Noé NDJECK

ALTERNATIVE SOURCES OF FUNDING FOR SMEs IN CAMEROON

A THEORETICAL EVALUATION

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A Theoretical Evaluation

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University of Doula, Cameroon

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Alternative Sources of Funding for SMEs in Cameroon: A Theoretical Evaluation

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Foreword

The funding of SMEs is a real problem mainly in poor countries where it is difficult to get financial resources, but also almost impossible to cover an asset intended to be used in the company for years by a resource of the same duration. SMEs like any company seeking to survive and develop explores new ways to achieve secure funding. As banks hardly finance SMEs, they have to resort to alternative funding which is essentially short-term.

To inform SMEs of the range of alternative funding methods and to guide them in their choice, we thought it necessary to carry out a theoretical assessment of alternative funding for SMEs.

This assessment may be a new start in their fundraising strategies. As victims of the severe rationing of bank credit, SMEs mainly resort to short-term alternative funding: tontines, microfinance institutions, family help, help from friends, inter-company credit, associations, contributions of partners, leasing institutions, capital increases, disposals of fixed assets, venture capital companies and individuals. Meanwhile, SMEs sould fund both long and medium-term needs ans well as hort-term needs. It is therefore necessary to assess alternative funding for SMEs to fully understand the extent to which they can be resorted to cover their needs. This assessment also offers solutions calling on several actors of the economy.

N. Ndjeck
3 Feb, 2022
Doula

Preface

The first bank established in Cameroon in 1943, *Le Crédit du Cameroun*, was of European origin. It hardly funded Cameroonian SMEs. Its funds were only destined to large companies and SMEs of Western origin. The banks that settled later on also had foreign roots; and then came those with mixed capital. As commercial banks driven by the prospect of profit, they did not grant loans to Cameroonian SMEs either. Meanwhile the public authorities prioritized the exploitation of agricultural, forestry and mining raw materials intended for metropolitan France. Development policies put forward the construction of a national industry, the transfer of technology, integration by sector or the promotion of an industrializing industry.

The policy of creation and development of SMEs only appeared in the 1970s, even if the Cameroonian Development Bank (BCD) whose mission was to contribute to the promotion of small and medium-sized industrial and craft enterprises already existed since 1961. Indeed, in 1970 the

Assistance Centre for Small and Medium-sized Enterprises (CAPME) was created. The mission of this centre was to inform, train, consult and assist promoters of SMEs in order to help them present and sustain projects likely to be funded. In 1971, the Small and Medium-Sized Business Credit Guarantee Fund (FOGAPE) was created. It appeared as a real financial revolution for SMEs (among other things, equity investments in SMEs, granting of equity loans and direct loans, credit guarantees, counter-guarantees for commitments by signature). In 1974 a special account intended to fund SMEs was also opened within the Cameroonian Development Bank (BCD). Commercial banks were instructed by the public authorities to keep 20% of their overall rediscount credits for Cameroonian SMEs. The World Bank (BIRD), the African Development Bank (ADB), the Organization of Petroleum Producing Countries (OPEC) and the French *Caisse Centrale de Cooperation Économique* (CCCE) – known today as *Caisse Française de Développement* (CFD) – negotiated and signed agreements with the government for the opening of lines of credit at the Cameroonian Development Bank for SMEs. This euphoria of the 70s faded away very soon with the economic crisis at the beginning of the 80s which destabilized the world economy and the economy of Cameroon in particular. This crisis was marked by the weakening of the national banking system and the disappearance of some institutions (especially public ones such as BCD and FOGAPE).

The commercial banks that had survived were restructured. They overwhelmingly settled in large cities. As a result, clients were reluctant to save their money in those banks, especially for a long term. Commercial banks in turn found their customers, particularly SMEs, very risky and refused to grant them credit. As a result, Cameroonian banks, which have become mere savings collectors, are turning away from their role as development partners. This climate of mistrust encourages the emergence of formal and informal microfinance.

SMEs rationed from bank credit increasingly turn to alternative fundings, essentially short term ones. They can thus meet both long and medium-term needs, as well as short-term ones. This leads to an evaluation of the alternative sources of funding in connection with the needs to be funded. This could constitute a new source of reflection or a response to a concern from researchers and practitioners in the field of management sciences.

François Xavier Mayegle
18 Feb, 2022
Distinguished Professor of Management Sciences
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Dedication

To all my deceased ones

-Ndjicki Samuel, my father;
- Mrs Ndjicki, née Ngo Ndjeck Augustine, my mother;
- Mrs Ndjeck, née Ngo Mangone Jeanne, my maternal grandmother;
- Mrs Ndjicki, née Ngo Mandeng Thérèse, my paternal grandmother;
-Bikoi Jean-Marc, Ndjicki Jean-Calvin, Ndjicki Eugene, Ndjicki Ndjicki Josué, Ndock Ndjicki Jean, Bayi Jean, Bikou Josué, my brothers who left this world too early;
-Ngo Ndjicki Paulette, Ngo Ndjicki Thérèse, my younger sisters;
-Ndjicki Samuel, Oum Ndjicki, my nephews.

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Introduction

Several definitions are given to the concept of SME. Some are from international institutions and researchers; others are provided by local bodies and authors.

While administrative registration and statistical monitoring of company workers is particularly problematic, there is still a margin of uncertainty in the statistical identification of company workers (more or less numerous depending on the sector) as well as in the identification, exact outline and sizing criteria for each particular company (Wickham, 1997). There is a great deal of criteria for the size of companies which have turned out to be more or less interdependent. The quantitative criteria were the first used by observers, statisticians or managers; these included the turnover, added value, total fixed capital, physical production capacity and, the number of workers. Meanwhile some analysts have studied a number of qualitative criteria, starting with strategic behaviours, technological development and the range of the firm's products, the personnel resources and skills, the legal regime (Amalbert *et al*., 2004, p.272). To break down the population of companies, Canadian experts recently crossed four qualitative benchmarks: the evolution or stage of development of the firm, the distribution of ownership, the objectives of management, the type of sector or the firm's market (Wickham, 1997). Overall, we can sort out two major qualitative criteria that characterize a firm: its mode of organization and its mode of appropriation (Le Vigoureux, 1995). This leads to a structuring of the production machinery into three qualitatively distinct and quantitatively identifiable categories of businesses from significant thresholds: international groups, small units and medium-sized businesses (Wickham, 1997).

International groups are complex assemblies or organizations with several hundred branches settled according to a global strategy and led by salaried senior executives (with unequal control of shareholders). There is a listing of their securities on the stock exchange and their workforce may reach several thousands or tens of thousands of employees. In contrast, we observe the longstanding category of small individual companies operating in all business sectors (from farmers to liberal functions). Their common characteristic is that they identify with the heritage as well as the full-time work of the leader in direct relationship with all the employees, whose workforce (depending on the branch, country or period) generally remains below fifty employees (Wickham, 1997). Between these two extremes stands the intermediate category of medium-sized enterprises, identified as a first approximation for a workforce between fifty (50) and five hundred (500).

The boss of a medium-sized company is bound to have a formal administrative organization. Depending on the sector, the minimum criterion of the number of employees must be combined with financial criteria (turnover and fixed capital). Furthermore, the statistical population of small subsidiaries of large groups, that is to say medium-sized companies which are not independent companies, must be deducted (Wickham, 1997).

For Darbelet & Lauginie (1979), the SME is a company with a workforce ranging from 1 to 500 employees. Also the number of salaried personnel leads to classify companies into:

- Small businesses: workforce between 1 and 10 employees;
- Medium-sized enterprises: workforce between 10 and 500 employees.

For the French public authorities, the SME is a company employing less than 500 people and achieving a turnover of less than 200 million French francs (Duchéneaut, 1995, p.35).

Without alluding to the workforce, Torres (1997) defines the SME as a category of enterprise which is not homogeneous, but a convenient name which designates a reality by the form of owner, the strategies adopted and the management methods.

The Official Journal of the European Communities of April 30, 1996 defines the SME as a financially independent company, employing less than 250 employees and achieving a turnover of no more than 400 million euros (Torres, 2000).

Most countries endeavour to make a distinction between companies based on their size, most often measured in terms of headcount or amount of turnover. However, there is no agreement on the delimitation of these criteria. Thus, in the United States, a company with 500 employees is considered as an SME, in Belgium the threshold is 200 and in Switzerland, 100. In France, the SME has long been defined as a company with less than 500 employees. .

The size benchmark using the workforce criterion is not universal either. This is the case in China where neither the number of employees nor the amount of turnover is retained. The official test refers to the production capacity and size of the tooling (Torres, 2000).

According to Amalbert *et al.*, (2004, p.270), small businesses have 1 to 10 employees. These are companies that are very dependent on the manager, very personalized. They are also very dependent on their environment which they cannot control and over which they have no control. Their market is essentially local. According to the same author, medium-sized companies have 10 to 500 employees. These are mostly family businesses that suffer from management problems due to poor knowledge of internal control such as costing or determining working capital requirements. Their market is generally regional.

A survey of French SMEs carried out by the research group (CEPME/EUROPM) (1995) points out that while many authors talk about the insufficiency of quantitative criteria; they nevertheless recognize that these criteria are the most easily available and exploitable. The number of employees is then the dominant summary criterion. It is also the basic classification criterion used by INSEE. We can then distinguish the very small business, the small, the medium-sized business and the large business. The very small company has 0 to 9 employees, the small one 10 to 49, the medium 50 to 499, and the large one has more than 500 employees.

The International Labour Organization (ILO) mainly uses the number of employees as a criterion for the size of companies. On the same basis as ILO, the World Bank makes the following classification (Oloua, 2009, p.18):

- Micro-enterprise: it has less than 10 employees;
- SME: it employs between 10 and 200 people.

Many researchers attempted to construct operational typologies of SMEs and small businesses different from traditional typologies based on quantitative criteria. But due to their limits, several authors tried to take into account the qualitative criteria, in particular the manager of the company, his managerial or organizational behaviour, or even the evolution of the firm or its relations with the different markets (Oloua, 2008, p.192).

The definition of an SME varies from country to country, from industry to industry, from organization to organization. The divergence can still be observed within the same country or within the same body. Cameroon is no exception to this remark. So there are various definitions of the SME by the investment code, FOGAPE, CAPME, MINEFI, the Economic and Social Council, the Cameroonian Development Bank, the Bank of Central African States, the General Directorate of Taxes, the Ministry of Small and Medium Enterprises.

The Official Journal of the Republic of Cameroon n° 90/007 of November 8, 1990 defined the SME regime. Thus, any company that meets the general conditions, as well as the following specific conditions, can claim the benefits of the SME regime:

- At least one permanent job created for Cameroonians for every CFAF 5,000,000 of investments made by the company;
- A total investment less than or equal to CFAF 1 billion and a half;
- Participation of Cameroonians or a corporation under Cameroonian law at least equal to 35% of the share capital.

Decree n° 84/510 of June 13, 1984, establishing and organizing FOGAPE, defines the SME/SMI as any individual or collective enterprise, whatever its legal form, including:

- At least 51% of the capital and the directors are Cameroonians;
- The turnover is less than or equal to CFAF 1 billion;
- Cumulative investments do not exceed CFAF 500 million;
- The outstanding short-term cash loans do not exceed CFAF 200 million;

According to CAPME, an SME is any company whose characteristics are the following:

- At least 51% of the capital is held by Cameroonians;

- The dimensions are such that the person in charge must personally contribute to the proper performance of his various functions;
- The workforce must be less than or equal to 100 employees.

Decree n° 024/MINFI/D of March 28, 1989 considers as an SME for the application of the privileged rate, any company of which:

- The majority of the capital and the directors are national;
- The turnover does not exceed CFAF 250 million;
- The outstanding short-term cash loans do not exceed CFAF 40 million.

According to the Economic and Social Council, a small business is defined by the followings:

- The capital and the directors are Cameroonians;
- Economic resources are very limited;
- The number of workers is less than or equal to 10;
- Investments are less than or equal to CFAF 20 million;

The same Economic and Social Council considers as a medium-sized enterprise, any enterprise whose:

- Number of employees is less than or equal to 100;
- Turnover is less than or equal to CFAF 1.5 billion;
- Equity is less than or equal to CFAF 100 million.

The Cameroonian development bank defines an SME as any company with the features below:

- At least 51% of the capital is Cameroonian;
- Equity is less than CFAF 50 million;
- The number of employees is less than or equal to 50.

For the application of the preferential discount rate, the Bank of Central African States considers as a national SME any company of which:

- The majority of the capital and the directors are nationals;
- The turnover does not exceed CFAF 500 million;
- Equity does not exceed CFAF 100 million;

- Outstanding short-term credit by cash must not exceed CFAF 100 million.

As part of a funding policy for SMEs in Cameroon, the Ministry of Industrial and Commercial Development (2002) created a definition taking into account all the discrepancies in the definitions of SMEs. Four quantitative and two qualitative criteria were associated.

The quantitative criteria refer to:

- Turnover: CFAF 10 to 200 million;
- Initial investment: CFAF 10 million to 1 billion;
- Minimum share capital: 1 million to 0.5 billion CFAF;
- Number of jobs created: at least 10 people.

The qualitative criteria are as follows:

- Ownership of the capital by a single person, even though the latter sometimes formally associates the members of his family or his friends;
- The concentration of managerial functions in the hands of the founder-boss or a limited number of employees.

The Ministry of Small and Medium-sized Enterprises (2008) defines a small business as one employing 10 to 99 people and whose annual turnover does not exceed CFAF 250 million. Its annual balance sheet total does not exceed 500 millions. This same ministry considers a medium-sized enterprise as a company employing 100 to 299 people and whose annual turnover does not exceed 1 billion. Its total annual balance sheet does not exceed 1.5 billion.

The professional chamber of Cameroon made up of GICAM, FNAP and SYNDUSTRICAM considers the SME as a company that has:

- A number of employees less than 100;
- An annual turnover between CFAF 50 million and 1 billion;
- A capital between 20 and 200 million;
- 75% of the capital held by national investors.

The Directorate General of Taxes of the Ministry of Finance considers as an SME any company with an annual turnover (excluding taxes) of less than CFAF 1 billion.

Law n° 2015/010 of July 16, 2015 amending and supplementing some provisions of Law n° 2010/001 of April 13, 2010 on the promotion of small and medium-sized enterprises in Cameroon (National Institute of Statistics, General Census of Enterprises) classifies businesses in three categories: very small enterprises (VSE), small enterprises (SE) and medium-sized enterprises (ME). This classification takes into account two economic criteria: the number of employees and the turnover.

VSEs have an annual turnover (excluding taxes) strictly less than 15 million francs and a permanent staff of five (05) people at most. SEs have a turnover of between 15 and 250 million francs and employ between 6 and 20 people. MEs have a turnover of more than 250 million and less than or equal to 3 billion francs, and employ between 21 and 100 people. Beyond these characteristics, a company is considered as large.

The local definitions seem to be inspired by the objectives pursued by each organization.

For the purpose of this work we she shall retain the definition of the SME stated by law n° 2015/010 of April 16, 2015.

For several decades, SMEs in Cameroon have suffered from several ills: credit rationing, commercial problems, managerial deficiencies, etc.

Funding is top of the difficulties faced by SMEs (Essomba-Ambassa, 1990; Bekolo-Ebe, 1996; Um-Ngouem, 1997; Edding, 2002; Ndong-Ntah, 2002, Taka, 2010; 2011). SMEs lack the means to finance their operating cycle and in particular their investment cycle. A survey carried out by the Centre for Research, Studies and Polling (CRETES) in 2000 among a sample of SMEs reveals that the funding needs of SMEs, all branches combined, are estimated at CFAF 127.75 billion. This amount is shared out as follows: 68% of investment needs and 32% of working capital needs (CRETES, "conjoncture PME", no.18, July 2001, p.43). A 2002 survey by the same centre of 300 SMEs in the productive sector shows that the financial needs of SMEs are on average CFAF 81.83 million per SME against CFAF 79.51 million in 2000; an average increase of 30% by SME (CRETES, "conjoncture PME", no.22, February 2003, p.72). 72% of Cameroonian SMEs have difficulties acquiring capital to invest, 14% dare not apply for bank credit convinced in advance that the funding will not be granted, and 14% benefit from loans through strictly personal relationships (Beyina, 2008, p.10). 5.2% of bank loans distributed go to individual entrepreneurs (97% of companies in Cameroon are individual according to the National Institute of Statistics (2016), constituting a large segment of SME managers (MINEFI, 2000). At least 40% of SMEs that dare to seek bank assistance generally get a negative response (Ndong-Ntah, 2002). Cameroonian SMEs suffer from the excessive rationing of bank credits. Indeed, a survey carried out by *"Development and international insertion "* and the national accounts department of the Cameroonian Ministry of Economy and Finance (1993) reveals that for the 1990/1991 financial year, 58% of companies with 20 or more people who requested a bank loan experienced rationing in the granting of the requested credits (Joseph, 1998). Likewise, a survey carried out by the statistics and national accounts department of the Cameroonian Ministry of Economy and Planning (currently called Ministry of Economy, Planning and Regional Development) from September to December 2001 (ECAM II Report) reveals that the average rate of access to credit at the national level is 12.10% and that 66.5% of investment credits are obtained in the informal sector (ECAM Report, 2002). Similarly, a study conducted among 452 SMEs in Cameroon, all branches included, by Ndjeck (2016) unveiled that 249

SMEs (about 55.1% of the sample) could not benefit from bank funding. Among the 199 (about 44.02%) that benefited from bank funding, 43 SMEs were unable to obtain the amount of credit requested. Despite bank excess of cash, in the CEMAC zone and particularly in Cameroon, credit rationing is reflected in the trend to slice bank loans. This is particularly important because the share of loans to the economy has increased in ten years, from 78% of the total balance sheet of all banks in 1993 to 58.9% in 2003 and to 60.2% in 2009. From 1993 to 2009, in Cameroon, the refusal rate of SME credit applications increased from 30% to 80% (Taka, 2011). The World Bank notes that in Central Africa, in 2003, the level of credit to the private sector expressed as a percentage of GDP was the lowest in the world. It varies between 11% of GDP for Gabon, barely 1% of GDP for the Democratic Republic of Congo and 10% for Cameroon (Taka, 2010). This rate far above 20% in countries such as Senegal, Kenya and Ethiopia; exceeds the threshold of 40% in the countries of Latin America and Asia, 48% in Central and Eastern Europe and is above 80% in South Africa (World Bank, 2006). The banking penetration rate in sub-Saharan Africa remains very low. Total private sector loans amount to only 18% of GDP on average (World Bank, 2006).

We can notice that the rationing of bank credit is more accentuated among SMEs located in the countries of the former French colonies. In these former colonies, the currency depends on France and almost all the banks which settle there are subsidiaries of Western banks, mainly French ones. These countries of the French colonies are not among the ten most economically advanced countries in Africa. In this context, could we say that the rationing of bank credit for SMEs is based on the monetary dependence on the one hand, and on the dependence links between banks located in the African former colonies and banks located in the West, mainly in France on the other hand?

For several decades, this category of business has experienced a funding gap. Indeed, upon independence, the public authorities encouraged other sectors (Botzung, 1998). The time was right for the exploitation and development of agricultural raw materials, forestry or mining products. Development policies focused on the building of a national industry, economic theories emphasized technology transfer, integration by sector or heavy industries (Botzung, 1998). The first bank that established in Cameroon in 1943 (Crédit du Cameroun) granted loans to European SMEs and large companies (Beyina, 2008, p.60). Like the first one, the banks that settled in the country afterwards had foreign capitals; and then came those with mixed capital. They were all commercial banks driven by the prospect of profit. They also refused to grant loans to Cameroonian SMEs (Beyina, 2008, p.60). We do hope that the lack of will displayed by banks those days has stopped and the bank rationing of SMEs has nothing to do with it.

The economic crisis that arose in the 1980s (Touna-Mama, 2008) worsened the financial problems of SMEs in Cameroon. Not only have many banks disappeared, but those which survived had been restructured and refocused more in very large agglomerations (Ondo-Ossa, 2002; Essomba-Abassa and Um-Ngouem, 2002). The BCD whose main purpose was to finance SMEs went bankrupt, leaving its target clients in torment. The banks that survived were all commercial and they essentially had short-term resources (Dinamona-Lokoumbo, 1996).

Indeed, their own funds are insufficient and clients who still have a sad memory of banks cannot hide their mistrust (Bekolo-Ebe, 1996; Joseph, 1998; Tchouassi & Ndjanyou, 2002; Ndong-Ntah, 2002). The main cause of the banking crisis was on the one hand the insolvency of customers whose guarantees did not cover debts, and on the other hand, the inadequacies of the judicial system (Joseph, 1998: Ndong-

Ntah, 2000; Mengue 2002; Wamba, 2001) whose slowness and heaviness were not good for business development.

The financial problems of SMEs in Cameroon are aggravated by managerial, and accounting and financial information deficiencies. SMEs usually employ staff who has approximate technical and managerial knowledge. 46% of business leaders have at most primary level (INS, 2010). This percentage was 50% in 2016. Their staff is naturally family-run; the company being, in the majority of cases, family-owned. The criteria for recruiting in this type of company are in most cases not based on an objective basis of competence. Most of the time, powers are concentrated in the hands of the promoter. He is the only master. Most often there is confusion between the assets of the company and those of the promoter. Sometimes the objective function of the promoter does not promote growth (Jansen & Wtterwulghe, 2000). The managerial deficiencies experienced by Cameroonian SMEs do not allow them to truly produce information, particularly accounting and financial information, despite OHADA accounting system's concern to provide SMEs with a suitable tool for this purpose (invention of the minimum cash system). 42.9% of Cameroonian companies keep written accounts. Among them, 31.1% lead to formal accounting, that is to say, one which leads to the making of the statistical and fiscal declaration (INS, 2010). In 2016, 18.7% of SMEs kept written accounts. Among them, less than 30% are affiliated with an accounting firm (INS, 2016). However, there is also a purposeful absence or insufficiency of accounting and financial information for tax reasons. The penetration rate of new information and communication technologies remains low and stands at less than 50% (INS, 2010). In 2016, 1.8% of companies have an internet network, 3.2% carry out transactions via the internet, 4.2% have an internet presence, 10.7% use a computer and 22.5% make transactions via the mobile telephone (INS, 2016). In addition to the above difficulties, there are market problems for SMEs in Cameroon (Oloua, 2008, p.33; Ndjanyou, 2001).

The SME market in Cameroon is very narrow and does not help economies of scale. This market is naturally local. The narrowness of its market is mainly due to the fact that it is not very competitive (Bekolo, 2000). All the problems experienced by SMEs in Cameroon, including the risk represented by SMEs and the absence of supervisory institutions, accentuates the rationing of bank credit for this category of companies. They then resort to alternative funding solutions, in particular tontines (Bokolo-Ebe, 1993; Tchouassi & Ndjanyou, 2002; Edding, 2002; Ngongang & Wandji, 2002; Wamba, 2003; Assiga, 2002).

However, SMEs deserve special attention because of their importance in the socio-economic fabric of Cameroon.

First of all, we should pay attention to the place SMEs occupy in Cameroon among many other types of companies. Indeed, 20.7% of companies in Cameroon are SMEs (National Institute of Statistics, General Census of Enterprises in Cameroon, 2016). SMEs employ 72.26% of company employees in Cameroon (National Institute of Statistics, General Census of Enterprises in Cameroon, 2016). They are overwhelmingly owned by nationals. This type of business is widespread throughout the country. However, the Littoral and Centre regions have a high density of this category of business. 64% of companies in Cameroon are located in these two regions (37% in the Littoral and 27% in the Centre). The Cameroonian business environment is pervaded by Very Small Enterprises (VSE) and Small Enterprises (SE) which represent 98.5% of all enterprises. Medium-sized enterprises (ME) represent 1.3% (National Institute of Statistics, General Census of Enterprises in Cameroon, 2016) SMEs are present in all sectors of activities. About 84.2% belong to the tertiary sector, 15.6% to the secondary and 0.2% to the primary (INS, 2016).

We can then discuss the economic and social role played by SMEs in Cameroon. Ndioro & Moumbock (1980), UNDP (1998), Kasereka-Mbahweka (2009), Ndong-Ntah (2002), Wamba (2002), Africapractice (2005), Um-Ngouem & Edding (2006), Ayyagari *et al.* (2007), Ndjanyou (2001), the National Institute of Statistics (2010), Taka (2010, 2011), participate in the demonstration of this role.

Economic and industrial development is increasingly based on the promotion of SMEs (Ndioro & Moumbock, 1980). According to the UNDP (1998) development report, the micro and small business sector accounts for 33.9% of all households in the country, 46% of the working population and 60% of urban youth. In Cameroon in 1998, SMEs provided 57% of private sector production and contributed up to 67% in the private sector and 53% nationally. These are contributions to tax revenue. Kasereka Mbahweka (2009) believes that the share of SME jobs in the labour market in Cameroon is 55%. He adds that SMEs in this country created 68% of private sector jobs in 1998. SMEs in Cameroon constitute a real core of the economic fabric and the main job provider (Ndong-Ntah, 2002). The microenterprise sector is the largest job provider in cities (Wamba, 2003). In sub-Saharan Africa, SMEs create nearly 50% of jobs (Africapractice, 2005) and contribute an important part to the creation of national wealth, i.e. about 20% of GDP (Africapractice, 2005). The creation of SMEs actively contributes to reducing youth unemployment, through the jobs it generates. They are an instrument for the densification of the industrial fabric, the very basis of growth and development (Um-Ngouem & Edding, 2006). Jobs created by SMEs are estimated at 19% of the working population (Ayyagari *et al.*, 2007). SMEs are considered by the Cameroonian public authorities as the instrument for reviving the national economy (Ndjanyou, 2007). VSE employed 120,533 people, PE 67,553 and ME 49,977 in 2009 (INS, 2010).

Finally, we believe that SMEs have been able to free themselves from the stage of very small enterprise (VSE), the dominant category of companies in Cameroon (79.1% of businesses in Cameroon are VSE), for their rise to the category of large enterprise (only 0.2% of enterprises in Cameroon are large enterprises) (INS, 2016) so as to constitute a real base for economic and social development.

The place of SMEs in the Cameroonian economy accounts for all the attention paid for several decades by the public authorities to the promotion of this category of enterprises. This special attention is demonstrated by the creation of SME support organizations and the many measures taken. The Cameroonian Development Bank (CDB) was created in 1961 with the missions of contributing to the promotion of small and medium-sized industrial and craft enterprises. In 1970 the Assistance Centre for Small and Medium-sized Enterprises (CAPME) was created. This institution was responsible for informing, training, consulting and assisting SME promoters in order to help them present and support fundable projects. In 1971, the Small and Medium-Sized Business Credit Guarantee Fund (FOGAPE) was created. It appears to be a real financial revolution for SMEs. In 1974, a special account was opened within the CDB to finance SMEs (Beyina, 2008, p.61). With banking support to SMEs remaining weak, the government reformed the CDB, participated for at least 35% in the share capital of commercial banks, appointed bank chief executives and elected the chairmen of boards of directors on the government's proposal. Commercial banks were instructed to reserve 20% of their overall rediscount costs for Cameroonian SMEs. This measure was reinforced by extending the 20% to all commercial bank loans. The Bank of Central African States (BEAC) also underwent these reforms. It has simplified rediscount procedures in favour of SMEs. It favours SMEs when it comes to funding campaign credits (Yondo, 1986). The public authorities increased their means of intervention to help SMEs through the CDB.

The World Bank (WB), the African Development Bank (ADB), the Organization of Petroleum Producing Countries (OPEC) and the French *Caisse Centrale de Coopération Economique* (CCCE) - now *Caisse Française de Développement* (CFD) - negotiated and signed agreements with the government to open lines of credit with the CDB for SMEs (Yondo, 1986). Bank assistance to SMEs has increased despite the initial slowness of the procedures and the interest rates sometimes higher than those of the local market criticized by SMEs; despite the cash flow problems resulting from the advance of funds to SMEs before the availability of these by international organizations as well as the relative reluctance of commercial banks which brandished the volume of non-payment by SMEs and the non-coverage of FOGAPE guarantees and counter-guarantees (Beyina, 2008, p.65). To strengthen the role to be played by FOGAPE, in addition to the 10% levy on the net profits of banks and state subsidies, an initial public endowment of 1 billion will be granted to FOGAPE by the Cameroonian government. The tax on the distribution of credit (TDC) of 1% will be added to this initial allocation. FOGAPE will also benefit from the privilege of the public treasury with regard to taxes and duties for its due debts. This is a second-rate privilege after that of the public treasury (Beyina, 2008, pp.66-67). These measures make the guarantee and counter-guarantee system automatic. FOGAPE can now take holdings in SMEs (within the limit of 1/3 of the share capital), grant participatory loans and direct loans to SMEs (Yondo, 1986).

The original missions of FOGAPE (direct aid in training and information, advice and bookkeeping; guarantees of loans granted to companies with national managers and whose participation in the share capital by nationals is at least

51%; counter-guarantee to commitments by signature; loans by banks for SMEs) were reinforced (Yondo, 1986).

Despite the strong political will, and the presence of an SME bank, SMEs continue to suffer from the exaggerated rationing of bank credit (Taka, 2011). SMEs therefore comfort themselves with essentially short-term alternative funding methods (Ndjeck, 2016). This essentially short-term alternative funding covers not only current needs but also long and medium-term needs. This raises the problem of minimum financial balance faced by SMEs in Cameroon (Ndjeck, 2019). We can then wonder about the value of alternative funding methods for SMEs in rationing bank credit.

The question about the value of alternative funding methods for SMEs is answered in the four Chapters below:

- Chapter I: Permanent formal alternative funding of SMEs;
- Chapter II: Formal short-term alternative funding of SMEs;
- Chapter III: Informal alternative funding of SMEs;
- Chapter IV: The implications of the theoretical assessment of alternative funding for SMEs.

1 Permanent formal alternative funding for SMEs

Permanent funding is made up of resources made available to the business on a sustainable basis usually for more than one year. It includes own resources and financial debts. Own resources are subdivided into internal funding from the activity of the company (self-funding) and contributions made by partners or entrepreneurs. Financial debts are those with a repayment term of more than one year.

We shall make a distinction between funding by leasing on the one hand, and funding by venture capital companies and contributions from partners or entrepreneurs on the other hand.

After presenting each alternative funding method, we shall then highlight the strengths and weaknesses of this alternative funding method.

1.1. Leasing

As we said earlier, after presenting leasing, we shall look at the strengths and weaknesses of this alternative mode of SMEs funding.

1.1.1. Presentation of leasing

Leasing, to which law n° 66-455 of July 2, 1966 gave the French translation of *"credit-bail"*, is an investment funding technique that originated in the United States where it had developed considerably since 1952 (Depallens & Jobard, 1990, p.734). The success of leasing caused it to spread in Europe from 1960 and in particular in France (Depallens & Jobard, 1990, p.734). This means of funding has expenrienced a positive evolution in recent years in Cameroon. Three forms of leasing can be distinguished: furniture leasing, real estate leasing and, international and export leasing.

Furniture leasing can be defined as "rental operations of capital goods, equipment or tools purchased by companies for this goal. The companies remain the owners of these goods when these operations, whatever their qualification, give the user the possibility of acquiring all or part of the rented goods for an agreed price taking into account at least part of the payments made as rent" (French ordinance of September 28, 1967, cited by Charreaux, 1991, p. 538).

Leasing is open to manufacturers, traders, farmers, members of the liberal professions. It begins with a rental period, and then options are offered to the tenant.

The movable good for professional use in a leasing operation is chosen by the user who determines with the supplier the technical specifications and the conditions of sale. It is then purchased by the company and later rented to the user. This rental is concluded for a fixed period (7 years as a rule) during which, neither party can terminate the contract, except in the case of non-compliance with one of the clauses by the other contracting party. This irrevocable rental period generally covers at least the period of tax depreciation of the property (Depallens & Jobard, 1990, p.735).

In return for making use of this property, the user will have to assume the following charges:

- cost of delivery;
- insurance: the most common risks concern theft, fire, explosion, breakdown of machinery; the tenant is often required to take out civil liability insurance and thus cover against the risk of terminating rental payments following a damage to the equipment;
- Maintenance and repair;
- royalties or rents: they can be at the choice of the user, and depending on the tax provisions relating to depreciation, they can be constant, decreasing or variable; generally they are paid monthly or quarterly.

As a mere tenant of the property, the user must affix a plate on it indicating the owner. The equipment cannot be modified without authorization and any damage must be reported to the owner who reserves the right to inspect (Depallens & Jobard, 1990, p.735).

At the end of the irrevocable rental period, the tenant generally has the choice between the following three options provided for in the contract (Barreau & Jibard, 1983, p.300):

- return the property to the owner;
- buy the property at a residual value fixed in the contract;
- renew the rental contract on the basis of lower royalties than the previous ones.

At the end of this contract, the user can acquire the property at a new residual value. This funding process, which is leasing, has been extended to buildings for industrial or commercial use.

Ordinance n° 67-837 of September 28, 1967 of the French Republic (quoted by Charreaux, 1991, p.539) defines real estate leasing as "operations by which a company leases for professional use a real estate that it has purchased or built for its own needs; when these operations, whatever their qualification, allow the users to become owners of all or part of the leased property latest at the expiration of the lease, either by assignment in execution of a unilateral promise of sale, or by direct or indirect acquisition of the property rights of the land on which the rented building(s) was/were erected, or by automatic ownership rights transfer for the buildings erected on the land belonging to the said tenant".

Lease is essentially a financial transaction with real estate support: the acquisition or construction of a building is in practice carried out on the express request and according to the indications of the tenant or the lease contractor; the leasing institution is the landlord, but by granting a promise to sell at a given price from the onset of the lease, the landlord gives up any chance of capital gain; the rent must, over the duration of the operation, which is normally between 12 and 25 years, ensure the return on the capital invested and their financial amortization supplemented by the final payment for purchase (Barreau & Jibard, 1983, p. 300).

In fact, real estate leasing is long-term funding, very often done for the entire investment and secured by the ownership of the building. The leasing institution will therefore assess the long-term solvency of the applicant but also the possibility of re-letting or reselling the building without loss in the event of default by the tenant; this depends on the fungibility of the support, i.e. on its suitability for possible use by another company or for another purpose. In France, the Small Business Equipment Credit can guarantee the commitments of businesses in the commercial and industrial sector to leasing companies (Depallens & Jobard, 1990, p.739). The rents and the repurchase price are normally totally or partially indexed to guarantee repayment in real value, and not purely in nominal terms of the capital invested as leasing institutions, unlike equipment leasing companies, have only limited refunding possibilities (Depallens & Jobard, 1990, p.730).

The tenant, without deduction from his own resources, immediately starts enjoying a property necessary for its operation, and ultimately, the ownership of it under financial conditions which reserve all the opportunities for him, since they do not take into account the market value of the building during the transfer of ownership. In the case of lease-back, the tenant can obtain new resources to make new investments, by selling one of the buildings acquired under a financial lease contract (Charreaux, 1911, p.538).

Another variant of leasing may appear, having the particularity of carrying out international operations. This is known as international and export leasing. It is characterized by operations in which the owner of a property and the tenant do not reside in the same country. This avoids, for example, the need to use a parent company to finance the investment programme of a subsidiary settled abroad. The operations are set up by foreign financial companies which are generally established in financial places; thus facilitating the collection of capital. These financial companies are governed by the local law. Export leasing operations can be financed and guaranteed under the same conditions as export credits, i.e. by mobilization at the rate of export operations and by guarantees (Depallens & Jobard, 1990, p.739).

From a legal point of view, the leasing transaction is essentially a rental accompanied by a unilateral promise of sale granted by the landlord. It is thus different from the following (Depallens & Jobard, 1990, p.736):

- "renting" or "rental" which is outright rental and may be the subject of several successive contracts with different users;
- rent sale which ends automatically with a sale at the end of a rental phase;
- Instalment sales which, from an initial transfer of ownership, include payment on credit;

- “lease-back” which is an operation whereby a company sells all or part of its assets to a leasing company and then uses them through a leasing contract;
- "back-to-back leasing" where a company sells equipment that it manufactures to a leasing company which leaves the equipment at its disposal through a leasing contract. The producer company leases its own productions, and then sublets the equipment to its user customers.

The assessment of funding by leasing will consist in highlighting the strengths and weaknesses of this alternative mode of funding for SMEs. This enables to better understand it.

1.1.2. Assessment of funding by leasing

We shall start with its strengths and end with its weaknesses.

1.1.2.1. The strengths of finance leasing

We can place the strengths of lease funding at two levels. They are of a fiscal and financial nature.

In its fiscal aspect, the lease fees or rents constitute deductible charges. They also give rise to the right to deduct value added tax (VAT). This is not the case with the classic loan. Here, the annuity including interest and repayment of capital is not deductible. It is this interest alone which confer the right to deduct VAT.

In its financial aspect, there are many reasons that justify the use of leasing. Some concern the fact that it is very practical and administratively simple to implement; others refer to the fact that it would make it possible to relax the external funding constraint and indirectly increase the debt capacity (Charreaux, 1991, p.541). Indeed, despite the parallel entry of the asset as a liability on the balance sheet in the OHADA zone in the case of capital lease, actually any leasing operation remains without impact on financial debts. The tenant thus retains his financial flexibility (the entry in the accounts of the asset in the balance sheet in this case results from the application of the principle of economic reality to the legal appearance imported from the Anglo-Saxon accounting system).

The practicality applies above all to furniture leasing which enables the use of capital goods for short periods without going through the formalities and risks associated with a purchase and resale procedure. In particular, the risk associated with uncertainty about the resale value is eliminated as well as the accounting and tax registration formalities resulting from the transactions (capital gains or losses on disposal, VAT adjustment). The administrative cost also appears to be reduced because there are specialized organizations for some goods such as vehicles (Charreaux, 1991, p.541).

The completion of traditional financial operations is often quite long, so leasing can, in circumstances requiring an immediate investment and with high profitability, constitute the adequate solution, given the relatively short time required to conclude the contract (Depallens & Jobard, 1990, p.737; Cossu, 2010).

Leasing is a kind of insurance against technological risk. If more efficient equipment appears on the market, the company will be able to exchange it very quickly. This would not be the case if the tenant were the owner (difficulty in selling obsolete equipment) (Barreau & Delahaye, 2003, p.370). For some types of goods such as computers, leasing also makes it possible to offer services other than financial: maintenance (Charreaux, 1991, p.541). Funding by leasing is integral (Depallens & Jobard, 1990, p.737; Charreaux, 1991, p.541; Barreau & Jibard, 1983, p.300). This can be an incentive for companies with high internal profitability which can, by this means, keep at their disposal 25% to 30% of the cost of investment that they would necessarily have self-financed in the case of medium-term loans (Barreau & Jibard, 1983, p.300; Depallens & Jobard, 1990; p.737). This would improve their cash flow and cover working capital needs. However, this advantage is controversial: on the one hand, some leasing companies require the company to make an advance payment which is only reimbursed at the end of the lease (deposit); generally 20% for real estate leasing. On the other hand, the royalties or rents are paid at the beginning of the period while the annuities of the loan are paid most often at the end of the period, the first royalty is therefore subtracted from the amount apparently financed (Charreaux, 1991, p.541).

Another advantage of leasing is that it does not affect the debt capacity of the company (Depallens & Jobard, 1990, p.736; Barreau & Delahaye, 2003, p.374). Charreaux even said that it would lead to an increase in the debt capacity by its method of accounting. This argument does not fully hold in the OHADA zone because in the case of restatement of leasing, in accounting the principle of the pre-eminence of reality over appearance prevails. In the OHADA zone, in the case of capital leases, recognition leads to an increase in both financial debts and fixed assets. In fact, a fixed asset account will be debited by crediting a loan account (fictitious loan). In addition, Charreaux (1991, p.542) thinks that the validity of this argument presupposes some naivety of the lenders who generally carry out adjustments to financial statements to analyze the risk presented by the company, and can obtain information on its commitments. Thus, the accounting made does not increase the debt capacity. Likewise, this accounting both entails an increase in stable uses and stable resources for the same amount. So this scenario has no impact on the debt capacity in the OHADA zone. However, the lessor benefits from a better guarantee than the lessee in the event of default, since he is the owner of the asset. The lessee, even if it is covered by a real security, runs a higher risk of non-recovery, as a result of the super-privileges granted to some creditors (employees, State…). This better protection of the lessor thus indirectly increases the debt capacity to the extent that leasing can be analyzed as a substitute for borrowing (Charreaux, 1991, p.542).

Lease funding also has the following advantages (Depallens & Jobard, 1990, p.737):

- The duration of leasing contracts is longer than that of instalment sales;
- It can be a means of additional funding in order to carry out an investment programme for which all the company's resources have been used.
- Medium-sized enterprises whose profitability is good, but whose surface area is too small for them to use conventional funding methods, may find in leasing a means of developing and modernizing their production. Increasingly, leasing companies perform the same risk analyzes as banks.

Leasing is part of the funding instruments based on assets ("Asset-based lending") and relies on both the repayment capacity generated by the cash flow of the company and the asset financed as a source of reimbursement (Cossu, 2010). In some leasing contracts, the supplier of the equipment may accept a commitment to continue payment of rents in place of the lessee if the latter fails to do so. This facilitates the establishment of the leasing contract because in this case, the lessor relies on both the tenant and the supplier. It is a tripartite lessor-supplier-tenant user lease (Cossu, 2010).

Lease funding is not all about virtue. Some criticisms are levelled at it.

1.1.2.2. The weaknesses of leasing

The weaknesses of leasing can be clustered around its cost, cash flow, debt, risk analysis.

Leasing can appear, if only the applied rates are used, as an expensive method of funding investments. It is therefore obvious that a rapid appraisal can encourage companies to prefer traditional financial techniques (Barreau & Jibard, 1983, p.300; Meyer, 1985, p.272). It is a means of funding that is normally only justified for goods with a high level of obsolescence (Meyer, 1985, p.272).

Leasing fees are operating expenses, specifically external services. They therefore reduce the added value and the self-funding and indebtedness capacity of the company, in the case of operating leases in the OHADA zone, since depreciation is not practiced in this case.

Increasingly, leasing institutions carry out the same risk analyzes as banks (Depallens & Jobard, 1990, p.737), which reduces the possibilities of funding SMEs by this means. In support of his request, the user must provide the leasing company with a file including the followings in particular (Depallens & Jobard, 1990, p.737):

- summary documents for the last three financial years,
- information on its financial commitments,
- information on the investment to be made.

In addition to assessing the risk to the tenant's future creditworthiness, the leasing company must determine what use the company will make of the property if it is to recover it. This will encourage him to carry out operations mainly on standard equipment which can be easily sold on the market in order to avoid storage (Depallens & Jobard, 1990, p.737).

In Cameroon, leasing companies are governed by decree n° 74/618 of July 3, 1974. The loans that the companies grant cannot be the subject to mobilization of receivables from the Bank of Central Africa States (BEAC), (Mbahweka, 2009). Thus, these companies finance themselves from banks and parent leasing companies. These fundings supplement their own funds.

The inability of leasing companies to refinance themselves with the BEAC can limit their interventions and hamper investment by SMEs.

SOCCO, SOCABAIL and SOGELEASE are the major leasing companies in Cameroon. SOGELEASE is the leasing department of *Société Générale des Banques au Cameroun* (SGBC) (Kasereka-Mbahweka, 2009).

A long and medium term funding formula appeared very recently in Cameroon and seems very suitable for SMEs. This is funding by venture capital firms. This method of funding has connections with contributions by the partners.

1.2. Venture capital companies and contributions by partners or individual operators

We shall try to analyze the funding by venture capital first, and then shall follow the funding by the contributions of the partners or entrepreneurs.

1.2.1. Venture capital companies

Venture capital is a growing profession today. The participation of more and more operators and the growing supply of capital have contributed to increasing expectations with regard to the profession (Bessis, 1997).

Of American origin, venture capital is "a specific funding technique which not only provides money, but also assistance to the management of the company. It should play a role at all stages of the development of the company" (Lachmann, 1992).

Venture capital investors define their profession as "funding and management assistance" and they put forward the expression of an active partner of the company or of the manager (Battini, 1985, cited by Lachmann, 1987). This activity is not to be confused with equity funding which is a passive participation in the capital of companies (Lachmann, 1997).

The European Venture Capital Association (1990, cited by Lachmann, 1997) defines venture capital as "any capital invested by a financial intermediary in companies or specific projects with high potential". The generally high risks of these transactions are offset by the prospect of significant capital gains to be realized after some time by private operators when reselling holdings (Lachmann, 1997).

The financial intermediary, i.e. the venture capital company has the particularity of funding companies by participating in their capital and assisting them at a technical and managerial level. Unlike banking institutions, no collateral is required when funding the business. The repayment of the capital contributed takes place at the end of the investment programme. The hope of a significant gain in return is at the centre of the funding decision of the venture capital firm. The return on risk capital appears when the investor sells his stake.

If the business fails, the contribution of the venture capitalist is lost. The use of the capital of the venture capital company is limited in time. Some contracts specify the VC firm's stay in the business. Generally, the stay of venture capital companies varies from 5 to 7 years (Etoundi, 2003). The practice of funding the least risky stages of business development (development capital and transmission capital) to the detriment of funding the stages of business creation (seed capital, start-up funding, post-creation funding) has established the substitution of the name venture capital by that of private equity (Beyina, 2008, p.324).

Venture capital occurs throughout the bottom-up part of the business lifecycle: seed, start-up, development and transmission or succession. Strictly speaking, venture capital covers seed and start-up funding: initial business plan, research activities, product development and initial marketing (Beyina, 2008, p.326). Venture capital can possibly finance the start-up of a project, the growth or takeover of a business, but also the funding of an intangible investment and that of a development programme, including upstream expenditure of a new company (Seed Stage) (Lachmann, 1997).

At each stage of the company's life, especially development, there is a corresponding type of funding. The seed funding responds to the initial development of the project. For this purpose, it is characterized by a high risk. Start-up funding refers to very young companies that cannot access bank funding, given a non-existent or precarious financial past. Start-up usually requires a lot of capital, as the needs are huge and relate to the initial marketing and development of the product. The funding of the expansion aims at increasing the means of production, to gain new market shares and to develop new products. The funding of the takeover constitutes special funding insofar as it does not fall within the scope of intervention of the venture capital company. This is the funding of already existing businesses and not in creation or development. This funding can consist in the purchase of the shares by another venture capital firm or the internal buyout by the personnel of the company which helps avoid opening the capital (Beyina, 2008, p.325).

Venture capital companies are only involved in companies in the form of a public limited company. When the business is in another form, it must first be transformed into a public limited company (Beyina, 2008, p.325).

The partnership between a venture capital firm and a business is sealed in a "specification" containing the relationships that will govern both parties. These reports relate in particular to assistance, the rate of participation in the capital, the monitoring and control. The company undertakes to keep accounts in accordance with current standards and the financial statements must be certified by an approved person. The signing of the “specifications” is followed by the funding. The participation rate of the company is generally between 35% and 49% (Etoundi, 2003).

In addition to the participation in the capital through the subscription of shares, there are many financial instruments called quasi-equity (current accounts of partners accompanied by blocking agreements, bonds convertible into shares, indefinite and repackaged subordinated securities at a given maturity, investment certificates to which are attached the pecuniary rights of the share and voting rights certificates, participating securities for public sector companies and cooperatives, as well as participating loans (loans for a minimum term of 07 years and last-ranking debts)) (Lachmann, 1997).

Cameroon currently has only one venture capital company, *Central Investissement-S.A*. (CENAINVEST-S.A.), Created in November 1998 (Etoundi, 2003). However, organizations such as the *Société de Promotion et de Participation pour la Coopérative Economique* (PROPARCO) 70% owned by the *Caisse Française de Développement* (CFD), the Commonwealth Development Corporation (CDC), the *Deutsche Investitors und Entwicklungs Gesellschaft* (DEG) take stakes in companies in Cameroon (Joseph, 2000, p.206; Kasereka-Mbaweka, 2009).

To these organizations we can add the International Finance Corporation (IFC), affiliated to the World Bank (Joseph, 2000, p.206). This company was present in Cameroon before CENAINVEST-SA in 1995, with a total commitment of 22.2 million dollars, granted loans for 20.7 million dollars and took holdings for 1.5 million dollars (Joseph, 2000, p.206).

Venture capital funding, which is not as developed as microfinance funding in Cameroon, will be understood in terms of opportunities or not.

By funding projects by holding part of the equity capital of companies, venture capital firms closely follow the progress of the project. The risk of default linked to mismanagement is thus reduced (Joseph, 2000, p.205). The contribution of venture capital firms to businesses could provide them with the minimum self-funding required for bank funding. Likewise, newly created firms would have access to sources of finance for their investments (Joseph, 2000, p.205). Venture capitalists share the risks of business success and failure (Kasereka-Mbahweka, 2009).

Venture capital companies participate in the selection, monitoring and control of projects. Managerial skills are added to the financial dimension. Indeed, the venture capital company benefits from the skills that enable it to follow and control the entrepreneur. It contributes to improving the quality and quantity of information, to improving the quality of communication.

The beneficiary of the products of venture capital companies undertakes to keep accounts in accordance with the standards in force, on the verification and certification of accounts and financial statements by chartered accountants (Beyina, 2008, p.331). The company is also required to inform the management committee of all changes and transformations that may affect the life of the company. Information asymmetry is therefore reduced by the support of venture capital firms.

While financial innovations offer real possibilities for large companies, this is not the case for medium and small businesses which find it difficult to access external resources and financial markets. With positive real interest rates and in the current context of economic difficulties which requires funding research and innovation as essential tools for competitive advantage, bank indebtedness should be avoided. The alternative is provided by risk capital which ensures this role of financial intermediary and which can promote the substitution of the debt economy for the capital economy necessary to fund intangible investments (Lachmann, 1997).

Venture capital is a long and medium term funding mechanism. The project is followed for five or seven years (Beyina, 2008, p.326). The permanent capital of the company is therefore reinforced by the venture capital company.

The venture capital company constitutes an equity contribution. There is therefore a sharing of opportunities and risks between the company and the venture capital firm. The venture capital firm is active in the business. It supports the company in its development through its technical assistance. The venture capital company plays at the same time the role of legal and tax advice, technical advice, management advice... Human resources management assistance can relate to the recruitment of executives. The technical director and the financial director, strategic positions, are naturally chosen by the venture capital company. Decentralization of decisions is gaining momentum. Technical and commercial assistance can relate to product development, a new organization of work, new technical processes, and the conquest of new market shares. Financial assistance consists in developing the financial information system by setting up accounting according to the rules of the art, decision support documents such as the dashboard, budgets... and by good financial communication.

The requirement for the periodic transmission of information of all kinds on the life and management of the financed company makes it possible to monitor and track the financial situation of the company.

The cost of providing information on the project to be financed is lower than that which all investors would bear if they carried out the information research themselves. This advantage is achieved through the relationship that is established between the venture capital firm and the entrepreneur before the project is funded.

The venture capital firm takes into account the needs of the business which are specific to the various stages of a business development.

As the venture capital firm is a financial partner of the company and provider of information and financial communication, not only the problems of information asymmetry seem to be solved, so too are the agency problems. Credit rationing should also be reduced. The use of this funding mechanism therefore seems appropriate for SMEs. Venture capital, an area little explored in corporate finance and whose field of intervention is reserved only for innovative companies, can be extended to any form of business. The main advantage of venture capital in the Cameroonian context of SMEs is based on the fact that in addition to financial information relating to the company, it takes into account non-financial elements, such as the qualities of the entrepreneur and his skills (Wamba & Tchamanbé-Djiné, 2002). However, this mechanism has some shortcomings.

Venture capital firms engage for a fixed period. At the end of this period, the problem that arises is about reselling the shares held, especially in countries where there is no stock market (Joseph, 2000, p.207).

The requirement of the legal form of a public limited company can constitute a barrier to venture capital funding. Some SMEs would find it difficult to take this form and therefore could not benefit from this type of funding.

The opening up of capital, involving partnership, omniscience in the management of the company, control of the company can also constitute a hindrance to the development of venture capital companies when we know how much power is concentrated between the sole hands of the promoter-manager of most SMEs. Indeed, competing manager-financial institution objectives do little to facilitate the expansion of venture capital firms. The manager's objective function which in the maximization of its usefulness does not promote the growth of the SME (Janssen & Wtterwulghe, 2000) constitutes an obstacle. The SME is linked to the manager. It is personified (Janssen & Wtterwulghe, 2000).

Cossu (2010) will even say that strong psychological barriers still exist towards opening up the capital of an SME. The desire for capital independence rightly continues to outweigh a dynamic of rapid growth.

Venture capital firms face some difficulties. Continuous monitoring of the business is impossible, and venture capital firms sometimes realize too late that management has not been rigorous (Joseph, 2000, p.207).

Normally, venture capital firms only receive completed cases. However, the establishment of these files is quite expensive and entrepreneurs do not always have the means to incur such an expense. Venture capital firms in this case set up the files and become promoters, which is not their role (Joseph, 2000, p.207).

It is not always clear that venture capital funds support investments made by SMEs with strong growth potential. Statistics show that of venture capital investments made in developed countries' SMEs, 20 to 30% result in total losses, about 40% of companies survive but without real prospect of growth and without hope of profitable sale of the asset (UNIDO, 1999, cited by Kasereka-Mbaweka, 2009). Only about 20% of businesses are successful and provide substantial returns and profits, often enough to cover losses incurred in the others (Kasereka-Mbaweka, 2009).

Venture capital companies are poorly developed in Cameroon. Reading the experience of developed countries raises two important questions: do venture capital firms have the necessary expertise to assist companies? Is it worth experimenting with the development of venture capital finance in underdeveloped countries, especially Cameroon?

The company can also use partners or the entrepreneur to build up stable resources.

1.2.2. Contributions from partners or entrepreneurs

Contributions from partners are analyzed as capital contributions and debt contributions called "partners' current accounts".

We shall focus on capital contributions first and then on "associate current account" contributions.

Capital contributions constitute own funds of external origin. During the life of the business, capital contributions are called capital increases. The capital increase, decided by the extraordinary general meeting, on a proposal from the board of directors or the management board, can be carried out in different ways: by incorporation of reserves, by new contributions or by offsetting a debt. Only the capital increase by cash contributions enables the company to have new resources. The increase by compensation of a debt makes it possible to avoid the repayment of a debt by transforming it into equity; it involves the modification of the funding structure. The capital increase by incorporating reserves does not provide additional liquidity but changes the legal nature of the liability.

The capital increase by cash contributions may or may not be carried out by public offering. Only public limited companies whose capital is at least equal to CFAF 100 million can use this form of funding. This minimum contribution requirement of FCFA 100 million excludes a large number of SMEs in Cameroon.

Capital increase in cash enables an injection of money without aggravating the financial charges of the company. In return, it entails costs and subsequent dividends to be paid, which will weigh on the future self-funding of the company (Ginglinger, 1997).

Capital increase tends to encourage lenders to the detriment of shareholders to the extent that debts are revalued due to the reduction in risk related to the financial structure. It tends to favour the old shareholder over the new one if the profitability of the new investments is correctly anticipated (transfer of value). The capital increase is the subject of fierce discussions between managers and shareholders. It causes a temporary reduction in information asymmetry (mandate theory).

Capital increase determines the power pyramid in societies. It usually results in dilution of the control. This is the reduction in rights on the company suffered by a shareholder for whom the capital increase does not entail any entry or exit of funds (Nussembaum, 1997).

The capital increase may also result in a dilution of equity for former shareholders.

The dilution of capital is more noticeable in SMEs because in large corporations, a greater dilution of capital means that power can be exercised with lower percentages.

The capital increase comes with costs.

Just as the IPO (Initial Public Offering) is entrusted to a pool of financial intermediaries, capital increase operations are conducted by a banking syndicate headed by a leader.

Banks perform three main roles: advise the company in setting up the operation (setting the schedule and issue price) and performing the usual operations (drafting documents, preparing the meeting, etc.); place the securities and collect the funds, and possibly grant a performance guarantee (Ginglinger, 1997).

The overall cost of both the capital increase and the IPO has implicit and explicit costs at the same time. The explicit costs and the financial intermediation fees include various commissions intended to remunerate the services rendered by the banks, in particular the placement and possibly the performance guarantee. Overall and on average, all of these costs represent 5% of the amount of the capital increase. The estimate of the implicit cost represented by the discount frequently applied by the market is more difficult to achieve.

In the United States, it is estimated on average at 15% of the amount of the capital increase (Ginglinger, 1997).

In addition to costs, the capital increase has the following limits:

- The capital increase is a source of funding that the company can only call on at fairly large time intervals (2 to 3 years in general). However, thanks to bonds with share subscription warrants, a capital increase can "schedule" a following one.
- For SMEs with a low number of partners, the capital increase constitutes a very limited means of funding. To overcome this drawback, they must open their capital, i.e. call on new partners, with the risks that this entails.

In sole-proprietor business, the amount of capital, called "personal capital", may vary at any time by the sole discretion of the operator.

Contributions in associates' current accounts reinforce capital contributions.

Shareholders can meet the funding needs of their company by subscribing to capital increases. But, the capital increase procedure is both complex and costly. In practice, to allow the company to meet its funding needs, the partners, instead of carrying out a capital increase, grant the company loans and advances in addition to their participation in the capital.

These loans and advances can be made either by depositing money in the fund or by leaving at the disposal of the company some money which would normally return to the partners as remuneration or dividends. The partners also become creditors of the business.

These amounts imply interest which depending on the situation is tax deductible. In Cameroon, the deductibility of these financial charges depends on the participation in the capital of the company (the partner as well as his spouses, descendants and ascendants must hold less than 10% of the capital. In addition, the interest rate applied must not exceed that of the BEAC advances plus two points). These advances and loans appear as liabilities under short-term debts, specifically under the item "Associates-current accounts". However, the "associates-current accounts" blocked account constitutes a stable resource and is considered as equity. This leads to the question of whether this item is a short-term funding item (since in principle is not payable at any time) or a stable funding item comparable to equity or quasi-equity.

The examination of this question is made by French law from the perspective of banking and business law (Depallens & Jobard, 1990, p.707). According to banking law a company, other than banking institution, cannot receive loans of less than two years, except in the case of loans received from institutions authorized to carry out credit operations under of the banking law. The same banking law in its article 2 provides that a company can receive loans of less than 2 years from its partners.

Hirigoyen & Jobard (1997) present two situations in which the "associates' current account" constitutes a stable funding item.

Insofar as the repayment schedule for the "associates' current account" is spread over several years, this current account can be treated as equity. In case there is a non-repayment clause or a last-rank repayment clause – which makes the current account look similar to an equity loan – funds deposited in the current account can be considered as equity.

In the case of SMEs or family-owned companies, banks and financial institutions agree to grant or extend loans only on the condition that the partners themselves commit their own funds to the company. To this end, the partners agree to sign an agreement to freeze funds in the current account. The blocking agreement specifies the amount and duration of the blocking of funds. The blocking can be certain, i.e. for a specific period of time. It may also be uncertain, that is, for example, it will correspond to the duration of loans granted by the bank (Depallens & Jobard, 1990, p.707).

Freezing a current account is often combined with a prior assignment of its receivable from the partner. When there are such blocking agreements or prior transfers, the partners' current accounts can be analyzed as quasi-equity.

SMEs are characterized by a greater use of associate accounts compared to large companies (Hirigoyen & Jobard, 1997).

Another example of formal permanent funding is the National Employment Fund (FNE). However, this public institution is only intended to promote employment through the funding of micro-projects or self-employment. Regarding self-employment, the maximum amount of funding is FCFA 5 million and the financial support of the FNE is up to 80% of the amount of the project. The remainder is the founder's personal contribution (Tangakou-Soh, 2007, p.122).

The micro-enterprise can also benefit from the financial support of the FNE for up to 80% of the total cost of the project. The micro-enterprise must create at least two jobs with a maximum cost of 5 to 10 million FCFA (Tangakou- Soh, 2007, p.122).

2 Short-term formal funding for SMEs

Formal short-term funding is made up of resources made available to the business for a period generally not exceeding one year.

The formal short-term funding of SMEs relies mainly on microfinance institutions and inter-enterprise credit.

We shall deal in turn with official sector microfinance and inter-enterprise credit.

2.1. Microfinance in the official sector

After presenting the official sector microfinance in Cameroon, we shall make an evaluation of this mode of funding.

2.1.1. Presenting the official sector microfinance in Cameroon

The origins of official sector microfinance date back to 19th century in Western Europe with cooperative and popular credit. Western Europe was followed by North America, then the whole world (Mayoukou, 2000). Pushed by Friedrich Wilhelm Raiffeisen, the first rural funds were created in the German countryside with the aim of better collecting money so as to make it easier for the members to get loans from banks. It was all about providing solutions to the misery of rural populations; alleviating the misery caused by the industrial revolution. Herman Schulze, of German nationality, and Luigi Luzzatti, of Italian nationality, in turn created popular credit institutions in some cities to support craftsmen and urban merchants. This microfinance movement will spread in turn to the neighbouring countries and to America. Alphonse Desjardins thus created the first credit unions in Quebec. "Credit unions" will also come to existence in the United States. However, the microfinance as a real tool for social integration and development was pioneered by Muhammad Yunus with the creation in 1976 of the Gramen Bank (Mayoukou, 1994; Lelart, 2007). This Bangladeshi tried to respond to the financial need of his fellow craftsmen who made bamboo stools.

Unable to build up stocks of raw materials, these bamboo stool manufacturers could not benefit from bank funding.

Yunus realized his experience by first lending his own funds to artisans. Noting the added value that emerged from the activity of these craftsmen, the jobs that were created and the possibility of building up stocks of raw materials to be sheltered from fluctuations in the prices of materials, Yunus created the Gramen Bank (Mayoukou, 1994). The Gramen Bank is a source of inspiration to many countries.

The microfinance wind, blowing across the world, has not spared Cameroon. Western Cameroon is the part of the country that first experienced the microfinance movement under the impetus of Catholic missions anxious to secure peasant savings and make credit accessible in rural areas where there were no commercial banks. The first microfinance institutions were created between 1964 and 1968

(Ngwafor-Egbe, 2000). It is with the recent economic crisis, bank restructuring and the rigidity of the access conditions to bank credit that formal microfinance will experience a national explosion. The movement spread to Eastern Cameroon. New actors appeared. Official microfinance today shows a better territorial presence with 287 localities covered against 15 by banks (Cobac, 2000) and a large number of institutions, 601 establishments in 2013 (Pony, 2013). But, it is regrettable that this explosion was not accompanied by an adequate institutional framework. Some cases of mismanagement and deficiencies will be exposed very early, thus leading to cash flow tensions, multiple collection disputes, managers who flee with the cash register… and worse still, the closures of institutions (Mbououmbouo-Ndam, 2007). The cases of mismanagement observed here and there led at the beginning of the 2000s to the restructuring of the microfinance sector. This restructuring consisted first in cleaning the list of microfinance institutions from fictitious institutions and those that had closed down.

Then, the institutional framework was strengthened, further securing the savings of depositors with the liquidity of institutions and limiting managers' opportunistic behaviour. Finally, measures were taken to allow the support of microfinance institutions by the public authorities and donors. Such measures aimed at strengthening the technical, human and financial capacities of these institutions which are directly involved in the fight against poverty, with the national microfinance programme (PPMF) being the starting point for the support of the public authorities. This state project serves as an interface between the government and donors. It kicked off in 2002 with a line of CFAF 8 billion granted by IFAD (Pony, 2013).

The restructuring of the sector has made it possible not only to create an environment conducive to microfinance institutions but also to their classification. And there are 3 categories of microfinance institutions in Cameroon (Cobac, 2000; Roesch, 2003):

- Are classified in the first category, the institutions which collect the savings of their members and used them in credit operations, exclusively for the benefit of the latter. These are associative, cooperative and mutualist types of institutions. In this category, the minimum capital or endowment is not necessary. Savings are collected from members. A minimum of 30 members is required for independent MFIs, and 15 for networked MFIs. A member cannot directly or through an intermediary hold more than 20% of the shares. Credit is given only to members. These MFIs are obliged to set up a solidarity fund intended to cover losses. This fund must be at least 40% of the capital at all times, after deducting deficits. They have the obligation to constitute a compulsory reserve of 20% of the surplus for the year to be allocated without limitation of duration and amount. If there is an external funding line, the ratio between own resources and external funding line must be equal to or greater than 50%.
- In the second category, institutions that collect savings and grant loans to third parties. These are only limited companies. The minimum capital required is 50 million CFAF francs. Savings are collected from the public and credits are open to all customers. In addition to the legal reserve, they must constitute a mandatory reserve representing 15% of the profits to be allocated without limitation of duration and amount. As with the first category, if there is an external funding line, the ratio between net equity and external funding line must be equal to or greater than 50%.
- The third category is made up of institutions that grant loans to third parties without carrying out the activity of collecting savings. These are micro-credit institutions,

projects, companies that grant sector credits or mutual guarantee companies. The minimum capital of these establishments is 25 million francs. There is no such a thing as savings; funds can come from loans, security deposits or funds left by shareholders. As the main activity credit is open to all. Just like the previous category, in addition to the legal reserve, they must constitute a mandatory reserve representing 15% of the profits to be allocated without limitation of duration and amount.

If institutions form a network, they have an obligation to create a governing body. The latter must be endowed with an "appropriate" capital enabling it to perform very specific and compulsory functions, in particular: defining accounting standards and procedures, setting up an internal control system, ensuring compliance prudential standards, exercise disciplinary power and enforce remedial measures, organize the management of institutions' surplus resources, etc.

This governing body becomes the representative of the MFIs to the supervisory bodies and control bodies.

MFIs must join the Professional Association of Microfinance Institutions of their state. There can only be one association per state. Cameroon created its association in September 2003 with 250 members (but the first general assembly, with the constitution of an office, did not take place until June 22, 2003). The presidency is held by the director of the CAMCUL network (the first and oldest network in Cameroon) and the vice-presidency by the director of the MC2 network, another large network in Cameroon (Roesch, 2003).

Before exercising, any institution must submit a request to the monetary authority. It has three months to send the file with thumb up of the banking commission (COBAC). At the end of these two deadlines, if there is no reasoned decision (one way or the other), it is deemed favourable. To obtain approval, 9 documents are required, in particular: the list of founding members, members of the board of directors, documents attesting to payments of shares, etc.) (Roesch, 2003).

Once the authorization to exercise has been obtained, it is mandatory to provide: every year the operating account, every 6 months the accounting situation (the balance sheet), the declaration of shareholdings, the calculation of the patrimonial funds, the calculation of the risk coverage ratio, fixed assets, liquidity ratio, transformation coefficient, control of risk minimization standards and declaration of credits favourable to shareholders, partners, staff and managers.

The constitution of mutualist-type institution is more flexible. This category of institution enjoys more tax advantages. We can even say that it is tax exempt. The savings and loan activity takes place within the organization.

Capitalist-type institutions are growing faster under the impact of the economic crisis, bank restructuring and the increased exclusion of the poor from bank funding. This growth is also due to the transformation of mutualist institutions to the capitalist type.

As financial institutions, we can identify among others the peasant banks of the Pilot Project created in 1995 on the initiative of the World Bank, the ACEP Cameroon Development Project of French cooperation specializing in loans to urban VSEs. They grant funding at very low rates allowing them just to cover operating costs (Pony, 2012).

The Ministry of Economy and Finance provides technical supervision for microfinance institutions. However, mutualist-type establishments also come under the supervision of the Ministry of Agriculture, the traditional sponsor of the mutualist sector in Cameroon.

The control of microfinance institutions is carried out both by the internal bodies of the structure and by the external bodies such as the statutory auditor or external auditors and the COBAC which ensures compliance with prudential standards and sanctions malicious MFIs. The sanction extends to the withdrawal of approval. Formal microfinance is experiencing a remarkable revolution in Cameroon. This remarkable revolution can be observed on the one hand by the number of microfinance institutions existing in Cameroon and the place of Cameroon in this field in Central Africa and on the other hand by the innovations that characterize MFIs.

There are three main stages of the formal microfinance revolution in Cameroon.

In its first stage, MFIs were created in an anarchic way because there was no respect for prudential standards. More than 10,000 MFIs were created. There were many types of MFIs: mutualist, direct credit and NGO (Mayoukou, 2000).

In its 2nd stage, the adoption of the COBAC regulation in Cameroon revealed three categories of MFIs. The particularity of this regulation is to set prudential standards. They range from the minimum capital requirement for categories 2 and 3 of MFIs to liquidity risk prevention for MFIs. The regulations of the CEMAC monetary authorities will enable to clean the formal microfinance list in Cameroon. Several MFIs will thus be banned from practicing. This second stage started in 2002.

A final stage will kick off with the particularity of uncontrolled growth of several MFIs. This uncontrolled growth of several MFIs will result in the bankruptcy of a number of them or their removel from the official MFI list (Mayoukou, 2008). The bankruptcy of some MFIs is also justified by the tough competition between them.

Cameroon currently has 439 MFIs and has the most dynamic formal microfinance industry in Central Africa (Pony, 2013).

Also interesting about the formal microfinance revolution in Cameroon are financial innovations. These are microfinance products and services.

Some formal microfinance products and services are identical to those of banks (commercial banks) and tontines in Cameroon; others are specific to MFIs.

Identical products to those of banks include savings accounts, term accounts, death insurance, savings accounts, business accounts...

The tontine products incorporated by MFIs in Cameroon include daily collection of savings and tontine accounts.

Tontine accounts and daily deposits protect informal sector actors from cash shortage. At the same time these products stabilize MFIs resources and reduce their dependence on both banks and donors as they gain the confidence of informal savers. These products enable MFIs to cope with CEMAC regulations (Pony, 2012).

Specific SME products include cash savings, New Year's Eve savings, mutual aid fund, Easy-cash, Islamic savings account, MCS account...

The products offered by MFIs combining both the characteristics of formal banking savings and informal practices are the consequence of offering financial services to a category of customers excluded from formal banking services (Lelart, 2000). The daily collection of savings and the tontine account constitute the flagship products of MFIs in Cameroon (Mayoukou, 2008). The daily collection of savings has led MFIs to hire “tontoneers” called collectors who perform this task on a daily basis. This is a good way for MFIs in Cameroon to secure informal savings.

The amount of daily savings collected by each commercial agent is about 200,000 FCFA. This money becomes significant when it is multiplied by the number of sales agents which varies between four and ten on average. And more than half of approved MFIs offer the daily informal savings collection service (Mayoukou, 2008).

There are two types of tontine accounts. First and foremost, each tontine member holds a deposit account in an MFI which is used for personal contributions. Secondly, associations have accounts in MFIs where all members make payments against receipt.

MFIs mainly collect savings from the informal financial sector.

The services and credits offered to customers also constitute a wide range of MFIs in Cameroon.

As financial services identical to banks, we can note the domiciliation of salaries, the discounting of invoices, the discounting of checks, transfers of funds, the commercial current account, the association account, the current account of individuals, support for MFIs and the rural world, purchase and sale of foreign currency, the sale of travelers' checks, negotiation of cash vouchers, etc.

The loans specific to MFIs offered include solidarity micro-credit for the most disadvantaged, investment credit, Flash credit, solidarity credit, advances on salaries, overdrafts...

MFIs have a very large clientele. It is part of the formal sector, the informal sector and the semi-formal sector. The formal sector clientele includes: civil servants and State agents, private companies employees, SMEs, GICs, NGOs, businessmen, heads of private educational institutions, cabinets, gas stations, lawyers, bailiffs, notaries.

The clientele of the informal and semi-formal sectors is made up of craftsmen, traders, Bayam Sallam, socio-cultural associations, rescuers, dry cleaners, taximen, farmers, housewives, village banks, motorbike riders, shoe repairers, cold and air conditioning workshops, dressmakers, bricklayers...

One of the major innovations of formal microfinance is its internationalisation.

The internationalisation of microfinance is characterized first of all by the globalization of its technology. It then manifests itself in the mobilisation of both local and international savings, through vehicles such as NGOs, international development organizations, multilateral organizations as well as multi-form services offer. A sort of international refunding market is emerging, mainly with the creation of microfinance investment funds (Mayoukou, 2008). The involvement of investment funds can take several forms:

- granting foreign currency loans to MFIs;
- subscribing to a share of MFIs capital;
- subscribing to debt securities issued by MFIs;
- Donations.

The formal microfinance transformation in Cameroon which has raised it on the top list in Central Africa should make it possible to increase the means of funding of SMEs. And as Pony (2013) puts it, the microfinance industry competes in the SME niche with formal banks.

The rise of formal microfinance in Cameroon has been fostered by the dominance of the informal financial sector (Mayoukou, 2008).

After presenting the official microfinance sector, we shall focus on how this business sector is appreciated in Cameroon.

2.1.2. The evaluation of formal microfinance

This assessment has merits and limitations. We will discuss the merits first.

The great reconciliation between the formal and informal sectors of the microfinance helps attract savings from the informal sector to formal microfinance. Indeed, the proximity that characterizes informal finance is also present in formal microfinance: technical assistance, administrative assistance, accounting assistance, information. Microfinance institutions (MFIs) develop and maintain close relationships through field trips, visits to clients, project monitoring. Permanent contact with customers allows them to know their difficulties and adjust the credit agreement. Trémollières (2004) and Mbouombouo-Ndam (2007) speak of an adaptation of debt collection or adjustment to the individual situation of each client.

The support provided by MFIs consists among other things in strengthening or creating a business opportunity, in increasing users' income, in promoting the regular repayment of loans granted. Cameroonian MFIs have an obligation to strengthen the capacities of their customers to make them real "bankable" economic operators (Pony, 2012). MFIs create and develop their clientele. The target of these structures is particularly the poor who sometimes have no savings, no income, no permanent employment, or business opportunities (World Bank Institute, 2001).

Due to the great insecurity that prevails in our cities, many tontines today no longer make direct contributions. Before the day of the meeting, the contributions are paid into a microfinance institution, into the account opened by the beneficiary. The latter can withdraw and use the funds paid at any time. This is how we can protect ourselves from the organized crime that is rampant in Cameroon today. The microfinance institution also serves as an interface between informal finance and the bank insofar as the funds collected from informal finance by the microfinance institution are generally reserved in a bank account opened by the microfinance institution in order to make savings more secure.

Such behaviour by microfinance institutions strengthens bank savings and should lead to an increase in loans granted by banks, via the mechanisms for transforming the resources received by banks. MFIs, by virtue of their proximity to the general public, are better placed to capture informal savings. In addition, some MFI promoters are members of tontines. This facilitates MFI-tontine integration.

The products of MFIs seem to correspond to the needs of low-income economic agents. This makes it possible for MFIs to reach the majority of the population (Mayoukou, 2002).

The group loan mechanism (Muhammad-Yunus, 1976; Wamba (2008), creates social cohesion by allowing the members of a society to come together, to join together. The group also constitutes an incentive for the allocation of credit through social collateral (Wamba, 2008). However, Mesquita (2008) questions this acceptance, because the group can be constituted just for the circumstance.

Aware of the proximity between MFIs and the poor social strata, public authorities and donors rely on MFIs to fight poverty thanks to the model inspired by the Gramen bank, Banco do sol in Bolivia... This is how microfinance support is both technical and financial (Pony, 2013). Cameroon is no exception. The Cameroonian government has made a commitment to build capacity and secure the activity of the microfinance sector.

Microfinance interventions can be either social or purely financial. The followings concern its social dimension (Wamba, 2008; Mayoukou, 1993; Germidis, 1991; Pony, 2012):

- MFIs encourage users to save by raising funds from themselves through their agents. It is also open to users of contributions whose amounts are not significant, over a period not exceeding 12 months in most cases. At the end of these contributions, a credit representing 2 to 3 times the amount contributed by the user is granted to him in order to create or develop a business. By developing the spirit of saving, MFIs also make it possible to build up productive a capital. They are most often required to draw up savings and credit plans for their clients. Once their business is developed, clients open a normal account.
- MFIs can provide technical assistance to their clients on their projects. This assistance can be direct or through an MFI partner. Such an attitude towards clients can be explained by the desire to improve the profitability of the project and, in turn, to secure the repayment of the loan.
- MFIs can also seek out opportunities for their clients and monitor their sales and cash flow.

- MFIs encourage, initiate and facilitate the formation of economic interest groups. They assist these groups by setting up, drafting the statutes, registering the statutes, training, and leading the group. The group constitutes a solidarity guarantee, improves loan repayment, and therefore encourages the granting of credit.

In Cameroon, microfinance intermediation constitutes an important vector of social cohesion by strengthening community practices among clients. It is also an instrument for the socio-economic management and promotion of populations (Pony, 2013). However, Mbouombouo (2007) notes that the microfinance benefitsmentioned above can be ascribed to NGOs, the financial components of development projects and some community-based MFIs. The majority of Cameroonian MFIs lack human and financial resources to invest in social actions. Moreover, a great deal of them has a capitalist color and is more interested in business founders than in the poor populations.

In its financial dimension:

- Unlike banking institutions, MFIs clients come from all walks of life including businessmen, manufacturers, artisans, and small traders. But the clientele of MFIs is essentially made up of those who cannot access bank funding (Mayoukou, 2002).
- Middle-income economic operators turn to MFIs to supplement their bank funding (Assiga Ateba, 2002).
- Big businessmen deal with MFIs to cover their settlement operations in areas where banks do not exist.
- The main activity of MFIs is collecting savings and granting credit. In addition to these activities, there are money transfers, foreign exchange, insurance, direct debit, etc.
- MFIs finance all sectors of activity. The breakdown of credits by COBAC in 2000 shows that (Mbouombouo, 2005):

- 13.34% are allocated to agriculture and livestock,
- 49.50% to trade and crafts,
- 10.37% to education;
- 8.33% to accommodation;
- 4.91% to health;
- 13.55% to other sectors.

- They finance both the creation, the development and the survival of the business (Mayoukou, 2002).
- MFIs are undergoing substantial changes in the world today with an increasingly growing number of institutions, clients, relationships with banks and the internationalisation of MFIs.

There is an emergence of a sort of international refunding market, mainly with the creation of the microfinance investment funds. These investment funds make it possible to link the international capital market with actors often excluded from national banking markets. These actors connected to the international capital market are generally micro-entrepreneurs and small investors, households with deposit accounts in MFIs (Mayoukou, 2008).

These changes are leading MFIs towards a commercial approach which results in the exclusion of traditional customers, the rationing of credit (Mayoukou, 2008). The assimilation of MFIs to banks in Cameroon, breaking down proximity, makes them adopt the same behaviors as traditional banks (Bekolo & Onomo, 2008).

The transformation of MFIs into banks and micro-banks exposes them to 2 types of risks: intermediation risk (default and downgrade risk) and market risk (interest rate risk on resources and jobs, interest rate risk on hidden options, currency risk) (Mayoukou, 2008).

Lelart (2008) mentions three types of risks: banking risks linked to credit, operational risk linked to management and political risk linked to governance.

The internationalisation of microfinance intermediation is leading to the gradual abandonment of group lending in favour of individual lending by MFIs.

Formal sector microfinance does not only have merits, it has also got some negative points.

The following limitations of formal microfinance can be listed:

MFI funding is more suitable to operating a business than to investing in it since MFIs resources are short-term. The funding of investment by MFIs therefore requires for MFIs a great deal of intelligence in transforming circulating resources into sustainable resources. This transformation exposes MFIs to cash shortage risk.

In the change process some MFIs adopt the attitudes of traditional banks and only lend to a given category of customers, leaving the poorest people aside (Mayoukou, 2008). These MFIs have embarked on a frantic race for profit.

The conditions for opening accounts in some MFIs, particularly in the second category, do not give access to a very large majority of customers. A minimum amount is indeed required as in banks for opening an account in an MFI. However, today whether it is the MFI or the banks, this entry barrier has been broken in Cameroon.

Formal microfinance transactions are still not mastered by the current and potential clientele of MFIs who are in most cases illiterate. This can constitute an obstacle to the full mastery of their savings. The governance problems of MFIs in Cameroon can constitute an obstacle to their sustainability (Onomo, 2009, p.112).

EMFs are naturally located near markets and in working-class neighbourhoods. This does not facilitate the collection of savings from rural areas which can make do with tontines.

Another form of formal short-term finance takes shape in trade relations and is widespread in both developed and underdeveloped countries. This is intercompany credit.

2.2. Inter-company credit

Dietsch (1997) defines intercompany credit as an unsecured source of short-term funding provided by a non-financial firm and linked to the purchase of goods and services. It is a credit linked to a commercial act. This definition excludes the followings from the field of intercompany credit: funding between related companies and, more generally, any form of credit that is not based on a commercial relation.

In practice intercompany credit can also be a source of medium-term funding. This is the case with long-term contracts, the acquisition of fixed assets whose price is indexed, the acquisition of fixed assets by means of annual royalties, the acquisition of fixed assets against payment of a life annuity (Caspar & Enselme, 2001, pp.109-121).

Intercompany credit includes all receivables and debts resulting from payment terms that companies grant themselves or that they grant to the end consumers of their products. It therefore encompasses both customer loans and supplier debts, the latter being only the counterpart of the former. They also include advances and down payments made by customers and received by suppliers (Dietsch, 1997).

Business-to-business credit is characterized by simple formalism when compared to other forms of credit. This credit is not subject to the signing of a contract. The invoices bear the payment deadline and as a rule all the terms of payment are also mentioned. The cost of business-to-business credit can be measured and determined.

2.2.1 The measurement and cost of inter-company credit

Both the amount of intercompany credit and payment terms are measured from balance sheet accounts. The amount of customer credit is determined from accounts receivable;

bills to be received are shown on the assets side of the balance sheet while the amount of supplier credit from accounts payable and bills to be paid are shown on the liabilities side. Customer and supplier deadlines are calculated as follows (Barreau & Delahaye, 2003, p.408):

$$Customer\ lead\ time\ (in\ days) = \frac{(Customers + bills\ receivable + discounted\ bills\ not\ yet\ due)x360}{Turnover\ including\ tax}$$

$$Supplier\ lead\ time\ (in\ days) = \frac{(Suppliers + Bills\ to\ pay)x360}{Purchases\ including\ tax}$$

We can also determine the equity position of the company by comparing the amount of trade credits granted to the amount of trade debts contracted. The positive balance obtained from this confrontation means that the company is in a situation of net creditor or distributor of intercompany credit. And the negative balance means that the company is in a situation of net debtor or beneficiary of intercompany credit (Dietsch, 1997). Business-to-business credit can prove costly.

The credit decision can be thought of as the result of a cost-benefit calculation. By agreeing to payment terms, the seller is exposed to three types of costs: financial costs (cost of refunding trade receivables, opportunity costs of funds invested in a receivable), possible losses due to the customer's bankruptcy or its character of bad payer and holding costs (administrative costs linked to the management of trade receivables, cost of recovering litigation procedures, losses linked to monetary erosion (Charreaux, 1991, p.585). Several reasons can justify intercompany credit.

2.2.2. The reasons for intercompany credit

Three reasons account for the holding and justification of intercompany credit: the financial reason (the financial reason exists when the cost of the borrowed funds is lower for the seller than for the buyer), the transaction reason (intercompany credit enables any company to reduce cash balances and precautionary stocks which are made necessary by the non-synchronization of income and expenditures) and the price reason (the existence of payment deadlines modifies the effective price of goods and services sold, the current value of the price of Sales tend to decrease as the length of payment terms increases (decreases) (Dietsch, 1997)

Intercompany credit plays a financial function. This function is remarkable in terms of both economy and fund transfer.

Payment terms play an active role in regulating economic fluctuations. The payment terms granted to customers enable stocks to be used up. The increase in supplier lead times tends to accompany a reduction in material stocks, especially in industry. But the use of payment terms depends in particular on the development of interest rates. The role of financial intermediary that non-financial enterprises play is subject to constraints similar to those governing the distribution of credit by financial institutions.

Intercompany credit is the vector for large transfers of funds, the motivations of which are financial. Through payment terms, companies implement a genuine internal funding system, the role and operation of which are similar to those of the traditional financial system. The companies which distribute credit, not only do they transfer by this means part of the resources that their better financial situation enables them to collect from banks, but more generally they develop a real function of financial intermediation, in particular by bearing the risk of transferred funds (Dietsch, 1997).

Unlike customer credit, determining supplier credit is not an investment decision, but a funding decision.

Many companies allow their customers to choose between a faster cash discount and a longer payment term. In this case, the supplier credit has an opportunity cost that depends on the size of the cash discount. This cost can be determined from the differential flows evaluated from the two possible policies "with discount" or "without discount".

If the company can substitute for this funding by supplier credit a financial debt of the same amount, remunerated at the normal rate, without any change in the company's overall debt capacity, then the discount rate is the usual interest rate on financial debt. Otherwise, the opportunity cost to be considered should take into account the induced effects on debt capacity (Charreaux, 1991, p.590).

Supplier credit management would consist in maximizing supplier credit by delaying payments. However, this management must be done in such a way that there is not much negative influence on the perception of risk by third parties. If this were not the case, the overall cost of funding could be affected and the benefit of supplier credit funding would be lost (Charreaux, 1991, p.591).

Supplier credit can be a less expensive form of credit than bank credit since the accuracy of the information held by the supplier on the buyer's situation is higher than that of the information produced by the bank. The latter may then find an advantage in letting the supplier act as an intermediary between itself and the final buyer-borrower.

Intercompany credit represents around 25% of companies' financial resources, or nearly twice the amount of bank debts. The asymmetry of information between lenders and borrowers would justify the existence of intercompany credit: the supplier would have better quality information at a lower cost on the client firm and could thus provide resources that are less expensive than the funding circuits (Ginglinger, 1997). Likewise, the procedures for obtaining such funding are more flexible and rapid.

But, as a general rule, it can be assumed that intercompany credit is a rather expensive form of credit, because the losses it induces for suppliers are relatively high (Dietsch, 1997).

In developed countries as in developing countries, business-to-business credit mainly in the form of late payments is widespread. Firms without financial difficulties grant credit to firms rationed by bank credit because they more easily obtain information through their business relationships (Joseph, 2000, p.84).

In Cameroon large companies finance small companies rationed by banks. Loans granted by large enterprises to other enterprises in Cameroon represent about 45% of their turnover (Ngend-Ngend, 1996).

Assiga-Ateba (2002) also highlights the use of commercial credit by companies rationed by the bank. They move towards companies with excess funding or with a greater capacity for indebtedness with the banks. Tchouassi & Ndjanyou (2002) go in the same direction by placing particular emphasis on supplier credit. They note that supplier credit is a practice widely used by SMEs, traders, small retailers and in particular street vendors in the informal sector. National suppliers grant credit facilities to traders who have demonstrated their capacity to sell and repay loan of goods. For a rather long period they follow the evolution of the daily, monthly or annual turnover of the loan applicant, the respect of repayment deadlines, the environment and the debtor clientele (client). At the end of this observation period, the amount of credit granted, which is initially reasonable and very often less than that of cash purchases for the same period, becomes larger and can sometimes exceed the amount of cash purchases. This credit increases with the good performance of the customer relationship. Thanks to this supplier credit mechanism, some traders now maintain credit relationships with wholesalers who own very large areas and do large business. Long-term business relationships and reputation are the guarantee of debt repayment. Foreign suppliers are a little reluctant and grant less credit facilities. They demand to brood her management risk through the intervention of the formal financial system.

Wholesalers and semi-wholesalers grant loans to their customers who come to their stores for supplies. Retailers provide credit to salaried customers who accept wage assignments.

Other funding formulas, characterized as short-term and unregulated, meet the financial needs of SMEs. These formulas cover collective and individual practices.

3 Informal funding of SMEs

As we just said, informal funding covers both collective and individual practices. These practices contribute to the emergence and development of SMEs (Mayoukou, 1993; Bekolo-Ebe, 1993; Edding, 2002).

After presenting the informal funding mechanisms, we will try to evaluate them.

3.1. Informal funding mechanisms

The funding mechanisms are the routes taken, the methods used, the funding practices or the motivations that drive SMEs to mett a funding institution. These include:

- the modes of funding
- the use of the modes of funding which can be exclusive or combined
- the order of preference of the modes of funding
- the factors which determine the choice of the modes of funding

Our major concern here is funding practices.

We shall describe collective practices and individual practices respectively.

3.1.1. Collective practices

A number of collective practices take place within the tontines.

> "A tontine is a contract by which several people agree in a spirit of solidarity to provide a service or a good for the benefit of a member and / or to periodically pay a sum of money the total of which is given to one or more members either as reimbursement or as a loan. A membership fee can also be paid regularly or occasionally to help members in some circumstances" (Kane-Ebanga, 2002).

There are several types of tontines. They can nevertheless be classified according to three criteria: the nature of the subject matter, the affinity between the members and the mode of existence (Kane-Ebanga, 2002).

Depending on the nature of the subject matter, we can distinguish the so-called social tontine from the financial tontine. Subsequent developments will be made according to this classification. Depending on the affinity between the members, we can notice that tontines are created on the basis of proximity. This proximity can be professional, cultural or spatial. We also find tontines formed between craftsmen, traders, industrialists, employees of the same organization, residents of the same neighborhood; people from the same village, the same subdivision, the same division ...; people speaking the same language...

Depending on the mode of existence, we can distinguish the "association" tontine from the "isolated" or "autonomous" tontine (Kane-Ebanga, 2002). The "association" tontine is created within an association. The "isolated" tontine is formed for the sole purpose of creating a tontine.

3.1.1.1. The social tontine

The social tontine is based on personal relationships. It is driven by the spirit of solidarity and mutual aid between members (Eboué, 1988; Bekolo-Ebe, 1993; Lelart, 1993; Mayoukou, 1994).

The social tontine can be subdivided into three: the service tontine, the ordinary or classic tontine and the consumer tontine" (Kane-Ebanga, 2002).

In the service tontine, the members mutually carry out work. This is how in Cameroon, particularly in rural areas, we can grow crops (macabo, bananas, yams, maize, peanuts, etc.). Harvests from the farms can also be done as part of the group.

In the "consumption" tontine, the beneficiary acquires a material good. The funds collected are for the purpose of acquiring a specific asset. Most often, funds are collected before the day of the meeting. The beneficiary, who may be assisted by a purchase commission, goes to the market to acquire the asset and presents it on the next meeting day. The property can also be purchased after the date of the meeting, a control commission will then come down to the location of the beneficiary to ensure he actually acquired the property. The goods acquired in this tontine are most often furniture or household equipment (cutlery, household appliances, living rooms, dining rooms, carpets, etc.).

The acquisition can also be done directly: the tontiniers buy and deliver directly the good to the beneficiary as defined in the constitution.

In a tontine, instead of material goods, services or work, money can intervene. This is the ordinary or classic tontine.

In the ordinary or classic tontine, each member contributes periodically (per day, per week, every two weeks, per month ...) a sum of money and benefits once from all the funds raised during a tontine cycle.

The tontine may include a savings bank and the possibility to get loans (loans with interest). In this tontine the balance is ensured by short-term credit and not by the interest rate (Mayoukou, 1994). It is ensured by the availability of funds (Lelart, 1993). Precaution is the motive for saving (Bekolo-Ebe, 1993). It is as strong as the pressure on the members is. The level of risk is low as the duration of the cycle is short (usually one year) and the negligible lending and interest rates (Bekolo-Ebe, 1993). The only envisageable risk is monetary erosion. But this risk is also parried by the short duration of the cycle. The existence of a savings and credit fund within the tontine involves a trade-off first between the holding of cash and its investment, and second between tontine investment and bank investment. The interest rate will then guide the trade-off (Bekolo-Ebe, 1993).

Members make periodic contributions; part of the contributions constitute a relief fund and/or is kept as savings for credit (Lelart, 1993). Contributions in the savings for credit fund are optional.

Everyone raises money in turn, regardless of economic reasons. The turn can be determined according to age, seniority in the group, urgency that day or fate (Mayoukou, 1994; Lelart, 1993). All members get back the full amount paid at the end of the cycle. The logic of the intermediation of the tontine is that of circular reciprocity: each member pays back what he has received. This circular reciprocity can be ensured by the group or by an organizer (Mayoukou, 1994).

In mediation by the group or without an organizer, the relations between the members are direct. Mediation is the responsibility of the group as a whole. This group produces and manages information. We can see a collective investment and / or collective loan system.

In the mutual tontine mediated by an organizer, a single individual is at the centre and connects all the other members. This mediator collects funds to redistribute them to beneficiaries. He is the one in direct contact with borrowers and lenders. He/she organizes, brings together and meets the various participants (members).

In this tontine, the contributions paid are low. Aid and credits are scarce. This is not the case with the financial tontine (Lelart, 1993).

3.1.1.2. The financial tontine

This category includes the commercial tontine and the tontine with auction (Mayoukou, 1993). The commercial tontine being an individual practice, it will not be developed in this point.

In the tontine with auction solidarity is not the main concern. Some people join in this tontine in order to save their money or finance their business (Ngongang & Wandji, 2002).

The tontine with auction is a real financial market where the behaviour of the tontine members is oriented by the quest for the highest gain (Bekolo-Ebe, 1993). The money collected is auctioned off to the highest bidder (Ngongang & Wandji, 2002). The "financial" market has two paths: the higher-paying path and the lower-paying path. The higher-paying path is a long cycle usually spanning a period of more than 12 months (Bekolo-Ebe, 1993). The lower-paying path is specifically a short cycle since the money collected must be repaid at the next meeting; generally the following month.

Periodic contributions are usually made up of savings or tontine on the one hand and the assistance fund on the other hand. Unlike the above-mentioned tontines, the beneficiary here is not known in advance. The beneficiary is known on the spot. As the money is sold by auction the highest bidder is the beneficiary (Ngongang & Wandji, 2002). The money won through each market path in the auction tontine has a different destination. The higher-paying path is made up of dues paid by members during a meeting. It can also only comprise the interest collected from the higher-paying path in the first round and penalties. However, the sum of these two components (interest and penalties) should equal the highestpaying path amount. The lower-paying path includes the interest paid in the first round (during the contest for the higher-paying path) and the penalties paid by the members. Only members who have not yet benefited are eligible to win the higher-paying path. The lower-paying path is reserved for all members (Ngongang & Wandji, 2002).

The tontine with auction raises more capital than all the other tontines. This is why most often its members are businessmen (industrialists and traders) (Ngongang & Wandji, 2002).

The constitution provides for the minimum auction rate: generally 5% (Ngongang & Wandji, 2002).

The first beneficiaries bear a higher interest rate, the next a medium rate and the last a low rate. A survey of tontines with auction in Cameroon by Ngongang & Wandji (2002) reveals that interest rates are very high in the first half of the cycle and start to fall in the second half. And experience shows that in the first half of the cycle the interest rate are around 20% to 30%. In the second quarter of the half cycle, this rate is between 10% to 20%. It varies between 5% and 10% in the last quarter.

However, this high interest rate borne by the first beneficiaries is not absolute as the law of demand and supply applies here. In fact, if demand is not high in the first rounds, the interest rates will hardly rise. The interest rate can thus depend on the pressure of demand for funds for a given meeting session.

Collective practices are not the only informal funding mechanisms. We can also find individual practices.

3.1.2. Individual practices

We are going to group together informal individual practices around two points: on the one hand the commercial tontine, help from relatives and the loan; and on the other hand the contract and the "purchase and sale of movable property".

3.1.2.1. The commercial tontine, help from relatives and the loan of money

The commercial tontine is comparable to the cash custodian banks from the early ages of capitalism (Mayoukou, 1998, p.228). The tontines are both custodians and lenders of cash. In return, they receive a commission for the charges they must cover and the risks they run. Money is deposited to the tontine managers' in exchange for a card that does not have the character of fiat money. The commission is proportional to the amount deposited. This is calculated on the last payment, in the event of a change in the investment during a cycle.

Family help and help from friends finance the creation and survival of economic activities.

Money lending is one of the ways by which informal funding is carried out. It takes several forms: the usurious loan, the loan backed by a tontine and the loan from abroad.

The usurious loan is practiced by businessmen; generally large landowners, traders and economic operators enjoying overdraft facilities with the banks. They use this money for usurious loans based on the difference between the usurious rate and the bank's lending rate (Tchouassi & Ndjanyou, 2002).

In the tontine backed loan, funds raised in a tontine can be given to someone who is not a member. The loan rate is then higher than when the loan is granted to a member of the tontine. The non-member borrower is naturally endorsed by a member of the tontine. We experienced this as a member of a mutual tontine from 1997 to 2006.

The loan from abroad is granted by a family member or a friend living abroad (Tchouassi & Ndjanyou, 2002). It is in fact a disguised reimbursement as the money lender has first benefited from funding by a parent, a brother, a friend... for his trip Family members or friends who have previously financed the trip are most often businessmen or landowners.

The amount thus obtained enables them to acquire goods or services abroad, to make payments abroad or do other things. The foreign currency obtained is reimbursed according to the lender's instructions: purchase of land, purchase of a house, building of a house, help to the family in the country… (Tchouassi & Ndjanyou, 2002).

People with whom businessmen have long-standing relationships can save them from the burden of conveying foreign currencies and hassles of money exchange by giving businessmen the currencies they need. Businessmen will refund them in the form of buildings, periodic amounts to be paid to the parents of the lender. The refund is usually made when the sale of the imported goods is complete.

In case the person living abroad's trip was financed by a parent or a close relative, the refund can be made by welcoming a family member (brother, sister, nephew, etc.) or a close friend (Tchouassi & Ndjanyou, 2002).

3.1.2.2. The contract and the "purchase and sale of movable property"

The contract (Mayoukou & Ossié, 1993) is used to get transport equipment. It can be thought of as a kind of leasing. Indeed, the owner of a vehicle for commercial use enters into a contract with the driver. The latter pays him a fixed sum of money per unit of time (generally the day, the week, every two weeks, the month) for a period at the end of which the driver becomes the owner of the vehicle entrusted to him by the initial owner. This period of time does not generally exceed two years. The potential owner sometimes anticipates the payments. The total amount paid for the vehicle is more often twice the original value of the vehicle. The vehicle's maintenance costs are the responsibility of the driver. However, when the expense is significant, the owner sometimes contributes; for instance in case of a major breakdown requiring the replacement of expensive parts. The driver does not receive a salary. The contract is often signed at the police station or the gendarmerie. We have noticed this practice in Cameroon. We lived with relatives who entered into such contracts. Mayoukou & Ossie (1993) note the same practice in Congo by studying the link between the informal sector and the emergence of entrepreneurship in Congo. They also highlight the existence of micro-transport enterprises belonging to taxidrivers thanks to the practice of the contract.

In the 1980s to 1990s we also observed through relatives a kind of funding that we refer to as "the purchase and sale of movable property". In fact, relatives who were civil servants bought movable goods such as construction materials, household furniture, household appliances, etc. on credit from the *Société Camerounaise d'Equipement* (SCE) and immediately resold them to the "local traders" who who kept an eye on the SCE clients. These men we refer to as "local traders" were nothing but businessmen who bought cheaply and then resold the goods acquired by civil servants in need of funding. They sometimes bought the goods with a discount of about 40% compared to their value estimated by the SCE. As a matter of fact, the price charged to "local traders" depended a great deal on each civil servant's negotiation skills and how much he needed cash. The civil servant accepted the SCE's payment conditions. The civil servant who embarked on such a transaction most often had a bank loan still to be paid or the situation required an easy and quick financial transaction. This practice of "buying and selling movable property" was not authorized by the public authorities; this is why the operations were carried out secretly.

Having described the informal funding mechanisms, we can now look at the evaluation of these modes of funding.

3.2. The evaluation of informal funding

This assessment will consist in identifying the strengths and weaknesses of informal funding. And we shall make a clear distinction between collective practices and individual practices.

3.2.1. Collective practices

Collective practices have some advantages that we cannot fail to recognize. But they also have few shortcomings.

3.2.1.1. The advantages of collective practices

We can subdivide the advantages of collective practices into two points. On the one hand, collective practices constitute a source of funding for the economy and, on the other hand, they appear to be adapted to the socio-cultural environment in which they operate.

How do collective practices (tontines) constitute a source of funding for the economy?

Tontines, whether social or financial, have the merit of funding economic activities. This role is reinforced by the banking crisis and the rationing of bank credit.

Tontines finance the creation and development of SMEs (Eboué, 1988; Bekelo-Ebe, 1993; Ngongang-Wandji, 2002; Lelart, 1997; Mayoukou, 1996). A survey conducted by Ngongang & Wandji (2002) shows that tontines with auction finance the operating cycle and investment: 15% of tontine members have invested in real estate and 81.6% in cyclical activities. Bekolo-Ebe (1997) has shown that tontines, especially financial ones, make it possible to carry out investment projects. Edding (2002) confirms the position of Bekolo-Ebe (1997) and, Ngongang & Wandji (2002) by saying that the money raised by tontines and the concomitant participation in several financial tontines offer possibilities of having funds capable of funding the operation and investment cycle. Mayoukou & Ossié (1993) carried out a study on the funding of entrepreneurship in Congo (Congo Brazzaville) and reached the following conclusions:

- Aspiring entrepreneurs with a source of income establish a financial relationship with the informal financial system for the creation of a micro-enterprise. The entrepreneur-to-be uses his income to contribute in a tontine or to build up savings with a money keeper or to borrow from a lender to start a business.

- Micro-enterprises involved in trading, photography and production are funded either by family assistance or tontines.
- Public transport trades, market stalls are financed by tontines.

Tontines finance the creation and the operating cycle of micro-enterprises (Mayoukou *et al.,* 1993). Lelart (1993) recognizes the importance of the contribution made by tontines to funding the economy in some countries: India, Cameroon, Nigeria, Taiwan… Often made up of businessmen, tontines finance the economic activity of members. They are used to finance the commercial or artisanal activity of the informal sector. They also finance the formal economy. Their funds can be invested in modern businesses or be used to start or develop small businesses that are not always in the informal sector.

The funding of investment by tontines is reinforced by the long tontine cycle and participation in several financial tontines (Bekolo-Ebe, 1993).

Tontines are places where business relationships are formed and strengthened (Ngongang & Wandji, 2002). Meetings in tontines can help discover a source of supply or an outlet. This is how one can be informed that a given member of the tontine has a particular stock of goods, is a provider of some services or can buy a specific type of goods or services.

Participation in tontines can also help to win a public contract or any other organization due to the proximity between the tenderer and the contract awarder (Bekolo-Ebe, 1993). In such a business relationship, the advantages are many: sales at lower prices, more flexible payment terms, assurance of quality because we know each other well and we do not want to lose mutual trust.

Tontines are also places of business anticipation. Among the members of the tontines, there may be decision-makers. Most often they are informed of imminent projects. They have knowledge of future economic directions. They can therefore provide their members with information enabling them to anticipate business activities.

The financial tontine with auction enables to orient the economic activities, to increase the output through the privilege of having the right information. This results from the fact that the members of a tontine may belong to the decision-making circle or to the transmission circuit. The privilege of having the right information makes it possible to know the economic orientations, to identify the business sectors where opportunitied are higher and to invest accordingly (Bekolo, 1993).

Bekelo-Ebe (1993) qualifies tontines as a place of financial anticipation and a distribution of economic power. These financial expectations are based, among other things, on the trade-off between bank placement and tontine placement, the holding of cash and investment.

The tontine has the advantage of shortening the savings period necessary to carry out a planned expenditure. This can prove much monger when the savings is conducted by a single individual. In fact, the time required for individual savings is reduced by half thanks to tontines. This short savings time is a motivation for participating in the tontine (Callier, 1990).

The tontine can be attractive because of the simplicity and speed of its procedures. In addition, it can be the source social cohesion and provide useful business information. That's why the saying goes that the tontine is adapted to its socio-cultural context. So how does this socio-cultural adaptation of the tontine materialize itself?

Membership of the tontine can also be explained by the speed in the execution of the requested services (Tchouassi & Ndjanyou, 2002).

Tontines are the most suitable funding means for SMEs (Ngongang & Wandji, 2002) because the procedures for obtaining credit are very simple, cash is immediate and there is no real guarantee to provide. The only guarantee is the word of mouth (Mayoukou, 1993) based on trust.

The proximity of members in a tontine makes it possible to produce information on the quality of risks, as well as on the confidence or reputation of each member. In fact, the meetings are regular and enable to see one another, to discuss and eat together. The proximity thus created and reinforced by tontines opens up doors for members to pay frequent visits to one another (Henry *et al.,* 1993). It reduces the risk (Lelart, 1990). The risk in the tontines is covered by the common responsibility (Mayoukou, 2000).

Tontines are based on solidarity and mutual aid. Due to social pressure, refund rates are very high. To be able to participate in a tontine, few formalities are required. However, the operating rules are strict: attendance and punctuality at meetings… these rules, unlike the formal financial sector, are more intended to prevent than to punish. Management costs are low and the link between savings and credit is obvious (Joseph, 2000).

Tontines compete with banks (Joseph, 2000).

Tontines' lending interest rates are lower than those of banks. Indeed, a study on the potentialities and limits of the funding of tontines with auctions in Cameroon by Ngongang & Wandji (2002) made it possible to conclude that the average lending rate of tontines is 19.35% and that of banks lies between 21% and 22%. According to this study tontine funding is less expensive than bank funding.

Bank-tontine relationships are developing today. Tontines often make deposits of funds in banks. The banks in turn grant them loans or grant loans to members who make bank deposits when they benefit from the money raised by the tontine (Lelart, 1993).

We can also note the gradual integration of some tontines. This enables them to mutually finance one another: those with a credit balance fund those with a debit balance via the bank (Lelart, 1993).

However, as an important source of funding for SMEs, tontines are somehow limited.

3.2.1.2. The limits of collective practices

We can classify the limits relating to tontines into two categories. These limits are due to the selectivity of members, the nature and quantity of tontine resources on the one hand, and to the absence of an institutional legal framework and discrimination in borrowing interest rates on the other hand.

In which way do membership, the nature and the volume of the tontine resources constitute a limit?

Membership of a tontine is more complex than becoming a client of an official credit institution. The tontines are closed groups. Proximity is the key element in their membership (Mayoukou, 1996). However, thanks to this proximity, the balance of the institution is ensured.

Tontines do not create money. Only payments from their members constitute cash. Their resources are then limited (Mayoukou, 1993). Moreover, the resources at their disposal are short-term, the cycle being generally short, which does not facilitate the funding of investment (Mayoukou, 1993). Tontines essentially finance the operating cycle, due to the nature of the resources at their disposal. Apart from the tontine with auction, it is not possible to finance yourself more than once in a cycle. It is not therefore possible, as in the official funding system, to resort to tontines whenever the need arises. However, tontines with a loan fund allow you to finance yourself more than once in a cycle.

The limits of tontines can also be seen through the deficiency of the institutional legal framework and the discrimination of borrowing interest rates.

As Bekolo-Ebe (2002), Nzemen (1988) and Kane-Ebanga (2002) point out, tontines operate outside an institutional legal framework, which does not perfectly secure members' savings and can be a source of insecurity. .

Interest rates in tontines are usually very high (Joseph, 2000).

In auction tontines not all members bear the same lending interest rate. The first beneficiaries generally bear the highest rate and the latter the lowest rate. It can be zero with the end of the cycle. And it is the last beneficiary who often enjoys such a rate (Ngongang & Wandji, 2002). The very high interest rates for the first beneficiaries are not a great investment incentive.

The bids expressed can be fictitious, which worsens the financial costs for the beneficiary. However, the internal regulations limit such behaviour (Ngongang & Wandji, 2002)

Tontines weaken the role of the state and would undermine the effectiveness of monetary policy. They are said to help maintain ethnic solidarity, a sensitive issue in Cameroon (Joseph, 2000, p.135).

Meanwhile, individual practices that also fuel informal funding in Cameroon have strengths and weaknesses.

3.2.2. The strengths and weaknesses of individual practices

The strengths and weaknesses of individual practices are similar to those of collective practices. However, individual practices have more limits.

3.2.2.1. The strengths of individual practices

Aid from relatives and friends finance the creation and survival of economic activities. *A study of the informal financial system and the emergence of entrepreneurship in Congo*, a study by Mayoukou & Ossie (1993) lead to the conclusion that family assistance finances the creation and the operating cycle of microenterprises. This family aid also finances entrepreneurs-to-be without training and / or without income.

Aid has the advantage of not having a cost. The loan in the usurious form or backed by a tontine enables quick access to cash.

The loan from abroad option sets free from financial charges and from the risks of carrying cash and having to go through money exchange.

The investments made by tontine members, custodians and lenders of cash, are used to finance several activities.

The practice of the contract has the particular advantage of acquiring fixed assets without prior savings. This practice also seems more reassuring for the owner who quickly recovers the money invested and gets some profit (Mayoukou & Ossie, 1993).

The practice of "buying and selling movable property" enables to get cash quickly.

However, individual informal practices can also be criticized.

3.2.2.2. The weaknesses of individual practices

Aid has the disadvantage of being limited. Besides, we are not sure if we will benefit from it. However, is it possible to be tempted to misuse the aid obtained, since no effort has been made to obtain it or since there is no refund to make? Moreover, isn’t it easy to come to think assistance will always be available when the need arises? But the esteem and confidence of the recipient for the donor could limit the damage (Tchouassi & Ndjanyou, 2002).

The interest rates charged when borrowing money in the form of usurious loan or as a tontine-backed loan are most often higher than the official rates, the bank rates, which increases the financial burden (Mayoukou, 1993). This funding is also most often limited by its amount.

The loan from abroad requires a prior investment. And the output of this prior investment is not guaranteed (Tchouassi & Ndjanyou, 2002). This funding may also be limited in its amount.

The practice of the contract can push the driver to overwork himself for he wants to quickly become the car owner. The practice of the contract is not always reassuring for the owner who is eager to recover the money invested very fast and make some profit. Indeed, one can come across a bad driver who overuses the car, giving it from time to time to other drivers in order to get the amount expected per unit of time and to secure a good part of the daily income for himself. This overuse can cause the car to be scrapped and the contract to be ended. Sometimes the owner who gets the amount required from the driver finds it difficult to hand over the car to the driver when the car is still in good condition. Such behaviours on both sides sometimes lead to court cases.

The practice of "buying and selling movable property" is a very expensive funding mechanism. You must first acquire an asset on credit, so you do not have the possibility of benefiting from the cash discount, then sell the asset thus acquired at a price which may vary according to the seller's negociation skills and the urgency of the problem he is confrontitng.

Beyond the limits of informal finance, economic agents widely consider it as a rational response by to the inability of institutional finance to meet their financial needs (Lelart, 1993).

The components of formal funding and informal funding constitute modes of funding. The modes of funding are thus the different means of funding or resources to which economic agents resort: inter-company credit, tontines, associations, help from relatives, etc. And all the modes of funding resorted to, their combination or exclusion and their order of preference characterizes the funding structure.

4 Implications of the theoretical evaluation of alternative funding of SMEs in Cameroon

For sure, some SMEs that resort to alternative funding methods survive. Still others are developing. One may infer that this funding is sufficient to allow SMEs to achieve perfect performance and ensure their sustainability.

Such a conclusion would be hasty and illusory since, among the most glaring problems of SMEs is funding. Indeed, Essomba-Ambassa (1990), Bekolo-Ebe (1996), Um-Ngouem (1997), Edding (2002), Ndong-Ntah (2002), Taka (2010; 2011) place funding at the forefront of the difficulties SMEs confront. Not only do they suffer from the exaggerated rationing of bank credit (Ndjeck, 2019), but also they show both banking and non-banking funding problems (INS, 2016). It is therefore understandable that SMEs have an interest in stimulating bank funding. This also concerns the banks and the public authorities.

4.1. Search for bank funding by SMEs

To be candidates for bank funding, SMEs must on the one hand resolve the problem of information asymmetry and on the other hand reduce the risk that is so typical of SMEs.

4.1.1. The resolution of the problem of information asymmetry.

Solving the problem of information asymmetry involves customer relations, communication, cooperation agreements and participation in the capital of SMEs.

The financial theory proposes developing customer relationships as a means of controlling the risk of the borrower (Wamba & Tchamanbé-Djiné, 2002). They are long-term relationships that can be established over time between creditor and debtor to reduce moral hazard and adverse selection.

Implicit contracts and explicit contracts characterize customer relationships.

Implicit credit contracts do not expressly highlight the provisions, sanctions against the borrower, the attitude or the proposed resolution of the banker towards his client when the terms of the contract are not respected

On the other hand explicit contracts include penalties besides the elements naturally entering into the credit contract. It can be the termination of the contract, exclusion from the credit market, credit rationing that the borrower may suffer from if he does not respect the terms of the contract. The explicit contracts are associated with a legal act giving in addition the right to legal proceedings that can be engaged against the defaulting debtor.

Cole (1998) shows that the longevity of a relationship between the lender and the borrower accompanied by various financial services is positively correlated with the decision to grant credit. For Sharpe (1990), and Diamond (1991) the long-term relationship leads to a reduction in the cost of capital.

Petersen & Rajan (1994) recommend customer relationships as a solution to credit rationing. They show that the sustained and lasting relationships between an SME and a bank lead to greater availability of credits. This customer relationship appears particularly profitable for the company if it reinforces its relations with the bank by resorting to a greater number of financial services provided by the bank and if it gets endebted only to the same bank. However, Ongena & Smith (2001) show that a firm's multiple banking relationships increase the value of long-term relationships and weaken the power of individual banks. The existence of alternative sources of bank credit reduces the possibilities for a bank to profit from its information monopoly (hold-up). With low hold-up costs a long-term relationship is more valuable for the company maintaining multiple relationships.

The climate of trust created by long-term relationships can serve as a substitute for financial analysis (Levratte 1990). The customer relationship improves the bank's evaluation methods by allowing it to perform a reliable test that distinguishes good borrowers from bad borrowers (Haubrich, 1989). The customer relationship improves the quality of the bank's portfolio. Indeed, it helps rule out risky companies over time (Diamond, 1989).

Tests carried out on samples of American SMEs confirm the influence of the credit relationship on the availability and cost of credit (Peterson & Rajan, 1994). This relation enables the bank to get information on trust; this implicitly implies that agents have a strong preference for the future. In Cameroon, the high refund rates on the informal financial markets show the importance of trust in respecting the terms of the contract. If the trust between the bank and the borrower is broken, then it is a question of tarnishing the reputation, the public image. Banks can play on this aspect by posting a list with the names of bad payers in bank branches (Mayoukou *et al.,* 1997). Other variables close to the customer relationship participate in the limits of bank credit rationing.

Optimal communication of information by companies is one of the mechanisms for limiting the rationing of bank credit (Diamond, 1985; Merlon, 1987; Raimbourg, 1997).

One of the ways to reduce information asymmetry is to encourage companies to produce reliable accounting information to prevent banks from spending money to verify the accuracy of the Fiscal and Statistic Declaration (FSD), this task should be carried out by an independent authority. Rating agencies or central balance sheets play this role of collecting information and evaluating companies in industrialized countries.

The Harmonization of Business Law in Africa (OHADA) has established accounting law as a device for collecting and harmonizing information accessible to all production entities (small businesses, very small businesses, medium-sized businesses and large businesses) and to all users (Wamba & Tchamanbe-Djené, 2002).

The establishment of Afristat should make it possible to reduce this information asymmetry by contributing to the development of economic and social statistics. Afristat's role is to offer member states of the franc zone a basic method for collecting and processing basic statistical information, and to carry out analysis and synthesis work for all Member States. This improvement in the quality of accounting documents should make it possible to reduce the risks of anti-selection and the risks of mismanagement (moral hazard) (Etoh, 1996).

Cooperation agreements and the participation of credit institutions in the capital of companies facilitate communication.

The bank would be more willing to finance an SME engaged in a cooperation agreement with an industrial group (Cieply, 1995).

Petersen & Rajan (1994) argue for the participation of banks in the capital of companies in order to create a common interest in the long and medium term. However, the bank cumulates both lender and shareholder risks (Wttwulghe & Janssen, 1998).

Among the mechanisms for limiting information asymmetry are signal and incentive models, monitoring or control of the credit bureau and the debt collection company (SRC).

The bank can grasp the quality of the borrower through some signals by incentive mechanisms, supervision or control and the credit bureau.

How do signals and incentive mechanisms reveal the quality of the borrower?

Signal models tell the lender how good the borrower is. He is the one who embarks on this path (Wamba & Tchamanbé-Djiné, 2002). The borrower's signal helps distinguish good projects from bad ones. The recurring signals are: the importance of the promoter's personal capital contribution in the project (Leland & Pyle, 1997), the capital structure of the company (Hirigoyen *et al.*, 1997) and the importance of dividends received by shareholders (Bhattacharya, 1979).

There are models in which the borrower does not take the initiative to report to the lender. It is up to the lender to take action so that the borrower can react. These are models with incentive mechanisms: the lender introduces into the contract éléments that push the borrower to reveal himself. These parameters are the guarantees, the interest rate and the customer relationship.

Ndong-Ntah (2002) strongly proposed the existence of guarantee funds in Cameroon or Central Africa to help limit credit rationing.

Based on ownership of capital guarantee funds take two forms. There are mutual funds on the one hand and interbank funds on the other.

We speak of mutual funds when the share capital is held by the beneficiaries of credit very often organized on a professional basis and of interbank funds when the share capital belongs to credit lending institutions. Guarantee funds allow banks to take risks under conditions of greater financial security. They shield the banks from any unfavorable changes in the economic environment. Guarantee funds are financial instruments that increase the commitment capacity of banks through the interplay of two mechanical effects (Arnaud, 1994). First, giving a guarantee has an impact on the prudential ratios of the lending institutions and then it enables to share the risks in the event of default by the borrower.

The risk-sharing enabled by guarantee funds can stimulate the granting of credit in a country like Cameroon where lenders are very reluctant because of unreliable guarantees (Ndong-Ntah, 2002). The need for these funds is all the more perceived at the level of Cameroonian banks as some of them, including some savings and credit cooperatives, take a given percentage from the loans they grant to their clients which constitute an "internal guarantee fund". This fund bears part of the risk of non-payment in the event of default by a debtor. Such a mechanism would be more efficient if it were external to credit institutions. It is in this sense that the idea of creating a national interbank fund and a mutual fund as complementary guarantee instruments gained ground in Cameroon and in several African countries (Ndong-Ntah, 2002).

The creation of a national interbank fund stimulates the funding of SMEs with the intervention of the public authorities which would define the guidelines of such an institution.

Proposals for the creation of national interbank funds were made in Cameroon and ten other African countries by the French Development Fund in 1990. Feasibility studies have even been carried out in some countries such as Cameroon, Burkina-Faso, Mali and Senegal. Unfortunately the project did not come to existence. The reasons put forward can be of two kinds. On the one hand, bank restructuring took a long time and on the other hand, local banks were unable to attract foreign partners who could complete the initial endowment of the fund (Ndong-Ntah, 2002).

Instead of a national interbank fund, we could also promote a regional interbank fund at the level of Central Africa. We would thus copy the idea implemented in West Africa through the GARI fund which has proven undeniably effective and encouraging (Ndong-Ntah, 2002). The Gari fund operates at the level of the lender. It relies on the information to be provided to it by the lender. It is an organization supporting the funding of private investment in the countries of the Economic Community of West African States (ECOWAS) (Mancolan, 1998).

In the same direction as the GARI fund, we can notice the existence of the ARIA (Investment Risk Insurance) guarantee fund.

Apart from the banks themselves, the credit bureau and the debt collection company have databases that can inform the lender about the quality of the borrower (Essomba & Um-Ngouem, 2002; Etoh, 1996; Ndong-Ntah, 2002; Taka, 2010).

The credit bureau communicates the liability balances of each debtor to the banks. It highlights the difficulties in refunding the credits obtained. The Cameroon credit collection company is able to follow and provide the evolution of unpaid debts and complete information on many companies in Cameroon. The multiplicity of its operations and the size of its portfolio make it play a central role in the collection and dissemination of constantly updated information (Essomba-Ambassa & Um-Ngouem, 2002).

Rating agencies or balance sheets companies play a role in collecting information and evaluating SMEs in industrialized countries. Much hope exists in this regard today with the recent creation of Afristat in partnership with bilateral and multilateral donors. Afristat aims to offer member states of the franc zone a basic methodology for the collection and processing of basic statistical information, to improve the dissemination and use of statistics and to carry out analysis and synthesis research work for all Member States (Etoh, 1996; Ndong-Ntah, 2002).

The banks themselves hold customer information which they communicate to each other free of charge at the request of any user bank. This information provides data on the level of commitments, their origin, the payment incidents observed but also on the morality of the customer (Essomba-Ambassa & Um-Ngouem, 2002).

The database does not seem to be exploited in Cameroon. This is why particular emphasis is placed on real and personal collateral (Essomba-Ambassa & Um-Ngouem, 2002) which constitute credit guarantees and limit risk.

4.1.2. Risk reduction

Of course, anything that contributes to the transparency of information limits the risk. The reverse is not absolutely verified. It is for this reason that we wanted to distinctly identify the elements that particularly influence risk. Among these elements are group loans, assistance in the management of SMEs, selection, monitoring or control and restrictive clauses.

Unlike individual loans, group loans seem more reassuring for a number of reasons to be discussed below. The quality of management can also be a means of preventing the risk run by the lender.

Speaking of group loans, the bank's debt collection rate improves when it grants loans to a group. Each borrower has an interest in honoring its commitments if at least one of the group members does (Wamba, 2008; Besley & Coate, 1995).

The social pressure exerted on the group in terms of collective responsibility is as important as the pressure of individual responsibility (Mayoukou, 2008).

However, Mequista (2008) demonstrates that the group mechanism can have the same flaws as the individual loan when the beneficiary member is of low morality and refuses to pay. This can weaken the group. Assigna-Ateba (2002) also raises the difficulty of controlling the expansion of transaction costs in this loan mechanism. Perhaps this is why banks are interfering in the management of SMEs.

The banking intermediation function can be accompanied by a right of scrutiny over the SME through assistance in its management. This assistance can take the form of the drafting of accounting documents and intervention in the areas of SME management. The bank must have a right to information about the borrower's assets (Etoh, 1996).

SMEs need to strengthen the elements of analysis and review. They must cultivate a transparent and trusting financial relationship with lenders while avoiding distorting the information necessary for risk analysis. They can rely on the National Employment Fund to fulfill these missions; (Ndjanyou, 2001).

The SME must redeploy its entrepreneurial sphere (Edding, 2002). The establishment of forecast accounting allowing a better allocation of resources will consolidate the good keeping of accounting books, because corrective actions will be undertaken on time and collectively. Alongside information, professional training actions aimed at equiping promoters as well as some personnel with the skills essential to each phase of the entrepreneurship process will contribute to the intentional empowerment of knowledgeable personnel (Edding, 2002).

The banker and the entrepreneur must agree on a minimum effort to make. This effort is based on the entrepreneur’s firm desire to properly manage the funds made available to him while respecting the advice of his banker. As for the banker, he must encourage the entrepreneur to improve his behaviour in general so as to respect the terms of the contract (Ndjanyou, 2001). The eradication of managerial deficiencies is part of this improvement in behaviour.

The failures of SMEs are attributable to managerial deficiencies (Cressy, 1996). Consequently, Cressy (1996) recommends making the conditions of access to the managerial profession of SMEs more difficult. We can imagine the barriers to access to creation. Such barriers already exist in countries such as Belgium where access to the profession is subject to restrictive management skills conditions under the pretext of reducing the failure rate of SMEs (Cieply & Grondin, 2000). However, such barriers are ineffective insofar as they do not reduce the failure rate of SMEs. On the contrary, they limit competition to the detriment of the consumer and the general interest (Bieswal, 1996).

The way in which the inputs are acquired, the reorganization of the sales department and the rigorous management methods also contribute to good management.

The acquisition of production inputs at reasonable prices will have a positive impact on costs and production costs and indirectly on profitability. The reorganization of the sales department and the development of appropriate distribution channels would increase the turnover of SMEs. This reorganization must be accompanied by the conquest of market shares. Putting into practice rigorous management methods (sound information and financial restoration) will certainly lead to improvements in SME funding through increased self-funding (Edding, 2002).

Good business management helps break information asymmetry and limit risk. It facilitates the selection, restrictive clauses and control of the borrower.

Selection and restrictive clauses precede screening.

The efforts of credit institutions to address adverse selection and moral hazard issues partly explain a number of credit risk management principles including screening.

Information asymmetry exists in the credit market because lenders have less information about investment opportunities and borrower activities. This situation leads to two information production activities by banks and other financial institutions (Ndjanyou, 2001).

Efficient selection and collection of information are essential requirements for managing credit risk (Ndjanyou, 2001).

This information allows the credit institution to assess credit risk by calculating a credit score that is likely to help identify difficulties in refunding the credit.

Once the loan is granted, the borrower can engage in riskier activities, which reduces the possibility of refunding the loan. Credit institutions will then include in the loan contract protective provisions called restrictive clauses to reduce moral hazard. By monitoring the borrower's activities to ensure compliance with the clauses and enforcing them when they are infringed, the lender secures the refund of the credit (Mishkin *et al.,* 2006, p.266).

In order for them to be respected, restrictive clauses must be accompanied by monitoring.

The theory of credit rationing in ex-post information asymmetry highlights the control exercised by the bank once the failure is effective (Cieply & Grondin, 2000). Banks put in place as soon as the funding contract is signed regular monitoring of the firm and its activity, the frequency of which is increased with the detection of difficulties.

When granting objective loans, the first concern of the banker is control of the destination of the funds. Many banks release the funds once invoices of the goods purchased are provided (Cieply & Grondin, 2000).

Throughout the customer relationship, banks collect information by consulting the central bank's databases or more broadly by monitoring the legal and / or local press. They also base the customer relationship on internal monitoring elements, based for example on the analysis of the firm's interim accounting documents that the banks collect every six months. If the financial analysis of accounting documents allows bankers to identify the strengths and weaknesses of the company, the invaluable help of the IT tool enables them above all to quickly perceive the evolution of the ordeal over several years. This is why they are specifically interested in the functioning of the company's account, account position, payment incident ... More generally banks build up a database of information on the company that they update with telephone calls or periodic meetings with the manager and / or the financial manager.

Banking monitoring characterizes the day-to-day management of the customer portfolio. The bank's policy in this case results in "an annual review of all companies - clients" with a complete study of all aspects of the market, financial analysis, loan renewal applications, etc. Controls therefore appear to be the essential means for banks to detect signs of bankruptcy and, as soon as these flashing lights appear, to better prevent them (Cieply & Grondin, 2000).

4.2. Knowing SMEs and cleaning the macro-environment

A specific financial analysis makes it possible to identify the reality of SMEs. Venture capital firms are part of this reality. There are situations in which bank credit is within the reach of SMEs.

4.2.1. Specific financial analysis of SMEs

A specific analysis of SMEs makes it possible to know them and can help break down the barriers of bank funding.

Banks in Cameroon overestimate the risk of SME activity. This is due to the fact that the methods used to find out about SMEs south of the Sahara are those borrowed from the West and are unfortunately unsuitable in our context (Lanha, 2006, p.23).

To assess SME risk, banks rely on two essential criteria: working capital and the perception of future cash flows.

To properly identify SMEs, the customer relationship is necessary. Classical financial analysis based on accounting records is not enough. This relationship involves direct contact with the entrepreneur and visits to the company headquarters. The bank's immersion in SMEs makes it possible to identify the qualities of the entrepreneur, the manager and those of the project (Bloy & Mayoukou, 1994).

The bank's immersion in SMEs will particularly reveal the consistency of the entrepreneur's heritage. The activity of the company mirrored by the turnover, expenses and profit.

The customer relationship extends to setting up the information management of the SME. This relationship also focuses on its its environment by collecting information on the SME from its creditors, in particular the tontine, the promoter's clan, the promoter’s professional environment, the promoter's close friends, the promoter's traditional chiefdom (Ndjanyou, 2001).

It is necessary to conduct a reflection on the banking approach to SMEs at the level of banks. This implies training the personnel who will work with SMEs (Ndjanyou, 2001).

With regard to working capital, an approach is proposed. This approach is oriented on the one hand towards the analysis of the cash capacity of the SME through the search for an adequacy between equity and funding needs and knowledge of the level of indebtedness whatever the origin and on the other hand by an analysis of solvency (Ndjanyou, 2001).

From the banker's point of view, cash must be understood through the capacity of the sustainable production tool to effectively achieve the ultimate business goal of output. So we must be able to assess the company equipment to ensure divestment may enable the bank to recover the funds loaned to the company in the event of default. Cash also requires the assessment of the irreducible expenses of the business and the managing entrepreneur himself (planned expenses). To do this, you need to know the managing entrepreneur’s personal environment and not the financial statements.

Instead of assessing the performance of the company on the basis of the evolution of its turnover alone, it is desirable to compare the evolution of the turnover with that of the working capital requirement because SMEs in Cameroon are characterized by poor management of the working capital. This makes it possible to examine the adequacy between equity and funding needs and helps to avoid possible stagnation of the production process due to greater needs than available resources. The company will therefore identify all the SME's due dates to ensure the risk weighing on it at the moment (Ndjanyou, 2001).

Solvency being difficult to understand in the context of SMEs in Cameroon, we can draw inspiration from the experience of a local bank which consists in requiring the beneficiary of a loan to keep simplified documents signed by a bank executive (Ndjanyou, 2001).

These documents clearly show the receipts as well as nature of the expense. At the weekend, the company submits these documents for verification by the bank. This approach which makes it possible to monitor the company's cash and fix any cases of mismanagement in time can be copied by other banks.

The performance approach must adapt to the context of the SME. Profitability cannot be seen on the basis of net flows alone. Because the policy of depreciation of fixed assets is not operational in Cameroonian SMEs. As long as an asset is not taken out of service, it has value and no one thinks about its potential replacement. Thus, the flow that most reflects performance is the one which indicates the capacity of the invested capital to generate income. So taking into account the Cameroonian context where the environment for SMEs is unstable, particularly with the narrowness of markets, we could base the assessment of a project's performance on the payback criterion. However, this criterion may favour the choice of a project with lower profitability but allowing faster recovery.

Classic financial analysis must adapt to the reality of SMEs. The quantitative analysis is therefore associated with the qualitative analysis, based in particular on the reputation of the promoter, the length of service of the company, the owner-manager's relationship with one or more executives of the bank, the influence of the credit applicant among his friends (the tontine) (Ndjanyou, 2001).

Gradually, the bank will accumulate experience in the context of its relations with SMEs. These customer relationships will enable contracts to be adapted over time. Trust and closeness are elements that should guide these relationships. The bank must also rely on the socio-cultural values of the country.

Knowing the true nature of the SME generates additional costs (training bank staff to serve SMEs, seeking additional information). The bank can compensate for this additional cost by lending to the SME at the maximum rate, especially because it is well known that SMEs are often indebted to the informal sector, which usually charges usurious rates of interest (Ngongang & Wandji, 2002).

The practice of usurious rates is mitigated by cleaning up the macro-environment.

4.2.2. Remediation of the macro environment

To clean up the macro environment, the public authorities must fight on several fronts. The current banking system must be structured and FOGAPE reopened. It is also necessary to reform the judiciary and debt collection procedures, without forgetting the fight against corruption.

Bank restructuring can go through the specialization of banks (Touna-Mama, 2002), the nationalization of banks (Touna-Mama, 2002; Etoh, 1996), liberalization (Etoh, 1996), the adaptation of banks to their environment (Ondo-Ossa, 2002), the promotion of savings.

There is not and cannot be a reliable credit policy without a sound banking system that is trusted by the public.

Bank restructuring must lead to a more aggressive policy of collecting savings and a more daring policy of distributing credit. If commercial banks persist in the distribution policy that consists in overwhelmingly giving the priority to short-term loans to the detriment of medium and long-term loans, it is absolutely necessary to create banks specialized in funding development.

For several years now, we have noticed the presence of an SME bank. We can regret that despite its existence, SMEs continue to suffer from exaggerated rationing of bank credit.

Banks must be nationalized by the public authorities. Germany did it under Bismark, France after the war with the nationalization of the main banks (*Crédit Lyonnais, Banque Nationale de Paris, Société Générale, Crédit Agricole…*). It is no coincidence that the industrialized countries all nationalized banking institutions at some point in the history of their growth. The funding of development cannot be done spontaneously through the market as private banks are mainly owned by foreigners. The state must play an active role by both inciting and impulsing the funding of SMEs (Touna-Mama, 2002).

The current financial system needs to be expanded to cover a number of sectors that commercial banks do not finance. These are the funding of agriculture, SMEs and long-term funding (Touna-Mama, 2002).

The ways of diversifying the financial institution proposed by Etoh (1996) are as follows:

- Large banks for exporters;
- Local banks, to omprove the banking experience of target populations;
- Specialized instruments (investment banks, real agricultural credit, discount and factoring companies, leasing companies, investment funds, privatization funds, venture capital companies, etc.)
- The development of institutions similar to the Grameen Bank of Bangladesh based on the responsibility of small groups of borrowers;
- The micro-credit can help the most disadvantaged populations develop businesses, at least to better live their self-employment situation by accessing tools likely to increase their productivity, by pre-funding purchases to develop a commercial or artisanal activity. The micro-credit plays a role beyond the scope of conventional banks which only lend to the rich. It avoids resorting to usurers whose rates are very high. Ultimately, it enables the populations to get out of the logic of assistance that is always uncertain and build sustainable funding systems based on the refund capacity of the beneficiaries. Micro-credit is a useful tool which can be integrated into a development policy, but which cannot serve as a substitute;
- Stock markets;
- Deregulation;
- The abolition of administered rates (financial repression);
- Insurance reform;

- The operation of the various existing guarantee funds must be reviewed for a better adaptation and greater simplification.

Deregulation is progressive. Stock markets already exist in Douala and Libreville for Central Africa alone. These markets have difficulty functioning for several reasons, including the small size of their markets.

Ondo-Ossa (2002) thinks that the current difficulties in funding the investments of medium-sized enterprises could be overcome with the creation of institutions with a light structure, a kind of “popular banks” supplemented by mutual guarantee companies providing the guarantee that this type of business is lacking.

Since traditional commercial banks, whose resources are essentially short-term, are always reluctant to intervene in the SME sector, it is necessary to imagine mechanisms that allow these banks to become more involved.

With regard to morality, we must ensure the security of banking operations thanks to the strengthening of banking supervision (Etoh, 1996), this role is played by the banking commission of Central Africa (COBAC) supported by the Bank of Central African States (BEAC).

The strategy is not only to reform the banking system but also to adapt it to its environment.

The location of banks in only a few urban centres generates a harmful polarization of credits which is exerted to the detriment of some sectors and some localities, to the point that there are distortions of a sectoral and functional nature in the system of credit of Central African countries. Indeed, credits directed towards import-export companies contribute to raising the domestic growth rate, and therefore the level of imports (Ondo-Ossa, 2002). The countries of Central Africa are then faced with three types of problems (Ondo-Ossa, 2002):

- A problem of monetary organization;

- A problem of orientation of bank credit;
- A problem of monetary sovereignty.

Central Africa's banking system must adapt to its environment and stop blindly copying the system inherited from colonization.

The banking system in Central Africa is often characterized by insufficient savings. To get around this insufficiency, we can change the level of real rates and secure the funds deposited by savers. Unfortunately, this policy has not always yielded the desired results mainly because of uncertainty about the sensitivity of savings to changes in interest rates. This is why we thought of the policy of diversification of financial instruments, with a view to a more active mobilization of savings (Ondo-Ossa, 2002).

The reopening of FOGAPE (Guarantee Fund for Small and Medium-Sized Enterprises) can provide great support for banks funding SMEs as it did in the past.

Created by decree no.75/238 of April 2, 1975 within the Cameroonian Development Bank, FOGAPE's mission was to guarantee the loans granted to Cameroonian SMEs and to directly assist them in particular in terms of training, information, advice and bookkeeping and provide counter-guarantees to the signed commitments made by banking institutions when it comes to SMEs.

The creation of credit institutions and support structures must be supplemented by macroeconomic consolidation to further support SMEs.

The clean-up of the macro-environment can only be achieved by reforming the judiciary system and debt collection procedures on the one hand and fighting corruption on the other hand.

The dysfunctional judiciary system and debt collection procedures discourage banks from lending to the economy. The reform of these procedures is therefore imperative if one considers the bank funding SMEs. It concerns business law in the franc zone via the Organization for the Harmonization of Business Law in Africa (OHADA) (Joseph, 1998).

The most important contribution of the reform of insolvency proceedings is the introduction of alert procedures before the company goes into default. These procedures can be initiated by the statutory auditors themselves or by the partners. A question by the auditors or by the partners is addressed to the manager on the measures he intends to take to remedy the situation. In case the manager remains silence or proposes insufficient measures, the auditors or partners advise him to have the board of directors or the general meeting deliberate on the situation of the company. This is a friendly settlement procedure under the control of justice, before the company is in default of payment. This procedure is open to any company experiencing an economic and financial situation which is difficult but not irreparably compromised (Joseph, 1998).

It avoids the cessation of payments or the cessation of activity and makes it possible to settle liabilities by means of a preventive concordance.

When the company is in default of payment, a judicial reorganization or liquidation of assets procedure is opened. From that moment on, the rank of the creditors is clearly specified, the ones in relation to the others and it is taken into account and precisely determined the rank of the creditors against the mass, that is to say those who have provided goods or credit services after the procedure was open. This change should allow the company to continue to find funding after the opening of the procedure (Joseph, 1998; Modi-Koko, 2004).

The progressive specialization of the judicial system and of magistrates, in particular in business law, constitutes a major step forward for the judicial system in favour of business profit in Africa (Modi-Koko, 2004).

The common courtyard of justice and arbitration seized by way of appeal should reduce national pressures and facilitate the review of court decisions. To enable banks to recover their debts if the risk materializes, the possible solutions include: establishing a guarantee funds and reforming collective procedures. In general, banks like other creditors will not engage until the rule of law is reestablished (Bekolo-Ebe *et al,* 2002).

Restoring the rule of law enables banks to get involved (Joseph, 1998).

The legal environment in which banking activities take place in Africa is at the helm of banking professionals' current concerns. These include compliance with the regulations on bad cheques, the enforceability of the debt and legal obstacles that prevent the proper conduct of procedures.

The project on the harmonization of business law in Africa (OHADA) has placed accounting law at the centre of the reform process. This project took place at a time when banks, even the most prosperous ones were increasingly averse to lending funds. Improving the quality of accounting documents will enable banks to improve the quality of their management and better assess project risk. The OHADA uniform act, relating to forced recovery and enforcement proceedings, in its articles 153 to 172 established the procedure for seizing and allocating debts. There has been an improvement in the enforceability of the debt, despite legal harassment (Wamba, 2001).

Cleaning up the country's macro-environment also implies moving from too much State to better State without necessarily leading to the death of the State as the economic policies inspired by the Bretton Woods institutions seem to encourage (Touna-Mama, 2002).

Better state means first of all the rejection of the soft state characterized by a situation of "functional anarchy", non-compliance with instructions issued by the authority, frequent collusion between this authority and the pressure groups over which it should keep control and a general tendency to escape the control of the administration (Touna-Mama, 2002).

The fight against corruption also contributes to cleaning up the macroeconomic environment.

Corruption is possible when there are three types of economic actors: an agent, a principal and a third person whose gains and losses depend on the agent. He is corruptible when he has the capacity to conceal his corruption, and he is corrupt when the principal's interest is sacrificed for his benefit and he breaks the law (Bandfield, 1975).

Bekolo-Ebe *et al.* (2002) define three types of incentives to minimize corruption:

- Granting incentives for loyalty through a suitable salary policy;
- Worsening the consequences when an act of corruption is discovered
- Controlling the agents' activities.

The fight against corruption is optimal when the marginal costs of its elimination are equal to the anticipated marginal benefits. However, there are tolerable corruption situations in the private sector when the only benchmark for fighting corruption is the preservation of profit.

Thus, the cost / benefit approach resulting from Banfield (1975) is debatable and it can be shown that an improvement in the legislation and the functioning of the State makes it possible to reduce corruption opportunities (Bekolo-Ebe *et al.*, 2002).

Klitgaard (1997, p.101) produced a framework for combating corruption. He proposes to:

- Select the agents for their "honesty" and their "capacities": we eliminate initially dishonest candidates (antecedents, tests, dishonest clues (antecedents, tests, tangible clues of honesty) and a good use of the external "pledges" of honesty (networks to find reliable agents and make sure they don't change;

- Modify the rewards and penalties available to agents (and users): change rewards (increase salaries to make dishonest income less necessary; reward specific actions and agents that fight corruption; use conditional contracts to reward agents according to their possible successes or failures (like unsecured pensions that can be lost or non-confiscable bonds), resort to non-financial rewards (transfers, internships, travel, advertising, praise); penalize reprehensible behaviour, raising the overall level of penalties, increasing the punitive powers of the chief, calibrating the penalties to a dissuasive level; resorting to unofficial sanctions: transfers, advertising, loss of professional standing, quarantine;

- To assemble and analyze the information in order to increase the chances of detecting corruption: improve verification systems and management information systems (to prove that corruption has taken place), (red flags, statistical analyzes, random surveys, inspection ; assess the organization's vulnerability to corruption); strengthen "information officers", (increase specialized staff: auditors, investigators, supervisors, internal security; create an encouraging climate for agents to report dishonest activities, create new structures (mediators, special audit commissions, anti-corruption agencies); use information provided by third parties (media, banks); use information provided by users and the public; reverse the burden of proof so that potential corrupt people have to prove their innocence;

- Restructure the manager-agent-user relationship in order to eliminate the (tempting) combination of exclusive power, discretionary power and insufficient responsibility: introduce competition in the provision of services (private sector or between State agents); reduce the discretionary power of agents (more rigorously defined objectives, rules and procedures; make agents work as a team and subject them to hierarchical control; break up major decisions into separable tasks); keep agents running in their functions and duty stations; modify the mission, product or technology of the company to make them less exposed to corruption; organize user associations so that they are less exposed to some forms of corruption and to generate powerful pressure groups;

- Change attitudes towards corruption: use training courses, educational programmes and personal example; issue a code of ethics (public service, private organizations), change the corporate culture.

Without eliminating it, the measures recommended above make it possible to reduce corruption.

The eradication of the phenomenon thus appears to be a requirement, not only of a moral order, but also of an economic order, as a condition for consolidating growth which cannot be sustainable without rigorous financial intermediation (Bekolo-Ebe *et al.,* 2002).

Annex

Alternative funding methods in Cameroon

Funding methods	Number of SMEs that have chosen the funding method				Total
	Operational needs	Medium-term needs	Long term needs	Additional funding of needs	
Inter-company credit *	65	28	2	10	105
Tontines *	112	49	14	28	203
Associations *	56	10	-	16	82
Family helpers *	62	27	8	22	119
Help from friends *	60	28	4	21	113
Microfinance institutions *	62	39	6	25	132
Current partner contributions *	31	21	2	-	54
Increase in capital **	5	8	12	-	25
Ets of leasing **	-	21	4	-	25
Venture capital companies **	-	4	-	-	4
Cessations of immobilizations **	-	8	4	-	12
Individuals (usurers)*	-	1	-	-	1

Source: The author's investigation
*Short-term funding modes
**Long and medium-term funding modes

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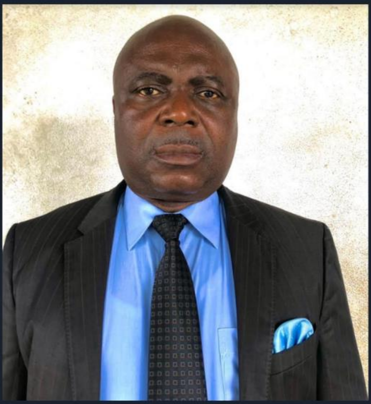

Noé Ndjeck

SMEs suffer from the rationing of bank credit. Rationing is both quantitative and qualitative. It is even more emphasised in the countries south of the Sahara, in particular the countries of Central Africa, including Cameroon. This rationing has resulted in the rush of SMEs towards alternative sources of funding characterized essentially by short-term resources. This alternative funding is essentially made up of tontines, microfinance institutions, inter-company credit, family assistance and help from friends.

This alternative funding which is both formal and informal with mainly short-term resources must meet both the long and medium-term needs as well as the short-term needs of SMEs. There is a problem of an adequate funding institution. This leads us to theoretically assess the alternative funding of SMEs. In order to guide SMEs in their choices we have identified the strengths and weaknesses of these alternative sources of funding.

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