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The Measurement of the Economy of Scale of Microfinance Institutions: A Case of MC2 Cameroon

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Abstract

This decade saw everywhere in the under developed countries and more particularly in Cameroon the growth of several microfinance institutions having as objectives to mitigate the systems of former rural financing system setting-up by the Development banks, systems which proved to be ineffective. It is known today that the availability of small loan and well adapted services of saving to the populations excluded from the formal financial system constitutes key tools in the process of fight against poverty. According to the study on the decentralised financial system in Cameroon published in 1997, Cameroon counted on this date more than 389 institutions of microfinance. The number evolved in time. The decree MINFIB/MINAGRI No 0015/036 of January 15, 2002 erases more than 388 institutions of microfinance, without counting various voluntary or involuntary closings. It poses consequently a problem of perpetuation and effectiveness of these institution of microfinance in Cameroon.

The study is focused on one institution, La Mutuelle Communautaire de Croissance (MC2), (the MC2 system is an interesting institutional innovation based entirely on the private initiative of Afriland First Bank). The objective is to analyse transaction costs of 10 institutions in the west province who have been operating for at least five years. The transaction costs will be evaluated for a certain period. The study of the evolution of the transaction costs in the functional form double-log (double-log cost function) or Cobb-Douglas (Cobb-Douglas specification) will enable us to determine the capacity of these institution of financial intermediation to generate economies of scale.

The analysis provides the basis for an assessment whether and to what extent the new institutions can be made sustainable rural finance actors

The data were collected in February 2005, the results of the analysis are to be followed.

Keywords: Cameroon, economy of scale, function of production, microfinance, sustainability