurance are gradually being tested.

PROSPECTS

- The key forecast trend for microfinance in Cameroon is the expected increase in the number of branches of both independent and network institutions following plans by leading MFIs to reach more customers across the country. Again, MFIs are expected to benefit from ongoing plans to boost agricultural production in the country. MFIs with strong brand equity, such as First Trust Savings and Loans, CCA will benefit more from this trend. CCA has commenced plans to open regional branches in all the 10 regions to take advantage of decentralisation and the award of public contracts subsequently while assessing various opportunities for sub branches in other upcoming divisions and subdivisions. CAMCCUL has also announced plans to capitalize on the huge success as pioneer of formal microfinance in Cameroon by opening gaining as many as 50 new network institutions by 2013. This trend is expected to continue as more rural household become comfortable to patronise formal microfinance.
- Constant value growth of micro-savings is expected to improve marginally over the forecast period, despite expected growth in commercial banks branches. The primary reasons for the improve in the growth rate are growing measures to boosts agricultural production, growing number of MFIs branches, and growing awareness on the importance of savings in the fight against poverty.
- The potential forecast threats to growth include the growing number of unregistered MFIs, weaker internal controls in some MFIs, both of which are likely to scare some members and customers who are still low-income earners. Rising property prices may discourage some MFIs from expanding and opening additional branches in major cities as initially planned, thereby reducing their forecast micro savings value.
- With M&A activities gaining some momentum in the microfinance and banking sector, the microfinance sector may be the next to experience consolidation as companies seek to reach new customers. International brands, such as Oryx, which have advanced M&A activities in other countreis, might lead the way in Cameroon. If the control arm of the banking commission should improve on their control and supervision, many MFIs will have to be closed, or forced to merge with other institution.

- The leading microfinance institutions –, CAMCCUL, CCA and MC2, amongst others – are expected to do well during the forecast period because of their strong positioning and umbrella branding strategies. In addition, their approach and model of microfinance are appealing to the lower portion of the affluent community coupled with their respective brand equity. First Trust Savings and Loans, is also expected to perform well even as it increases the range of products and services and open up in other urban and semi urban areas.
- Unregistered institutions, most of which are unbranded, are likely to under-perform in the big cities as tightening control from the banking commission shift towards limit their accessibility to semi urban and rural areas. Even though patronage from low-income earners will continue in the short-medium term, it is not sustainable as Cameroon's economic forecast indicates a continued growth of the middle class. In addition, international brand such as EB-Accion and Advans Cameroun are likely to leverage various economies of scale to offer costomers better savings instruments than they would get from local players.
- MFIs need to build and maintain strong brand equity. A new generation of Cameroonians are beginning to take branding more seriously and MFIs with weak brands are likely to lose out from the trend. The prospects for network brands are very good.Brands with multiple branches such as CAMCCUL, CCA and MC2 are already benefiting from this opportunity. Finally, MFIs would need to develop and implement innovative value added services in addition to ones already in existence as consumers become more conscious of the quality of service they get from MFIs branches.

CATEGORY DATA

Table **Micro savings in Cameroon Billions of FCFA**

	2010/2011 Growth	2010	2011
CAMCCUL	7,6	138,3	148,8
CCA	12,3	66,6	74,8
MC2	21,8	28,5	34.7
La Regional	6,6	10,2	10.87
FIRST TRUST	13,3	11.3	12.8
CCC	9,2	6.5	7.1
Others	7,7	49.7	53,52
Total	**10,1**	**311,1**	**342,48**

Source: Fotabright from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Country = CMR
Project = MFI2012

MICRO-CREDITS in Cameroon

Fotabright Market Insight

January, 2012

MICROCREDITS IN CAMEROON

HEADLINES

- Microcredits grew by 12% in current value terms to reache FCFA 162billions
- The collapsed of COFINEST affected microcredit negatively
- Petty trading remains the dominant activities financed by MFIs in Cameroon
- Interest rate on microcredit continues to rise in the absence of interest rate caps
- CAMCCUL remains the dominant market player controling an outright 48% market share
- 8% constant value growth expected over the forecast period

TRENDS

- In 2011, many MFIs particularly those within category two continued to compete outrightly with commercial banks in the financing of major public contracts and contractors this helped in boosting value and volume sales of microcredit in 2011. CCA, First Trust and Azire Cooperative Credit Union Limited are prominent MFIs that are actively involved in the financing of public contracts. Again, many MFIs in partnership with their external auditors are offering quality training to their personels to take advantage of better risk management measures.
- Overall portfolio for microcredit grew by an impressive 10% in 2011. This growth was higher than the growth registered in the previous year. Thanks to growing stock financing for petty traders registered by new members in the market such as Advans Cameroon, growing financing of members business and educational credits within category two and one MFIs, and better internal risk mangement control gradually being installed by umbrella institutions such as CAMCCUL and ADAF.
- School fees loans or educational financing remains the fastest growing category in microcredit in Cameroon. Most MFIs prefer to finance the educational expenses of their clients and members as most often repayment is deducted from the monthly salary of the customer upfront. Again, repayment rate of educational credit is relatively high when compared to other categories such as petty trading and agricultural financing. The majority of the population are low-income earners who spend most of their income on meeting basic needs such as food. Petty trading financing are, however, growing in importance as they enjoy increased patronage from the youths and entrepreneurship spirit of a majority of Cameroonians who are trying to reinvent themselves.
- Although, MFIs microcredit channels in Cameroon outnumbered commercial banking channels, the majority of the population are low-income earners who spend most of their income on meeting basic needs such as food. The MFIs channels are, however, growing in importance as they enjoy increased patronage from Cameroonians with more disposable income. Consequently, interest rate charge on micro credit varies from one institutions to another, with some institutions charging as high as 36% interest rate per annum on loans and about 10% on overdraft per month.
- Interest rate ceilings on savings and loans might put upward and down ward pressure as savings will end up being limited to strong supporters of community development as more and more importance is placed on small and medium enterprises (SMEs) - for generating employment, for increasing income and providing services which are lacking
- Most MFIs and independent microcredit institutions in Cameroon financed a wide range of activities, especially petty trading. This strategy has a negative effect on Agricultural financing which most often is the primary activity of most microfinance clients. Most MFIs arent ready to venture into agricultural financing most often due to the lack of easily marketable collateral by most clients. Again because of the cyclical nature of agricultural products cash flow, most MFIs are gradually shifting attention from their overall mission of poverty alleviation as they attempt to compete with commercial banks in conventional banking services.
- Petty trading and school fees loans to civil servants are the most important and most successful microcredit activities financed by MFIs in Cameroon. The wide range of small entrepreneurs and petty traders gives MFIs the opportunity to perform and concentrate micro-lending in one location. Again, onlike agricultural loan financing, petty traders can easily be monitored on daily bases by loan officers.
- Microcredit in the form of inputs, stock financing are yet to create an impact in Cameroon. The South West Development Authority, SOWEDA attempt to introduced this with the defunct National Investment and Savinsg (NIS-CAM) it failed as most of the inputs loans granted to farmers ended up in shops as farmers were desperate in need of cash. Another reason for the failure of input loans could be that, microcredit in the form of input require trained personnel for effective management through out the value chain. These are still lacking in the Cameroonian microfinance sector since most MFIs are usually village-oriented with limited funds and skilled labour.

- Most major MFIs offering microcredits are located in towns and cities with a higher ratio of concentration in Douala, Yaounde, Bamenda, Bafoussam. Most MFIs in rural areas are usually unbranded, unregistered independent and informal. Government and COBAC regulation castigating all categories of MFIs under the same registration process could be blamed on this as most village oriented credits have less than FCFA5million in Capital.

COMPETITIVE LANDSCAPE

- CAMCCUL microfinance network lead sales of microcredit in 2011 with close to FCFA 91billions. The network microcredit value sales oustanding is driven by its first movers advantage and as pioneer of formal microfinance in Cameroon. Again, it remains the biggest player in the sector in terms of customers, branches, outreach and some of its network institutions such as Azire cooperative Credit Union, Police Cooperative credit unions and a host of others are located in an upscale locations in the commercial capital of Douala. Again, its wide range of financing including public contracts gives it an added advantage. In addition, the brand originates from the North West region of the country a region with a strong passion for community partnership and development.
- Microcredit industry in Cameroon is highly fragmented as result of the predominance of independent microcredit institutions and other informal finance houses, most of which are either unbranded or have locally recognizable brands, hence the seemingly insignificant shares of total microcredit for all the other players keeping aside the top five players, CAMCCUL, CCA, MC2, CVECA, and 1ST Trust.
- However, 1st Trust and CCA all category two institutions registered the fastest growth in value on the amount of microcredit outstanding as each benefited more than two percentage point in 2010/2011. Thanks to growing members confidence, trained personnels and modern day risk management strategies put in place by these institutions. Again, 1st Trust benefited from new equity injected following its acquisition by the Ora-Banking group. This boosted it risk coverage ratio.
- The microcredit sector in Cameroon remains quite dynamic with a very competitive local participation. Domestic players dominate with more than 90% market shares. International players such as Advans Cameroun and EB-Accion are relatively new and are yet to create an immediate impact. But with growing support of international brands coming from international institutions such as the International Finance Corporations we expect the market share of microcredit in volume and value shares for international brands to increase in the long run.
- New launches within the microcredit segment of Cameroon is limited to new players such as Advans Cameroun with emphasis on stock financing through partnership with local suppliers.
- Major threats to microcredits in Cameroon over the review period remains lack of collateral for small rural borrowers. High interest rate charged by financial institutions, inability to afford insurance coverage by poor rural people and most often lack of good business plan to convince banks to lend to the poor and rural people.
- Microcredit in Cameroon is dominated by petty trade and civil servant financing, most petty traders are clusterly located in the same area, while civil servants offered a guaranteed reimburement from their monthly income. However, with the entry of international brands, competition is expected to widened as we see more credits being channelled in other sectors such as agriculture and constructions. Most MFIs will emulate once competing brands start financing other activities.

PROSPECTS

- Forecast for microcredits isnt promising as the growing loan delinquency at the level of some MFIs should pushed leading MFIs to reduce their lending effort as effort is increased towards improving recovery. Also, with growing supervision and monitoring from COBAC, most MFIs will be handicapped to lend further as their capital remains relatively low to cover the extra risk. However, the government recently finanlised the creation of the Agricultural bank with plans to use some MFIs in rural areas to finance agriculture. This and current effort from the government and international bodies should help put microcredits within it current level of growth over the forecast period.
- Chained and net-work microfinance institutions across the various categoriess are likely to emerge during the forecast period. Major MFIs are planning to establish a national network of microfinance branches as has been achieved in other sector. Category two institutions stand to experience the fastest growth as they compete with some commercial banks in the financing of public contracts. MFIs with the most potential for national coverage are EB-Accion, Advans Cameroun, First Trust Savings and Loans, CCA, and MC2.
- Consequently, the constant value CAGR of microcredit is expected to reach 5% over the forecast period. In the context of the review period, the growth of microcredits in categories one and two is expected to remain good as more rural household are economically empowered to patronise these categories.

- The major threat to the growth of microcredits is a slide in the economic fortunes of the average Cameroonian as prices for basic foodstuff are expected to grow the world over. This will imply less money to save spend on non-grocery items because focus would be on meeting the basic needs of food and shelter, with MFIs tightening their lending policy and set aside liquidity for withdrawals. Since a very small proportion of the target population of MFIs are high-income earners, government support and guarantee for rural finance and agricultural financing is critical for the survival and growth of microcredits in rural areas.
- In the absence of access to formal financial services in most rural areas in Cameroon, most rural areas have traditionally relied on local moneylenders to fulfill their financial needs. This source is rated the best by most beneficiaries,as it is readily available, most often it is exorbitantly priced at 60%-100% annual yields and forces the borrower into a classic debt trap, entrenching her in poverty. Credit from moneylenders has not traditionally acted as a tool for business expansion or enhancement of quality of life, but rather as a lifeline for immediate consumption or healthcare needs.
- In all, for MFIs to continue to grow and survive in their social and hidden agenda, these institutions will need to diversify their customer base by exploring untapped geographies and segments of the low-income population still excluded from their pool. This strategy will ensure that the social mission of MFIs remains intact and that the business continues to be successful over the long run, achieving the ultimate social-commercial balance and strengthening the double bottom line advantage.
- Over the forecast period, as microcredit and microinsurance enters the next stage, we expect more commercial banks to partner with MFIs in financing agriculture and activities in rural areas. This can be possible through a joint liability insurance financing schemes with beneficiaries made to pay a certain percentage of the insurance premium. To do this, MFIs and Commercial banks will have to take into account market opportunities and risks and adjust their geographical exposure, client base and product offering to remain competitive with a favourable insurance premium.

CATEGORY DATA

Dynamic tables

CONCLUSION

Cameroon microfinance industry gain credence from the fact that it is serving mostly people who have been made un-bankable by the traditional banking system. Major players continue to offer services and products that conform to the needs of the target population with models like the MC2 and CAMCCUL proving successful in the mobilization of rural resources and efficient portfolio management backed by their respective umbrella institutions. The good news within the microfinance sector is that, a large size of the population in both rural, semi urban and urban areas remain unbanked. This means potentials and opportunities for growth abound. Again, a new trend within the microfinance sector is the growing number of partnership between commercial banks and microfinance institution. This is expected to further facilitate the development of microfinance in Cameroon.

Microfinance institutions (MFIs) have improved access to credit and banking services for poor Cameroonians. But the rapid growth in the number and size of these institutions in recent years is underpinned by dangerous disorder as the regulatory landscape remains weak, with growing number of quacks in the sector. Reports are frequent in newspapers of dubious MFIs disappearing with the meagre savings of poor earners. Such impostors have pushed the general public to be wary of any newcomer into the sector.

The growing success of CAMCCUL, MC2, and CCA over the last five years has engineered commercial banks like SGBC, and Ecobank to introduce their own rural banking channels. SGBC introduced Advans Cameroun, while Ecobank in partnership with ACCION International introduced EB-ACCION. MFIs are increasing their focus toward client, geographical diversification and product innovation. At this level, while prominent MFIs are striving for commercial banking license, commercial banks view MFIs as potential and efficient channels for the delivery of products and services to rural areas with the scale of the MFI industry projected to reach 2million clients before the end of 2014.

The microfinance sector is developing rapidly in Cameroon. What remains missing is the urgent need for commercial banks and other major stakeholders including donors and government institutions to contribute in finding a solution in some of the major problems identified in the industry. The establishment of partnership tailored to each case with major stakeholders could help reduce the growing loan delinquency and boost the industry performance. Commercial banks should forged ahead and create profitable partnership with roles and responsibilities clearly defined, conflict of interest avoided with objectives remaining to identify profitable opportunities. This will mean

- -Develop new partnership and reinforced existing one with different stakeholders involves in the sector to further extend the distribution of financial services to rural areas and others who are still to make an effort. At this level, emphasis should be laid on profitability for both partners and at the same time not reconciling the social dimension of microfinance.
- Commercial banks should extend their presence within the sector through technical assistance and workshops as a means to leverage their expertise and reach a higher level of customers.

MFIs should be ready to change the traditional approach were they first of all target the poorer portion of the aspirer segment and the mid to richer portion of the deprived segment. Their current services are only successful for the current target market and are proving successful in providing alternative financial services for this category.

Country = OO
Project = MFI2012
Code = 0

MC^2

Fotabright-Market Insight

January 2012

MC2

STRATEGIC DIRECTION

- MC^2 is defined as rural development micro bank, created, managed by the people of the community in which it is created and adapted to the local capabilities, resources, customs and knowhow. The micro-bank is more developed and corrects the imperfections of micro-credit and micro finance. It rest on the premise that, savings is the engine of progress and awareness is fuel to keep the engine rolling, while loans serve as a lubricants and finally appended and related service solution to the problem of poverty.
- The first objective of the MC^2 micro bank is economic and financial sustainability from the perspective of the micro bank, the individuals and group members.The second objective of MC^2 is the social dimension. This involves targeting the poor, micro and small scale activities and consequently restoring dignity to target beneficiaries to see the importance of being masters of their destiny.
- The MC2 model earns supremacy over other models due to its strong community identity feature. It is a bank created by the people, owned by the people, controlled by the people, managed by the people in keeping with their local values, traditions, customs and reality. Its practical interest rates and four pillar approach remain unique

KEY FACTS

Summary **MUTUELLE COMMUNITAIRE D'CROISSANCE Key Facts**

Full name of company: MUTUELLE COMMUNITAIRE D' CROISSANCE	**(AFRILAND FISRT BANK GROUP)**
Address: BP 11646 Yaoundé Cameroon	
Tel: (237) 22200767	
Fax:	
www.adaf-amc2.org	
Activities: micro finance, micro insurance	List full activities

Source: ***CAM-Market Insight*** *from company reports, company research, trade press, trade sources*

Summary **MUTUELLE COMMUNITAIRE D' CROISSANCE: Operational Indicators**

	2009	2010	2011
Net Credit	10297539	12648077	14965326
Net profit	486252	370666	589369
Number of employees	369	397	436

Source: ***CAM- Market Insight*** *from company reports, company research, trade press, trade sources*

COMPANY BACKGROUND

- MC2 are rural development micro-banks created and managed by a community in keeping to their local values and customs. The principal promoter of this concept, Dr. Paul K. Fokam drew inspiration from the Einstein's famous formula: Victory over Poverty (VP) is possible if the Means (M) and the Competences (C) of the Community (C) are combined.
- Hence the formula VP= M x C x C =$\mathbf{MC^2}$
- The model has two versions: a rural version, MC2 and an urban version dubbed MUFFA. The second version of the model is exclusively for women because studies and our personal research show that women in urban areas are those most hit by poverty. Through MUFFA, these women have easy access to financial services which help them to start job creation and wealth generating small business activities.
- The first MC^2 went operational in 1992. Today more than 91 MC^2 micro banks have been created within the MC^2 micro banks network with more than 1000 000 people benefiting from its multifarious in some way or the other. The model is strongly supported as a catalyst for rural development as it enriches the poor and makes them to be self reliant. No wonder, according to the founder and principal promoter, "the fight against poverty must be understood as the action to create wealth" and if dignity must be restored to Africans, then the MC^2 model and approach remains second to none.

- MC2s are rural banking channel of distribution of Afriland First Bank Group. Through partnership with MTN, these rural microbanks can now offer mobile money transfer services. It is present in more than 7 regions in Cameroon having both national and international partners as ADAF and FMO as supporters.

OBJECTIVE OF MICRO BANK

- MC^2 is defined as a rural development micro bank, created, managed by the people of the community in which it is created and adapted to the local capabilities, resources, customs and knowhow. The micro-bank is more developed and corrects the imperfections of micro-credit and micro finance. It rest on the premise that, savings is the engine of progress and awareness is fuel to keep the engine rolling, while loans serve as a lubricants and finally appended and related service solution to the problem of poverty.

Objectives of the MC2 Micro bank are simple.

- The first objective of the MC^2 micro bank is economic and financial sustainability from the perspective of the micro bank, the individuals and group members.
- The second objective of MC^2 is the social dimension. This involves targeting the poor, micro and small scale activities and consequently restoring dignity to target beneficiaries to see the importance of being masters of their destiny.

1.2.1 Stages in the Development and of Micro bank

Unlike most international aids and donors funded programs which remain ill-adapted and unsuited to local values and customs, the MC^2 model is not a packaged readymade one size fit all, although the core principles remain the same from one community to the other. Setting up a MC^2 micro-bank involves five stages.

1.2.1.1Stage One-Sensitising the Poor and Raising their Awareness

In the first stage of the MC2 micro-bank development, the target community population particularly the poor are sensitized and their awareness raised on:

- The importance of savings in their struggle for self-reliance. This is done through community gatherings, association gatherings and empowerment forums.
- The need to firstly rely on oneself before expecting any external assistance.
- The pride in remaining the sole masters of their own destiny.

Thus, in the first stage awareness is created. This is the fuel to keep the engine (savings) is rolling in the second stage.

1.2.1.2 Stage Two- Mobilising Resources

At the second stage of the micro-bank development the engine (savings and resources) are mobilized. This involves getting stakeholders committed, raising the startup capital, paying individual shares subscription and fees, registering the micro-bank, and opening of individual accounts. These resources mobilized in stage two will enable the micro-bank commence the lending functions in the third stage of the micro-bank development.

1.2.1.3 Stage Three-Financing Individual Income Generating Activities

In stage three, the micro-bank start granting credits to individual's income generating activities using the resources mobilized in stage two. At this level the micro-bank now completes it intermediary function of facilitating resources from areas of excesses to areas of deficits.

1.2.1.4 Stage Four-Financing Common Interest Economic Projects

In the fourth stage of micro-bank development, the micro-bank institution becomes involved in community development economic activities such as the construction of hospitals, health centres, community halls, schools, and public taps etc. However, communities are caution that, the best moment to engage in the fourth stage of MC^2 development is some two to three years after it has achieved administrative and financial autonomy. That is when the MC^2 can meet its various expenses (salaries, electricity, telephone bills and other consumables).

At this level, any MC^2 should be able of raising enough money from loans and other facilities offered to pay off fixed charges and even show a surplus that can be considered a profit. These surpluses should be built for a minimum of two years. It is at this stage that the impact of the MC2 micro-banking approach is deeply felt. For example, imagine a community capable of raising its own financial resources for the construction of a small hydro project.

1.2.1.5 Stage Five-Carrying Out Social Development Projects

At the final stage of MC2, community social projects are being financed and carried out with the resources generated in stage three and four. That is the results are performance registered under stage three and four are primary for this phase to be carried out.

1.3 Advantages of MC2 Micro-bank

- Legal status and registration with the ministry of finance allows communities to act as for-profit financial institutions and to engage in commercial activities.
- As shareholders, members purchase stock to provide members with credit services from the initial capital plus dividends earned. These stock purchases also allow the MC2 micro-bank to earn and retain profits.
- MC2 micro-bank operates under the principle of one man one vote (Principle of democratic control).
- Open door policy or voluntary and open membership;
- Principle of limited interest on capital: This principle reflects the fact that the cooperatives, interest on capital are deducted
- Principle of pro rata refund transactions
- MC^2 legal framework allows members to purchase stock to provide the micro-bank members with credit services from the initial capital plus dividends earned. This model also allows the micro-bank to earn and retain profits
- Principle of cooperative education: It is important to have awareness, information in order to know the objective to the public
- By selling shares, MC2 micro-bank generates capital funds and defines clearly each person's property.
- Shares purchased by members help ensure MC^2 micro bank financial sustainability and encourage members to increase savings. This savings, in turn, provides a gauge to MC^2 micro-bank with greater availability of internal funds and reduces dependence on external funding.
- MC^2 micro-bank model includes training on basic banking operations and products, IT training and on the job training. Recruits for the micro-bank are train by Afriland First bank, while the NGO-Appropriate Development for Africa Foundation (ADAF) carries out entrepreneurial and community education.
- Through the MC2 micro-bank model, individuals and groups increased financial capacity, which has a positive spillover effect on the person's level of empowerment, self-esteem, and social recognition. Funds generated from shareholders' increased financial capacity can also be channeled into improving community development programs such as health services, water, community halls household education and health.

COMPETITIVE POSITIONING

- MC2 microbank offers a wide range of financial services to the rural and non rural areas. These services include, micro savings, micro credit, micro insurance, mobile money, money transfers and custody services. The overall market share of MC2 microbank has been growing. MC2 microbank ranks third in the microfinance market of Cameroon with a value share of savings of 6%.
- The company shares continue to grow at an increasing rate, thanks to the brand equity enjoyed by the MC2 brand due to its association as the rural banking channel of Afriland First Bank Group, the major market leader in the banking sector of Cameroon in terms of portfolio. Thanks to appropriate financial instruments made available and tailored to the needs of the target community by partners institutions.
- MC^2 is defined as a rural development micro bank, created, managed by the people of the community in which it is created and adapted to the local capabilities, resources, customs and knowhow. The micro-bank is more developed and corrects the imperfections of micro-credit and micro finance. It rest on the premise that, savings is the engine of progress and awareness is fuel to keep the engine rolling, while loans serve as a lubricants and finally appended and related service solution to the problem of poverty. Competing models find this difficult to replicate.
- Through MC2, It has been proven practically it is possible to combine professionalism and the rigour of a bank as well as high-tech financial techniques such as micro insurance with a service to poor rural populations excluded from

classical financial cycles. With a very interesting perspective of moderate interest rates Community Growth Mutual Funds remain second to none in meeting the challenges of the poor.

- The MC2 are percular in that they grant loans with an interest rate inferior to that of the banking system but also because they are more accessible than many other decentralised financial system.

Summary MC2 Competitive Position 2011

Product type	Value Share	Rank
Savings	10,1%	3rd
Credits	7,3%	3rd
Portfolio	8%	3rd

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources, trade interviews

- The MC2 model earns supremacy over other models due to its strong community identity feature. It is a bank created by the people, owned by the people, controlled by the people, managed by the people in keeping with their local values, traditions, customs and reality. Its practical interest rates and four pillar approach remain unique.
- Again, the model gain competitive advantage from it four main pillars. These are the local populations, the non-governmental organization (NGO) Appropriate Development for Africa (ADAF), AfrilandFirst bank Group and some national and foreign partners.

Country = OO
Project = MFI2012
Code = 0

THE CAMEROON COOPERATIVE CREDIT UNION LEAGUE(CAMCCUL)

CAM- MARKET INSIGHT

JANUARY 2012

CAMCCUL

STRATEGIC DIRECTION

- To continuously develop and sustain a secure and law abiding network of cooperative credit unions that offer efficient microfinance services for the financial and social growth/development of their members
- The Cameroon Cooperative Credit Union League Limited is an apex organisation of a network of affiliated category one microfinance institutions spread through out the national territory and regrouped for the purpose of administration into nine chapters.
- The mission of CAMCCUL is to develop viable, secured and profitable network for the interest of its members, assist affiliates technically in their development while mainstreaming gender equity of all levels espercially with regards to access to power, resources and employment. CAMCCUL Limited is a member of the lone professional microfinance Association of Cameroon (ANEMCAM) controling more than 60% value and volume shares of the microfinance industry of Cameroon.

KEY FACTS

Summary	CAMCCUL Key Facts
Full name of company:	Cameroon Cooperative Credit Union League
Address: BP 211 Bamenda Cameroon	
Tel: (237) 3336 1377/ 33361763	
Fax:	
www: www.camccul.org	
Activities: micro-finance, micro-insurance, training	

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources

Summary	CAMCCUL Operational Indicators		
	2009	2010	2011
Net Credits		78,89	93,87
Net profit			
Number of employees		1125	1654

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources

COMPANY BACKGROUND

- The credit union idea was introduced by Rev. Father Anthony Jansen, a Roman Catholic Priest from Holland. He formed the first credit union in Njinikom in 1963 with a membership of 16 and a total savings of 2.100 Frs. This idea of Credit Unionism spread all over the North West and South West Regions and by 1968, 34 credit unions that were already in existence joined together to form the Cameroon Cooperative Credit Union League (CamCCUL) Limited. CamCCUL is therefore the umbrella organ of cooperative credit unions and the largest micro-finance institution in Cameroon and the CEMAC Sub-region.

  CamCCUL Ltd. was first registered on the 8th of June 1968, and re-registered on the 10th of February 1994, under the co-operative law No. 92/006 of 14th August 1992, with headquarters in Bamenda, North West Province of Cameroon. The League has been registered by the Banking Commission of Central Africa (COBAC) in the same capacity as the apex organization for the Credit Unions affiliated to it. Presently it has 208 affiliates in all the ten regions of the country with close to 1.6 million persons benefiting from its services
- According to recent company news, CamCCUL was recently shortlisted by the Agricultural Finance Support Facility steering committee of the World bank to Finance Agriculture in its Network. This initiative will give a new look to

lending activities in the CamCCUL Network. As an MFI with strong holdings in the rural areas, the CamCCUL Network is committed to financing agriculture and building the capacities of farmers.

PRINCIPLES AND VALUE

- The co-operative principles are guidelines by which co-operatives put their values into practice.

  1st Principle: Voluntary and Open Membership
  Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

  2nd Principle: Democratic Member Control
  Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

  3rd Principle: Member Economic Participation
  Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

  4th Principle: Autonomy and Independence
  Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

  5th Principle: Education, Training and Information
  Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

  6th Principle: Co-operation among Co-operatives
  Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

  7th Principle: Concern for Community
  Co-operatives work for the sustainable development of their communities through policies approved by their members.

  Values
  Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

COMPETITIVE POSITIONING

- The Cameroon Credit Union Leaque (CAMCCUL), is without doubt the market leader I the microfinance sector of Cameroon with the largest network having over 210 affiliates and a membership of about 550000. CAMCCUL remains strategic in the microfinance industry of Cameroon despite a whopping 2.5 million dollars lost by the institution when two banks hosting their accounts collapsed in 2002.
- CAMCCUL rank first in total number of outlets, deposits, profitability and outstanding credits in the microfinance sector of Cameroon, controling outrightly more than 55% in all category. It shares of the microfinance market continue to grow as opportunities remain abound and lack of resources by major competitors to challenge the position of CAMCCUL.

- The mission of the CAMCCUL is to develop, institute and promote an efficient gender sensitive cooperative network by providing sustained quality products and services to affiliates, encouraging equitable, apolitical and full participation from its various stakeholders
- In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market. Because credit unions have social as well as commercial objectives, they may have a key role to play in offering pro-poor financial services.
- A majority of the credit union afiliated to CAMCCUL have achived financial self sufficiency

Summary CAMCCUL Competitive Position 2011

Product type	Value Share	Rank
Credit	45%	1st
Savings	43%	1st
Portfolio	53%	1st

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources, trade interviews

Country = OO
Project = MFI2012

CREDIT COMMUNITAIRE D'AFRIQUE

FOTABRIGHT MARKET INSIGHT

January 2012

CCA

STRATEGIC DIRECTION

- CCA is a microfinance institution that was created to offer banking services to the lower end of the population pushed out of the traditional banking system by conventional banks.Through CCA, the fight against poverty is seen as offering financing to the needy to promote income generating activities in rural and urban areas, promotion of savings and demand for labour. It has a capital of about FCFA 5billion.
-

KEY FACTS

Summary	Crédit Communautaire d'Afrique	Key Facts
Crédit Communautaire d'Afrique		Afrique Groupe
Address: 1573 Boulevard Rudolph Manga Bell, Mokolo BP 30388 Yaounde		
Tel: 22221387		
Fax: 22222449		
www:www.cca-cameroun.com		
Activities: micro-savings, credits, insurance, transfers		

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources

Summary	Crédit Communautaire d'Afrique		Operational Indicators 000000FCFA
	2009	2010	2011
Net Credit	22185	29356	35089*
Net profit	411	853	1021*
Number of employees	205	281	359*

Source: Fotabright Market Insight from company reports, company research, trade press, trade sources

COMPANY BACKGROUND

- Taking advantage of the laws of 1990 on freedom of associations and cooperatives, and common initiative groups, microfinance structures witnessed a boom engineered by the banking crisis and lack of willingness of commercial banks to downscale their activities. Against this background, Credit Communitaire D'Afrique was created in 1997 under the 1992 Law on Cooperatives Savings and Credit Unions. Since its creation, the structure has worked significantly in rural areas by financing activities of small farmers, mentoring, research opportunities and the flow of domestic and international financial products in rural areas.
- CCA was thus, established in 1997 as a cooperative savings and loans organisation under the supervision of the Ministry of Agriculture (MINAGRI) with an initial capital of FCFA200million.
- With establishment of the new regulatory framework between 2000 and 2006, the management of **CCA** obtained from the Ministry of Economy and Finance, after consulting the Banking Commission of Central Africa approval as microfinance institutions in the second category.
- CCA today is well positioned at the upperend of the downstream microfinance sector of Cameroon with more than 199000 depositors and savings portfolio of close to FCFA 60billions. It operates throughout the national territory with a network of about 33 branches. In addition to savings mobilisation and the granting of credits, it offers money transfer, sells foreign currencies and travellers cheques.
- To become more dynamic the management carried out some internal restructuring in the period 2004-2006 in order to move the institution to the status of a public limited company. The institution today is part of Afrigroupe business group having other businesses and subsidiaries such as Afrimed, Afrilec, Afrilux, and Afriexchange.
- The activities and operations of CCA are wide and diversified. In addition to the traditional savings and Loans, the company offers other conventional banking services through partner institutions, letters of credits, sales of travellers cheques, guarantee, safe custody and money transfer. It international partners remain Moneytrans and Money Express.

PRINCIPLES AND VALUES

- Teamwork: CCA staff form a block sharing the same purpose, goals and communication with an affluent exchange of ideas between the members.
- Integrity: At CCA, the institution strife in balancing the integrity and values of each stakeholder. The company remains loyal to all it stakeholders.
- Customers remain the principal assets, through mutual trust and respect, CCA is working harder in providing customers with quality solutions to their problems.
- **Leadership:** CCA strife at becoming and remaining a leader through quality service within the microfinance sector of Cameroon.
- Are there any strategic reasons for the company's presence in your market, ie this provides a presence within a certain trading bloc etc etc?

COMPETITIVE POSITIONING

- CCA offers a range of financial services ranging ffrom micro savings, micro credits, micro insurance money transfer services, targeting small and medium size entreprises, in the formal and informal sectors, employees and common innitiative groups. The institution has an entrenched consolidated presence throughout the national territory giving it a good reputation with the public as well as an extensive network of partners. The exponential growth of customers deposits in CCA also reflects the confidence CCA enjoys from the public. It direct competitors in terms of services and presence remain FIFFA and First Trust Savings and Loans.
- CCA ranks second in the overall market share for customers deposits and portfolio in the microfinance market of Cameroon controling an outright 15% market share. Thanks to aggressive expansionary and marketing strategies adopted by its management in the last five years and cobranding benefited from being part of the Afrigroupe.
- In the face of a growing competition within major microfinance players in urban and semi urban areas, the main competitive advantage of CCA remains, strong positioning and active presence in all the regions of Cameroon with 33 branches and it pool of partners and distribution channels such as Afriexchange, Afrimed, Afrilux, and Afrilec.
- Again, CCA has existed for more than a decade. This has helped consolidate an image of a stable institution in the public. However, the company continue to suffer from a fuzzy business strategy as there is no standardized or institution unique approach in the market. As with most competitors, the short term nature of their resources limit all financing to short term.

- Current ownership structure includes two group of companies Afrimed and Afrilec, constituting 35% of the shareholding, while the CEO Mr. Nkemla who also doubles as the president of Afrimed and Management of Afrilec owns 16.6% share. Other shareholdres remain sister institutions. This might generate potential conflict of interest at the level of the board and management of resources.
- CCA is governed by a board of Administrators composed of nine members of different professional backgrounds appointed by the general assembly of shareholders.The organisational structure is based upon three levels, Senior management based in Yaounde, the four regional offices based at some regional headquaters with mission to support and monitor the operations of branches and finally the network of 33 branches.
- Credit facilities offered by CCA are directed to both small and medium size enterprises as well as private sector employees. Credit lines and overdraft facilities are also offered to customers. The institution also helps in cheque discounting, drafts and bills of exchange.

Summary **CCA Competitive Position 2011**

Product type	**Value Share**	**Rank**
Credit	17,6%	2nd
Savings	21%	2nd
Portfolio	19,5%	2nd

Source: Fotabright Market Insight- from company reports, company research, trade press, trade sources, trade interviews

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Authors Bio

The author Leonard Ajonakoh Fotabong was born on the 11th of November 1974 in Kumba the South West Region of Cameroon. He attended primary school in Sacred Heart School Fiango Kumba from 1981-1988 where he obtained his First School Leaving Certificate. He moved on to Saint Francis College and Cameroon College of Arts and Sciences Kumba where he obtained his Ordinary and Advanced Level Certificates respectively in 1993 and 1995.

Leonard Ajonakoh Fotabong attended the University of Buea from September 1995 to July 1998 and graduated with an honours degree in Banking and Finance. He worked with three major microfinance institutions including First Trust Savings and Loans, COFINEST, National Investment and Savings in the capacity of Regional Manager, Head of internal Audit, Regional Accountant, Branch Manager, Head of Credit department from October 1998 to August 2004.

Leonard Ajonakoh Fotabong left for further studies in Sweden, Denmark and UK where he obtained a Masters of Science degree in Accounting and Finance, A masters drgree in Management, and an MBA in Marketing, from Umea School of Business and Danish Technical University.

I worked with Euromonitor as country analyst for Cameroon from July 2007 to October 2011, in the capacity as country analyst for Cameroon writing marketing and market reports for Fast Moving Consumers Sector. I also served as Business Analyst/Senior Adviser to the Board of Afriland First Bank group for the period 2009 to December 2012.

The author currently lectures as an Assistant Lecturer in the University of Buea, teaching financial regulations, microfinance, marketing research and entrepreneurship. He is also the founder of CAM-Market Insight a market research and consulting firm.