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ENTERPRISES: EVIDENCE FROM THE
COMMUNITY CREDIT COMPANY IN THE
DOUALA MUNICIPALITY, CAMEROON

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MICROFINANCE SERVICES AND THE GROWTH OF SMALL AND MEDIUM SIZE ENTERPRISES: EVIDENCE FROM THE COMMUNITY CREDIT COMPANY IN THE DOUALA MUNICIPALITY, CAMEROON

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Abstract

Purpose: This paper assesses the role of microfinance services on the growth of small and medium size enterprises in Douala, Cameroon.

Methodology: The paper adopts a mixture of Survey Research and a causal research design. Data were collected mainly through likert scaling questionnaires administered effectively to 57 customers of CCC Plc selected at random. Multiple regression analysis and product moment correlation techniques were used with associated statistical tests (Pearsons, student- t, and ANOVA or F tests).

Findings: Considering three business growth enhancing microfinance services: loans, savings and assistance, it was found that loans granted by MFI and Saving service are paramount for the likelihood of SMEs in Cameroon. The effects of saving and loans were positive and highly significant in contributing to the profitability as well as return on assets of the small enterprises. Assistance given by MFIs had positive relation but was not very significant as there are not actually put in place given that Most MFI are profit outfits.

Unique contribution to theory, practice and policy: Important recommendations emanated from the results. One of such proposal is that the cost and conditions of savings and lending by MFIs should be relaxed as an instrumental strategy to foster the growth of SMEs.

Keywords: Microfinance services, growth of SMEs, regression analysis, Cameroon

1 BACKGROUND OF THE STUDY

The Economic Structural Adjustment Program (ESAP) of the middle 80s and the Enhanced Structural Adjustment Facility (ESAF) thereafter provided enabling environment for the proliferation of microfinance institutions (MFIs) of different categories to meet up with the growing financial needs of the entrepreneurial poor who were earlier deprived access to financial services by formal banks because of lack of acceptable collaterals. These deregulations strengthened existing microfinance institutions. This new way of doing business secures finance from public and private sector investors, lenders and donors to solve problems such as employment, health and education (Hamisi, 2013).

The core objective of the microfinance policy is to make financial services accessible to a large segment of the potentially productive Cameroon population, which have had little or no access to financial services and empower them to contribute to rural transformation. In spite of this, small business enterprises in Cameroon find it difficult to access formal financial institutions such as commercial banks for funds. The inability of the SMEs to meet the standard of the formal financial institutions for loan consideration provides a platform for informal institutions to attempt to fill the gap usually based on informal social networks, and this is what gave birth to micro-financing. In many countries, people have relied on mutually supportive and benefit-sharing of the social networking of these sectors for the fulfillment of economic, social and cultural needs and the improvement of quality of life (Amin, 2003; Babajide, 2012).

Notwithstanding, as reported by Olu (2009), the empirical evidence emerging from various studies about the effect of micro-finance on entrepreneurial development have so far yielded mixed results that are inconclusive and contradictory. Some of the failures are attributed to high costs (high interest rates) in servicing loans to compensate for the risks (Simeyo et al. 2011; Lindsay, 2010). The majority of research on microfinance in Cameroon either reaching the Poor (Abono, 2006), or analyzing trends and current developments (Fotabong, 2012) or on Credit Risk on the Growth Sustainability of Microfinance Institutions (Molem, 2016). There is still paucity in literature with regard to the contributions of MFIs to enterprise development in the country. This study attempts to fill the gap, to assess the effects of Micro finance on the growth of SMEs in Cameroon and to propose a more effective approach that MFIs can adopt in order to meet the growth-oriented needs of SMEs. This study therefore has as objectives to investigate the effects of micro financial institutions on the growth of the small and medium size business in Douala:

Specifically,

- To investigate the effects microfinance services on turnover of SMEs.
- To assess the role of microfinance services (savings/loans/assistance) the capital assets of SMEs.

In order to achieve the above objectives, the following approach (Fig 1) was adopted.

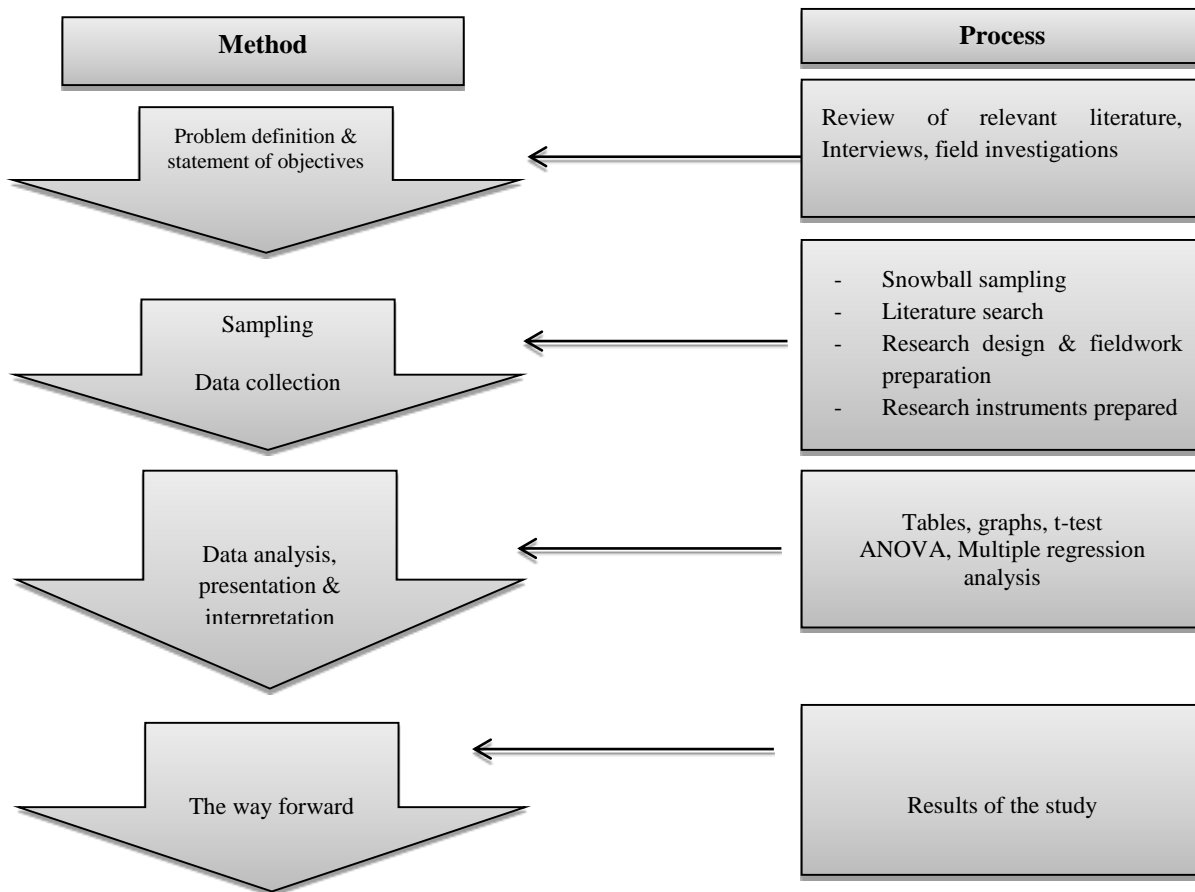


Figure 1: *Research approach*

To better attain these objectives, the rest of the sections are structured as follows. Section 2 discusses the theoretical perspective, conceptual framework and empirical analysis. Section 3 describes data and econometric techniques used establishing a relationships between the variables. Empirical results are presented in section 4 while section 5 is reserved for conclusion and policy recommendations emanating from the study.

2 CONCEPTUAL AND THEORETICAL LITERATURE REVIEW

2.1 Conceptual Review

The concept of Microfinance

Microfinance is defined as the provision of financial services to the poor and to those with intermediary incomes, they grant or provide financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer. It is mostly used in developing economies where SMEs do not have access to other sources of financial assistance (Robinson,

1998). In addition to financial intermediation, some MFIs provide social intermediation services such as the formation of groups, development of self-confidence and the training of members in that group on financial literacy and management (Ledger wood, 1999). There are three categories of microfinance institutions: Category I MFIs collect savings and deposits from their members and lend them on exclusively to their members. This category includes credit associations, cooperatives, and unions, and is further subdivided into independent and network MFIs. It is in this category that we find BAPCCUL ltd. Category II MFIs collect savings and deposits and lend them on to third parties. This category comprises limited liability companies that function more like quasi-banks. Category III MFIs do not collect savings and deposits. They include micro-credit and project finance institutions.

The target group of MFIs are self-employed low income entrepreneurs who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc. (Ledgerwood, 1999). According to Ledgerwood (1999) MFI can offer their clients, mostly those below or slightly above the poverty line a variety of products and services. The most prominent of their services is financial, that they often render to their clients without tangible assets and a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor as profitable investments. The deliveries of MF products and services have transaction cost consequences in order to have greater outreach. Some microfinance institutions visit their clients instead of them to come to the institution thereby reducing the cost that clients may suffer from (FAO, 2005).

Ordinary financial intermediation is not more often enough to help them participate, and hence, MFI have to adopt tools to bridge the gaps created by poverty, gender, illiteracy and remoteness. In providing effective financial services to the poor requires social intermediation. This is “the process of creating social capital as a support to sustainable financial intermediation with poor and disadvantaged groups or individuals” (Beck et al, 2005). Some microfinance institutions provide services such as skills training, marketing, book-keeping, and production to develop enterprises. Social services such as health care, education and literacy training are also provided by some MFIs and both enterprise development and social services can improve the ability of the low-income earners to operate enterprises either directly or indirectly (Legerwood, 1999).

Microfinance institutions are credible for the numerous products and services offered. The products include among other Savings account, deposit account, Loans for diversified purposes¹, salary payments, Sub-accounts, Rest management income, Daily saving, and Money transfers. On the other hand, the services provided to microfinance clients can be categorize into four broad different categories: Financial intermediation; Social intermediation; Enterprise development services and Social service or non-financial services (Musamali and Tarus, 2013)).

¹ Loans social and consumption loans, business loans, agricultural loans, emergency loans, real estate loans, special operations (overdraft, syndicate loans, express loans, and short term loans)

The microfinance industry in Cameroon is organised into different groups including Cooperative financial institution; Group Lending such as Grameen bank, Individual Lending, Self-help groups (SHG), and Village Banking (Babajide, 2012; Abdel and Abu-Hadi, 2013; Hamisi, 2013; Molem & Mbinkar, 2016). The concept of micro finance was developed several years ago in Europe, in the nineteenth century and later in Northern America before extending over the world in its various forms. In Cameroon, the first MFI occurred in 1963 in the North West region where Anthony Jasen, a priest from Holland created the first saving with cooperatives in the country. The relative success experienced by these institutions led to the creation of the CAMEROON COOPERATIVE CREDIT UNION LEAGUE better known as CAMCCUL which is the longest standing microfinance network. They aimed at securing peasant funds and grant loans to needy; since they were excluded from bank services.

Cameroon has experienced her own microfinance in the form of ROSCAs (commonly known as “Njangi”). They only reflect the traditions of people in different areas. The spirit of association expressed through the idea of “one hand cannot tie a bundle of wood” denotes people’s willingness to bring together hands or resources in order to make any action more effective than when performed solely. Today in Cameroon, microfinance activity seems flourishing and better structured. But this results from a trial and error process. Formerly supervised by the ministry of agriculture, the upheaval occurred during the decade 1990 and has given room to a new regard of microfinance. COBAC in 2002 merely legitimated and organized this activity alongside the banks activity and today, COBAC is the body that supervises MFIs.

Concepts of Small and Medium Size Enterprises

Defining small enterprises is challenging. Most definitions use criteria such as the number of employees, net assets, or sales. However, countries have adopted widely varying criteria, making comparisons difficult. The official definition of SMEs in Cameroon is derived from Law 2010/001 of April 13, 2010 on the promotion of Small and Medium-sized Enterprises (SMEs). The law includes a set of criteria for classifying enterprises in the following categories: "Very Small Enterprises"(VSE²s), "Small Enterprises" (SE³s), and "Medium-sized Enterprises"(MEs). In keeping with these criteria, the SME category encompasses enterprises with a permanent staff of between 21 and 100 employees and whose annual turnover net of taxes is between 100 million and one billion CFA francs. According to statistics provided by the National Statistics Institute (INS), today, this category of enterprises accounts for over 90 percent of Cameroon's national economic fabric, with a share in the Gross Domestic Product estimated at 34 percent.

Small enterprises in Cameroon, there is a total of 93,969 enterprises (including VSEs, SEs, MEs, and LEs), according to the Ministry of Small and Medium-sized Enterprises, Social Economy, and

² Enterprise that employs 5 persons at most and whose annual turnover net of taxes is below 15 million CFA francs

³ Enterprise with a permanent staff complement of between 6 and 20 persons and with an annual turnover net of taxes of between 15 and 100 million CFA francs ME: Enterprise that employs at least 21 and no more than 100 Persons and whose annual turnover net of taxes is between 100 Million and 1 billion CFA francs.

Cottage Industry (MINPMEESA). These categories account for 95 percent of the total number of enterprises established in the national territory. Thus, SMEs make up most of the economic fabric and are, therefore, an essential source for development of the economy.

The growth of a firm (SMEs) can be determined by supply of capital, labour and appropriate management and opportunities for investments that are profitable. The determining factor for a firm's growth is the availability of resources to the firm. Enterprise growth services can be sorted out into two categories. The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving and as well as persons who want to start up their own business. The second category is the enterprise transformation program which is the provision of technical assistance, training and technology in order to enable existing SMEs to advance in terms of production and marketing. Enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are subsidized by the government or an external party since to recover the full cost in providing the services will be impossible by the MFI. It has been observed that there is little or no difference between enterprises that receive credit alone and those that receive both credit packages and integrated enterprise development services (Ledger wood, 1999).

Small and Medium size enterprises have in recent years been trying all possible to increase its growth size but due to the absence of enough and available capital they have simply not been able to reach the benchmarks of their aspirations. The Association of Financial Institutions in Cameroon (APECAM) disclosed on the 25/11/2013 that 13 commercial banks have as deposits worth FCFA 2800 billion while small and medium sized enterprises remained under financed. This money would have been given out as loans by the different commercial banks to the SME which is not the case. Microfinance Institutions remain the sole hope of SME's even though they have some lapses in handling high demand for loans, and equally, the price for loans (interest) is relatively higher due to scarcity of funds. There is need to implement a perfect financial system such as "Susu" in Ghana and the "Feulu" in Uganda and Kenya, for, high percentage of economic growth cannot be envisaged without a well-structured and stable financial system.

The contribution of MFIs to SMEs is viewed through loans and overdrafts they grant to their customers (Hamisi, 2013, Molem and Mbinkar, 2016). SMEs obtain funds which help them invest in their businesses. Majority of loans granted by this institution are mainly for business purposes, some granted out of trust, others with collateral and measures put in place to recover this services granted. Also, the institution safeguards the money of its customers through major accounts such as savings accounts, deposit accounts, and minor accounts such as daily savings accounts offered them with interest paid to account owners. Interest from these accounts serves as a source of funds for further investment. Moreover, the institution offers free business counseling and advice to its customers and even to prospective customers who are expected to join the institution in the nearest future (Asmamaw, 2014). This is done by organizing seminars for small and medium size businesses in order to drill them on accounting, management, and marketing, that is, managing cash books for keeping cash, advertising and modifying products, and product development. Common Initiative Group funding especially of farmers is highly carried out by the institution (Abdel and Abu-Hadi (2013).

Formal financial institutions have failed to provide credit to the poor and most of whom are found in developing countries and to be more specific in the rural areas. According to Von Pischke (1991) policies of banks are not meant to favour the poor coupled with the fact that the poor are mostly illiterate and banks lack those skills to target these rural customers. In these areas, the population density is very low causing high transaction cost by the financial institutions since they need to move for long distances and also takes time to meet the customers (Molem and Mbinkar, 2016)). In addition, SMEs in developing countries are considered to be too unstable by banks. It is risky and very costly for banks to monitor the activities of the SMEs (Amin, 2003). Cost of borrowing from banks are relatively higher as the rate are hardly subsidized as is the case with loans from MFIs. Equally, the collateral demanded by banks for a loan is based on fixed assets which hinder these businesses to acquire loans.

2.2. Theoretical framework

Some theories and models explain the linkages that Micro Finance has on reduction of poverty by enhancing the activities of the SME in general. Some of these models include The Donor Model, The Formal Model, Village Banking Model, The Grameen Model and The Pecking Order Model.

The Donor Model explains how Donors have played a very strong role in the micro-credit program, particularly international donors such as United Nations Development Project (UNDP), via NGOs. However, this system of credit delivery needs to be encouraged to work via formal credit institutions as much as possible such as community banks. Evidence from The Formal Model indicates that microfinance model is built around formal financial institutions such as commercial bank, rural/village community banks etc. Most of the formal institutions that purvey credit to the poor have not been successful. The reasons for this had been limited knowledge of the poor and no closer relationship between the formal financial institutions and the informal institutions.

The Grameen experience is an example of that model that has been able to transform from informal to formal model of purveying micro credit to the poor. Village Banking Model focuses on Village banks as community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings, (Hickson, 2001). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005).

The Grameen model experience started with the group concept “informal lending to the poor”. It started by assisting landless people in Bangladesh to obtain credit, which could be obtained through the formal commercial banks credit facilities. The program was successful because the groups were cohesive and voluntarily formed. The program has since been linked to the formal micro credit model. It operates using modality of collective guarantees, close supervision and peer pressure from other members of the Grameen group. The model had been quite successful as the bank for the poor and as a social movement based on principles of awareness and training which

has facilitated active participation of the poor. As at 1990, the Grameen Bank had provided its services to about 1.5million poor, unified about 60,000 village banks in the linkage process and about \$480 million to the clients for small scale trade, constructions, local production credit as well as for emergency funds (Hamisi, 2013)).

Pecking order model postulates that the cost of financing increases with asymmetric information. Financing comes from three sources, internal funds, debt and new equity. Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a “last resort”. Hence: internal financing is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued. This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required (equity would mean issuing shares which meant 'bringing external ownership' into the company). Thus, the form of debt a firm chooses can act as a signal of its need for external finance.

2.3 Empirical Evidence

Evidence shows that a dynamic and growing SME sector can contribute to the achievement of a wide range of development objectives, such as: the attainment of income distribution, poverty reduction, creation of employment and production of goods and services that can meet the basic needs of the poor. Niskanen and Jyrki (2007) investigated the determinants of growth in a sample of small and micro Finnish firms. Firm growth is examined on a number of firm specific and relationship lending characteristics. The data set provides an excellent opportunity for investigating the effects that firm specific factors have on firm growth. The study investigated the relationship between firm growth and relationship lending variables. They are also able to provide new information on the role that legal form has on firm growth by using more detailed ownership variables. The results on relationship lending effects suggest that an increase in the number of lending banks decreases growth rates in the larger firms and that an increase in the number of banks operating in the county where the firm is located enhances growth of the larger firms and decreases growth rates of the smaller firms. It could, therefore, be argued that close lending relationships enhance growth for all firms, but that only the larger firms in the sample benefit from more competitive banking markets.

Brown, Earle and Lup (2004), employed panel data techniques to analyze a survey of 297 new small enterprises in Romania containing detailed information from the start-up date through 2001. They found strong evidence that access to external credit increases the growth of both employment and sales, while taxes appears as constrain to growth. The data suggest that entrepreneurial skills have little independent effect on growth, once demand conditions are taken into account. The evidence for the effectiveness of technical assistance is weak: only assistance provided by foreign partners yields a positive effect. A wide variety of alternative measures of the business environment (contract enforcement, property rights, and corruption) are tested, but none are found to have any clear association with firm growth.

Hamisi (2013) conducted a study on Emergency and Impact of Micro-Finance on Indian Scenario. After the pioneering efforts by Government, Banks, NGOs, etc the microfinance scene in India has reached in take off stage. An attempt could be initiated to promote a cadre of new generation micro-credit leaders in order to strengthen the emergence of Micro-Finance Institution (MFIs), so as to optimize their contribution towards the growth of the sector and poverty alleviation. Each Indian state could consider forming multi-party working group to meet with microfinance leaders and have a dialogue with them about how the policy environment could be made more supportive and to clear up misperceptions. With one state leading the way, we need to build on a successful model.

Molem and Mbinkar (2016) noted that, MFI's have a positive effect on SME growth because it enhances or guarantees access to sustainable credit to those living below the poverty line. In addition, due to the high outreach and financial sustainability, Micro finance institutions have a greater impact on the livelihoods of the poor (Hammersley and Traianou, 2012). Also, Non-financial services offered by MFIs have led to the acquisition of skills and new technologies in specific economic sectors. This has been possible due to efforts in enterprise development which provide for training of persons on special skills and business management. Indeed, MFI's have had the impact of enhancing education, training and literacy in business management and other business skills (Abdel & Abu-Hadi, 2013).

MFI's provide enterprise growth services and business growth services. This can be classified as non-financial services offered by MFI's that have had an impact on the management, growth and expansion of SME's across the world. Some of the other non-financial services provided by MFI's include marketing and technology services, business training, production training and subsector analysis and interventions (Ledgerwood, 1999). The provision of these services has led to better management in SME's, growth of SME's to big or large corporations, and creation of employment opportunities and eradication of poverty. In fact, according to Ledgerwood (1999), micro finance institutions have a huge positive impact on economic growth and overall national development.

In modern business environments, every firm seeks to grow and make profits. Hamisi (2013) defines a firm as an organization with administrative structures, legally incorporated which may expand in time through accumulation of Physical resources, tangible or intangible resources. Growth in firms can be measure as the relative expansion in size or other quantifiable aspects of the business. In addition, growth can be measured in terms of increase in efficiency or changes that improve the company Penrose (1995). Firm size is a product of growth over a period of time and is a process rather than a state or destination (Penrose, 1995). Factors that characterize growth of firms include availability of capital, human capital, viable opportunities for investments and adoption of modern and appropriate management styles. However, for a company to growth it must have resources available at its disposal. Microfinance institutions provide these resources through a structured framework especially to Small and Medium Enterprise (Asmamaw, 2014)

Chiyah and Forchu (2010), in their study of the role of microfinance institutions in the growth of small and medium sized business defined Microfinance as a term used by many in different domains to fight poverty. Their thesis was focused on three specific objectives. First is to

investigate whether NTACCUL helps its members and/or customers in the growth of their small or medium size businesses. The second is to find out whether rural SMEs can secure micro-financing with ease and on reasonable terms. Lastly, to determine if there are underlying factors, such as size of operation, securable wealth, or gender of application, is a factor in getting a loan. From their findings, it is realized that NTACCUL has a positive impact in the growth of its members' businesses, provides its members with financial and social intermediation services to help improve their businesses. Businesses that are viewed as growing had it easy to get a loan. But the main criteria used were the ability to pay back and to meet the set requirements to obtain a loan. The main requirement is fixed tangible assets such as land. They also noticed that the poorest of the poor were not included in designing and implementing their policies. The entry requirements are difficult for the poorest to meet thus they do not enjoy the services of NTACCUL. We can say that the poorest are those who are not involve in any income generating activities.

Abdel and Abu-Hadi (2013) carried out studies on “The Accessibility of Microfinance for Small Businesses in Mogadishu, Somalia” with the objective of examining the challenges faced by small businesses in accessing microfinance services in Mogadishu. To achieve the objectives of this study, data was collected through questionnaire instrument. The main findings of this study identifies that Small businesses in Mogadishu are facing challenges to access loan from MFIs and this results many small business to demise soon or may not be started due to inability to overcome the challenges. The researchers recommended microfinance institution are required to set more flexible, affordable and attractive requirements in financing Small businesses, their role needs to be felt by the Small enterprises in terms of growth and development.

Much research works has explained the role of MFI on the development in developing economies with Cameroon inclusive (Babajide, 2012; Hammersley and Traianou, 2012, Abdel and Abu-Hadi, 2013; Hamisi, 2013; Asmamaw, 2014). In Cameroon many attempts have been made (Abono, 2006; Fotabong, 2012; Molem, 2016) and yet most aspect of the concept remains undiscovered. There is need to explore the effects of services rendered by micro financial institutions on the growth of the small and medium size enterprises.

3 RESEARCH METHODOLOGY

3.1 An overview of CCC Plc

Community Credit Company Public limited with the acronym (CCC PLC) is a saving and lending credit company founded in 1998 as a corporative society know as (Community Credit Cooperatives Ltd) with its head office in Bamenda of the North west region of Cameroon. It gains a micro finance status as category one microfinance Institution in 2001 while operating with four branches in Yaounde, Douala, Bamenda and Batibo. The market was extended to the south west region in 2005 with two branches in Buea and Kumba respectively while in 2006, the operating head office was moved to Douala (the economic capital of the country). This was also motivated by the creation of five other branches such as Douala Liberte, Bonaberi, Tiko, YaoundeAcropole and Bafoussam. The famous Yaounde and Douala branches became YaoundeWarda and Douala Republique respectively. The Kribi and Muyuka pay posts were transformed in to full scale branches in 2010 while the Limbe branch came into existence in 2012.

Today, CCC Plc has a network of 18 branches covering six regions of the country (North West, West, Littoral, South West, Centre, South). The mission of CCC Plc is to provide high quality service for customer satisfaction, quick financial services and products to its members, encourage regular savings and judicious lending and also member's education that will make the credit company fight its competitors using a competent board of directors. CCC Plc offers to the public a range of tailored products and services to respond to the ever increasing customers' needs. Each product/service has its target public poised to improve on customer care which is one of the company's' core value. The different types of product and services are; Shares Account, current account, Salary account, Business account, loan offers, time and term deposit account, and Transfer services.

3.1.1 General Structure of the Community Credit Company Plc

The general assembly is the main decision making body of the organization, followed by the board of directors (Fig. 3)

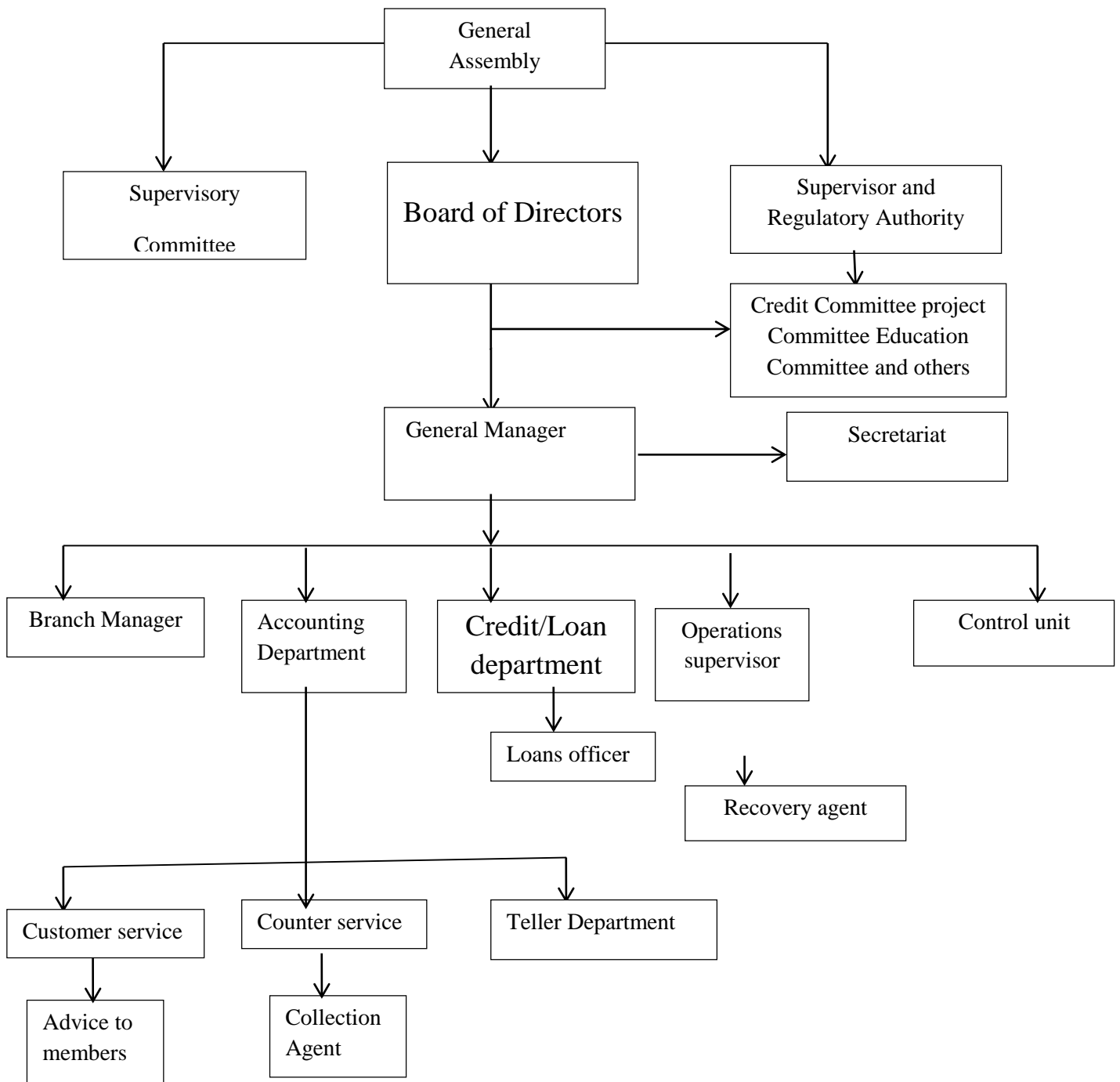


Figure 2: General Structure of the CCC Plc

3.2 Research design and data collection

The mixture of Survey Research and a causal research design was used in this study and the population size was the customers of CCC Plc and the sample size of 57 in total was selected through random sampling techniques. Data was collected from primary and secondary sources. Primary data for this study was collected using a structured questionnaire that was designed and administered to small and medium size enterprises that belong to customers of CCC Plc. Reliability analysis was conducted to using Chronbach's alpha (Chronbach, 1951), to ensure the usability of the data.

$$\text{Chronbach's } \alpha = \frac{kr}{1+(k-1)r} \quad (1)$$

Where:

- k= the number of items (variables) in the scale, and
- r = the average correlation between pairs of variables or items

Cronbach's coefficient gives indication about the average correlation among all of the items in the scale and its value lies between 0 and 1. A Cronbach's coefficient alpha greater than 0.9 shows an outstanding internal reliability, if this value is greater than 0.8 than it is consider Good, if it is 0.7 it is considered as satisfactory, if 0.5 is consider poor and less than 0.5 is unacceptable.

3.3 Techniques of data analysis

The data collected was processed and analyzed using SPSS20. This involved data coding, editing and tabulation especially quantitative data. The purpose of all these is to make the information clear and understandable for other people. Qualitative analysis techniques were used. The Qualitative analysis techniques were complemented with some statistics that were mainly obtained from the secondary data that were obtained through documentary analysis from the case study organization. A few statistics to be obtained from the primary data and was included in this research.

The data were coded and edited to detect and correct any errors and omission. The t-test was used to assess the statistical significance of the various independent variables of the regression equations. In the same light, the F-test was employed to determine the strength of the whole regression. Adequacy of the model testing is measured using the coefficient of determination R^2 and the adjusted R^2 . It assist in determining the extent to which all the independent variables put together explained variations on dependent variable which is the growth of SMEs in the model. That is the variation in the independent variables explained by the variations in the dependent variables. Analysis was done using SPSS 20. To test for the strength of the model and the effects of MFI on the growth of the SME, the researcher conducted an Analysis of Variance (ANOVA) from where the researcher verified the significance value. The test like t-test of student was conducted at 95% confidence level and 5% significant level. In case the significance number is found to be less than the critical value, then the conclusion is that the model is significant in explaining the relationship.

For descriptive statistics, the Mean(X), the standard deviation and range was used.

3.4 Model Specification

A Statistical model was specified to examine the effects of Micro Finance on the growth of the SME. It is a multiple regression model where the growth of the SME is made the dependent variable with a host of independent variables.

Among the independent variables are; loans granted which include the longevity of relation, sector of activity, availability of loans, loans condition, interest rates and importance of MFI we also have savings and interest rates which include importance of savings, duration of savings, and opinion on improving MFI and lastly we have assistance of MFI which includes the training of SME, advisory of SME, consultancy and others.

Thus regression models are used to predict a variable from one or more than one variables. The regression analysis is used in the study to predict the extent of dependence of various factors as its explanatory variable (Equations 4 & 5).

$$\text{Growth of SME} = \beta_0 + \beta_1 \text{LOAN}_1 + \beta_2 \text{SAV}_2 + \beta_3 \text{ASS}_3 + \varepsilon \dots \dots \dots (4)$$

$$\text{Expansion} = \beta_0 + \beta_1 \text{LOAN}_1 + \beta_2 \text{SAV}_2 + \beta_3 \text{ASS}_3 + \varepsilon \dots \dots \dots (5)$$

Where:

- Growth of SME= Profitability and Sales turnover
- Expansion= Business capital asset and level of employment
- β_0 = Coefficient of interception
- β = Sensitivity of growth of SME and Expansion to variable LOAN_1 , SAV_2 and ASS_3
- LOAN_1 = Granting of loans to SMEs
- SAV_2 =Savings by the SMEs
- ASS_3 = MFI assistance to SMEs
- ε = Error Term

4 RESULTS AND DISCUSSIONS

4.1 Descriptive Statistics

The study sought to gather information from customers of CCC Plc who were owners of small and medium size enterprises by administering 75 questionnaires of which 61 were filled and returned, 04 of which were wrongly filled thereby reducing the sample size to 57 representing 76 % of the total respondents. This was judged as excellent for analysis since it exceeded 70% (Mugenda, 2003). Socio-Demographic Characteristics of the Respondents showed that of the 57 respondents, 38 (66.7) were males while the rest were females. Most of the respondents were 36 – 50 years old (54.3 %) indicating that majority of the owners of SMEs in the region were in their active working ages. It was also reported that the respondents with First school living certificate, Ordinary level, Advanced level, degree holders and other certificates constituted respectively, 8.8, 22.8, 36.8, 19.3, and 12.3 percent.

The Longevity of SME with CCC Plc

Most of the respondents have been in relation with CCC Plc for 4-6years with the percentage of 54.3 (Table 1)

Table 1: The number of years the SME has been in relation with CCC Plc

	Frequency	Percent	Valid Percent	Cumulative Percent
Lessthan 1 year	2	3.5	3.5	3.5
1 - 3 years	15	26.4	26.4	29.9
4 - 6 years	31	54.3	54.3	84.2
Above 6 years	9	15.8	15.8	100.0
Total	57	100.0	100.0	

Based on the table above, 2 of the respondents has been in relation with CCC Plc for less than one year, 15 of them has been in relation from between 1 to 3 years, 31 of them has been in relation from between 4 to 6 years and 9 of them has been in relation with CCC Plc above 6 years. Making up a percentage of 3.5%, 26.4%, 54.3% and 15.8% respectively. This shows that many owners of SMEs has been in relation with CCC plc between 4-6years.

Main Sector of Activity of the Respondents

Of the 57 respondents, merchandising takes the lead with 24(42.1%) as the main sector of activity of the respondents. while agriculture/ livestock follows with 15(26.3%) then the others follow (Table 2)

Table 2: Main Sector of Activity

	Frequency	Percent	Valid Percent	Cumulative Percent
Agriculture / Livestock	15	26.3	26.3	26.3
Merchandising	24	42.1	42.1	68.4
Service rendering	11	19.3	19.3	87.7
Others	7	12.3	12.3	100,0
Total	57	100.0	100.0	

Based on the table, 15 of the respondents' main sector of activity is Agriculture and livestock, 24 of them engage in Merchandising, 11 engage in service rendering and 7 of them engage in others. Making up a percentage of 26.3%, 42.1%, 19.3% and 12.3% respectively. This showed that most of the respondents were involved in merchandising.

The importance of MFI to Respondents business

Most of the 57 respondents were for the fact that MFIs are very important to their business with a percentage of 42.1 (Figure 6)

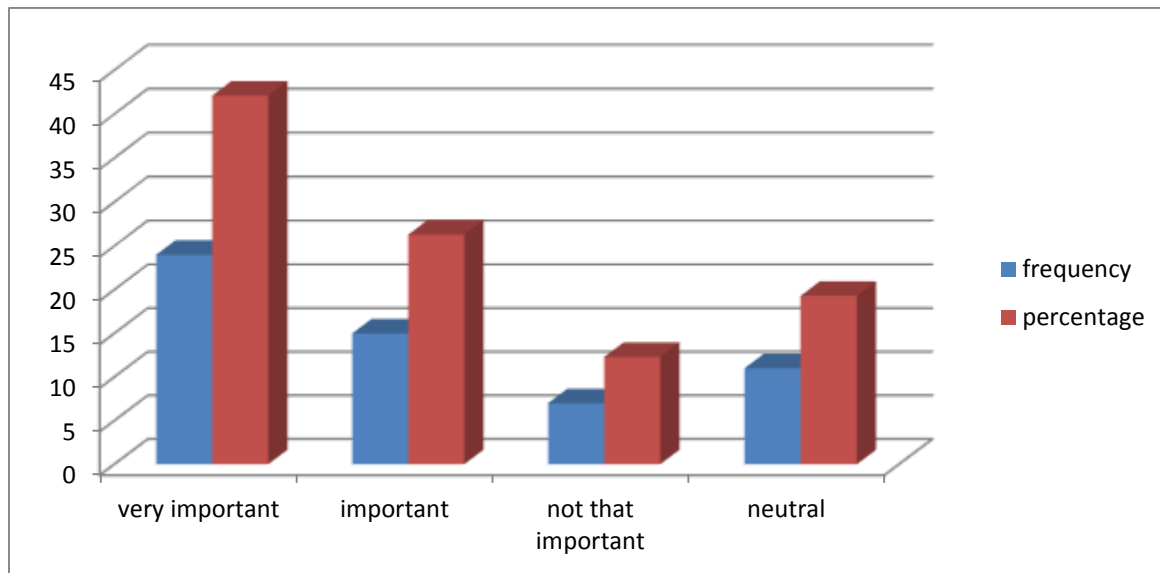


Figure 4: *Importance of MFI to respondents Business*

From the table and graph above, 24 of the respondents ticked very important on the importance of MFI to respondents business, 15 ticked important, 7 ticked not that important and 11 ticked neutral. Making up a percentage of 42.1%, 26.3%, 12.3% and 19.3% respectively. In a nutshell, most of the respondents are for the fact that CCC Plc is very important to their business.

Method used by MFIs to promote the growth of SMEs

Most of the respondents indicates lower interest rate (24 representing over 42%) as a strategy to encourage the growth of SMEs (Table 3)

Table 3: Methods to be used to improve on the effect of MFI on the growth of SMEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Lower interest rates	24	42.1	42.1	42.1
Subsidies to the MFIs	11	19.3	19.3	61.4
longer term Loans	15	26.3	26.3	87.7
Others	7	12.3	12.3	100.0
Total	57	100.0	100.0	

Source: *the author, from field data 2019*

From the table above, 24 of our respondents ticked lower interest rates on the methods to be used to improve on the effect of MFI on the growth of SMEs, 11 ticked Subsidies to the MFIs, 15

ticked longer term loans and 7 Others. Making up a percentage of 42.1%, 19.3%, 26.3% and 12.3% respectively.

4.3 Results of the effects of MFIs services on Profitability of the SMEs

Results of the study were carried out by using three major Econometric modeling techniques including ANOVA (Analysis of Variance), regression, and correlation tests

4.3.1 Results of Analysis of Variance (ANOVA)

The strength of profitability as a measure of the growth of the SME model was tested using Analysis of Variance (ANOVA). It summarizes the relationship between regression mean square and error mean square which are respectively 6.195 and 0.855 for this model.

Table 4: ANOVA results of profitability as a measure of the growth of SMEs

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18,585	3	6,195	7,247	,001 ^b
	Residual	32,486	53	,855		
	Total	51,071	56			

a. Dependent Variable: profitability and sales turnover

b. Predictors: (Constant), Loans granted, SAVINGS, MFI Assistance

Fisher statistics was reported to be very significant at 99% confidence level and 1% significant level as the calculated F-value is greater than the critical value implying that the model is significant in explaining the relationship between MFI and the growth of SMEs in Douala. Given that the model is globally significant, permit us to proceed with presentation of the regression results

4.3.2 Regression model of the growth of SMEs measured in terms of profitability and sales turnover

Table 5: Dependent variable: Profitability and sales turnover

Model		Unstandardized Coefficients		t-values	Significance
		Coefficients	Std. Error		
1	(Constant)	-1.581	1.157	-1.366	0.180
	Savings	0.565**	0.170	3.327	0.002
	MFI assistance	0.144	0.300	0.480	0.634
	Loans granted	0.629*	0.301	20.089	0.043
	R-squared	0.674			
	Adjusted R-squared	0.613			
	S.E. of regression	0.925			

*Note: The superscripts ** & * indicates levels of significance at 1%, and 5%*

The general result of the growth of SMEs model is globally significant with all the exogenous variables included in the model capable of explaining 61.3 percent of the variations in return to asset of the financial institution.

The coefficients of all the exogenous repressors (loans granted, savings and MFI assistance) of the growth of SMEs displayed the expected signs in the regression. The variable for saving and the variable for loans granted have positive and very significant effect on the growth of SMEs captured in terms of profitability and sales turnover. The two variables were significant at 1 percent and 5 percent respectively. The regression results equally show that the effect of MFI assistance on the growth of SMEs was positive as hypothesized but not a very significant force in contributing to the growth of the SMEs. Corresponding Pearson Correlations between the independent variables and the growth of SMEs (profitability and sales turnover) using data collected effectively from forty-four customers of CCC plc Douala in 2019 using questionnaires

4.3.3 Results of Pearson correlation for profitability and sales turnover of SMEs

Table 61: Pearson correlation for the growth of SMEs variables

	Variables	Profitability	Sig. (1-tailed)	N
Pearson Correlation	Profitability	1,000	.	57
	Savings	0.490	0.000	57
	MFI assistance	0.376	0.007	57
	Loans granted	0.747	0.012	57

Results reported in the table shows that all the variables are significant correlates of profitability as a measure of the growth of SMEs as p-values are less than 0.05 (5%) for all the variables considered in the model. The Pearson correlation coefficient for loans granted is 0.747 which according Saunders (2003)'s evaluation indicates a positive high correlation with profitability taken to capture the growth of SMEs. Variables for savings are positive correlates of profitability with correlation coefficients between 0.5 and 0.7. The variable for MFI assistance report a weak but positive correlation (0.376) with the growth of SMEs indicator in the institution. The result of the Pearson correlation is in line with the results of regression analysis for the model of the growth of SMEs measure in terms of profitability and sales turnover, reported earlier. The correlates of the growth of SMEs ranked according to the strength of the association as follows: savings, loans granted MFI assistance.

4.4 Results of the effects of MFIs services on capital asset of the SMEs

4.4.1 Results regression analysis for the effects of MFIs services on capital asset of the SMEs

The strength of the growth of SMEs captured using business capital asset in relation to MFIs variables (savings, loans granted and MFI assistance) was tested using Analysis of Variance (ANOVA). The resulting Fisher statistics was reported to be significant at 1% significant level as the calculated F-value of 4,992 exceeds the critical value. This implies that the model is generally significant in explaining the growth of SMEs and MFI nexus. To tests the significant of various

independent variables, regression analysis is imperative to determine the t- values. The table below shows the F-statistics, coefficient of the various dependent variables, corresponding t-values and adequacy test results. (Table 7)

Table 7: Linear regression Results for capital asset of the SMEs

variables	Coefficient	Standard Error	T	P> t
Savings	0.128*	0.085	20.1 06	0.040
MFI Assistance	0.138	0.150	0.923	0.362
Loans granted	0.394**	0.151	2.616	0.010
(Constant)	2.560	0.579	4.571	0.001
R-squared	0.814			
Adjusted R-squared	0.726			
Std. Error of the Estimate	0.463			
F(3, 56)	4.992			
Prob > F	0.005			

Source: Computed by Author using Field Data

*Note: The superscripts ** and * indicate levels of significance at 1%, and 5% respectively*

Fisher statistics for business capital asset as a proxy for the growth of SMEs used in this study was reported to be highly significant at 99% confidence level.

The regression results of the growth of SMEs captured by the business capital asset is globally significant and adequate as 81.4% of variations in the model is explained by the independent variables meaning that the model is really adequate in capturing the relationship. Saving, loans granted, and MFI assistance captured quantitatively through five-points -likert scale are identified as significant correlates of the growth SMEs captured taken as business capital asset with all the variables displaying the hypothesized positive relation. None of the variable was dropped to improve on the adequacy of the model.

4.4.2 Results of Pearson correlation for Business Capital Asset of SMEs

Below is pearson correlation model to show the relationship between the independent variable and the dependent variable (Table 8).

Table 8: Pearson correlation for Business Capital Asset variables

	Variables	Profitability	Sig. (1-tailed)	N
Pearson Correlation	Business capital Asset	1.000	.	57
	Savings	0.456	0.000	57
	MFI Assistance	0.092	0.257	57
	Loans granted	0.612	0.000	57

Results reported in the table shows that two of the variables are significant correlates of business capital asset as a measure of the growth of SMEs as p-values are less than 0.05 (5%) for all the variables considered in the model. MFI assistance is insignificant as with a p-value exceeding 0.050. The Pearson correlation coefficient for loans granted is 0.661 which according to evaluation criteria for correlation proposed in 2003 by Saunders indicates a positive moderate correlation with business capital asset taken to capture the growth of SMEs. Variables for MFI assistance is a very weak positive correlates of business capital asset with correlation coefficients of less than 0.50. The result of the Pearson correlation is in line with the results of regression analysis for the model of the growth of SMEs measure in terms of business capital asset reported in the preceding section. The correlates of the growth of smesranked according to strength of the correlation identified loans granted as the strong correlate of business capital assets follow with savings, and MFI assistance in that order.

4.5 DISCUSSION OF RESULTS

Discussion of results for H₁ on MFIs services and the growth of SMEs

The Regression model of the growth of SMEs captured by profitability was generally significant. This was measured using F statistics (47.2) which was significant at 1% as calculated in the ANOVA table. The adequacy of the model measured in terms of coefficient of determination R² or R² adjusted shows that the adherence of the CCC to the profitability explains over 64 percent of variations in the growth of the SME coupled with the fact that the value of standard error for regression is small which is good.

Variable capturing profitability and sales turnover and that of the growth of SMEs (dependent Variables) displayed the expected positive relationship and importantly, both variables were highly significant. The Variable for savings was highly at up to 99 confidential level implying that savings should be targeted as a strategy to promote the growth of SMEs by the MFIs as is the case with the results of CCC plc. The variable used in the study to capture the effect loans granted on the growth of the SME was also highly significant at 5% with the coefficient of 0.629 showing that loans granted has 62.9% positive influence on the growth of the SME.

Discussion of results for H₂ on MFIs services and the capital asset of SMEs

The Regression model of cash of the bank used as proxy for management of CCC was significant. This was measured using F statistics which stood at 24.65 and was significant at 1% level. The adequacy of the model measured in terms of coefficient of determination R² or R² adjusted was moderate (barely 81.4%). This test of goodness of fit of the model shows that the variable for savings, MFI assistance and loans granted, indicators put together explained over 81% of variations in the growth of the SME.

Standard error of the regression model was small and all the dependent Variables bore the hypothesized relations. In other word, the results show that loans granted was significant at 1% and savings was significant at 5% while MFI assistance shows a positive result but was insignificant. The Variable for loans granted was highly at 1% significant level implying that loans granted should be targeted as a strategy to accelerate the growth of SMEs by CCC Plc.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The purpose of this paper was to assess the effect of services rendered by microfinance institution on the growth of the small and medium size enterprise. The research findings confirmed that the role of financial institutions toward SME success is important. Also, some beneficiaries benefited from loan once acquired for example according to the results in the field some of the SME interviewed concluded that there are positive changes in terms growth and others. It was equally revealed that MFI have a positive effect on the growth of the latter, notwithstanding the inherent challenges. It has been noted that, access to credit which is a major challenge in the SME sector has been reduced to a large extent through the operations of MFI. The findings also show that the MFI have also contributed in a positive but insignificant way to the growth of the SME through the provision of non-financial service such as Business, Financial and Managerial training programs.

MFI have also contributed largely in the area of mobilizing savings through their saving schemes that make saving more accessible, less costly and ready to receive little amounts. The habit of saving is enhanced as low income earners who were hitherto unable to save with traditional banks are offered an opportunity to save. The practice helps to improve capitalization as most of these savings are ploughed back in their businesses. It is also critical to highlight the challenges that have the tendency of derailing the efforts of the MFI in granting credit. Some of these are the inability of clients to repay their loans and the rate of credit misappropriation. It is worth noting that MFI provide better access to credit than the traditional banks. However, the research reveals that a good number of MFI require collateral security before loans are granted and this negatively affects the SME as some are unable to provide the collateral requested. High interest rate has also been mentioned as one of the challenges in accessing credit facilities of MFI. In relation to high interest rate, MFI have explained that the risk attached to the granting of loans is on the high side and are unable to reduce the interest rates.

In nutshell, there exists a significant relationship between MFI credits and terms and the SME performance and growth. This relationship is enhanced by the close business intimacy between the MFI and SME based on trust. Small firms are disproportionately handicapped by a lack of finance, but they receive a stronger boost in growth than large firms if financing is provided. Financing obstacles affect small firm's more than large firms. Small firms not only report higher financing obstacles, but they are also more adversely affected by these obstacles.

5.2 Recommendations

To ensure that MFI enhance participation in the SME, sustain their growth and maximal contribution to economic growth and development of the nation, the following recommendations emanated from this study: Government and MFI themselves should enhance the out-reach of microfinance through creating awareness of the activities and operations to the SME especially those in rural and semi-urban areas that are yet to appreciate the benefits of the scheme. Apart from provision of tax incentives, and financial supports, it is recommended that Government should try to provide sufficient infrastructural facilities such as electricity, good road network and training institutions to encourage the activities of SMEs.

In a management perspective, MFIs need to improve their credit terms because the findings indicate that they are not favorable but in my opinion, there is need to make the present terms more flexible and reduce on the terms against collateral especially when there is a delay by the SME to repay their loans. This requires an understanding of the nature of operations by the SME such too much exposure to bad debtors. The MFI may be quick to measure their success rate by considering factors like high repayment, outreach and financial sustainability, but these may not be successful if their activities do not reflect the growth of the SME. The financial growth of the SME does not only reply on access to credits but also the creation of favorable and formidable business environment.

The MFI have a great responsibility of ensuring the proper use of credit which is an important facility in business acceleration. To achieve this, credits should be client-oriented and not product-oriented. Proper and extensive monitoring activities should be provided for clients who are granted loans. In order for the SME to improve their performance, it is recommended that owners and managers should maintain adequate liquidity levels through designing strategies to meet their revenue targets. These cash levels also help to pay the business suppliers on time because the survival of any business depends on how reliable its suppliers.

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