

# Structure of Rural Finance Institutions Clients in Cameroon

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## 1) Introduction

The original objectives of rural banking sector were:

- to extend credit to small farmers and businessmen especially small female farmers/businesswomen;
- to encourage group lending among borrowers;
- to provide a more efficient institutional capacity for rural credit administration on a self sustaining and permanent basis;
- to provide significant employment opportunities for rural men and women as well as improve nutritional standards of beneficiaries through improved productivity and higher income from the use of credit.

## 2) Problem Statement

Financial repression practised during the two decades after independence has undermined the evolution of a diversified financial sector with cost-effective services available to all segments of the population. Rural and urban poor have been the most affected. With the new consensus on the important role of private rural finance institutions in the development process in the early 90s and the socio-economic environment in Cameroon, questions arise on how these institutions can achieve their objectives of targeting the poor while insuring their long-run-sustainability.

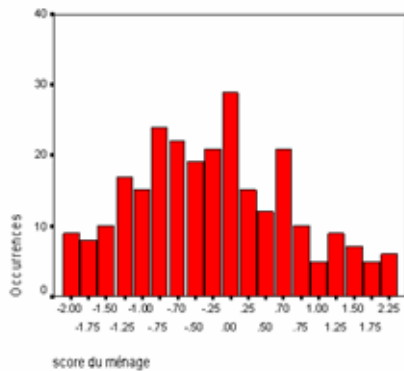
## 3) Objectives

The purpose of this study is to find out the segment of the population in which micro banks attracted the biggest share of their clients

## 4) Method

Principal Component Analysis is used to determine the poverty score of micro bank clients. Information was collected in 2003 on 264 client households clients and non clients of micro banks in the Nord-Ouest province of Cameroon.

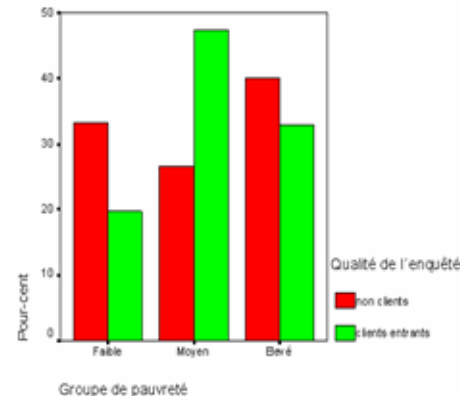
**Fig. 1:** Poverty score of households



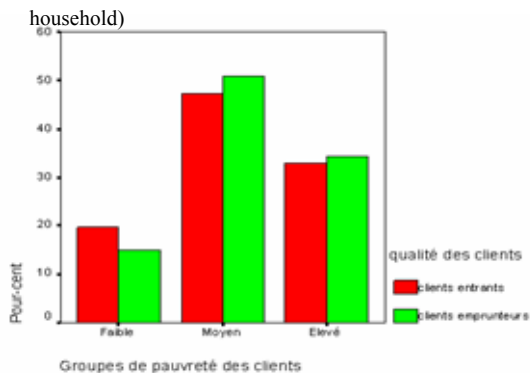
## 5) Result

Poverty score of households are range between  $-2.00$  and  $2.25$  (Fig. 1). To form three groups (poorest, middle and higher) households with a score of  $-2.00$  to  $-0.56$  fall in the lowest group, while those with score of  $-0.56$  to  $0.13$  fall in the middle group, and those with a score between  $0.13$  and  $2.25$  are in the highest group. Results of our analysis (Fig. 3, green columns) show that only 15% of the clients of micro banks are from the lowest group (poorest), while 51% are from the middle group (less poor), and 34% are from the higher group (better off)

**Fig. 2:** Comparison between non clients households and new clients (without credit) of micro banks, according to their poverty score (% of total households)



**Fig. 3:** Comparison between new clients (without credit) and client (borrowers) according to their poverty score (% of total household)



## 6) Conclusion

Poor and especially rural poor have little access to formal finance institutions in Cameroon. To increase their access to these institutions, the followings are of a great importance: (i) a genuine government and NGO intervention for the information and formation of rural population and investments in rural infrastructures; (ii) the strengthening of rural financial institutions capacity; (iii) the introduction/strengthening of an efficient and enforceable legal framework for rural finance institutions.