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Economics of Nonprofit Organisation: Case Study of Rural Extension in Cameroon

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Abstract

In recent years, the importance of nonprofit organisations as the third sector of the economy has been increasingly recognised; stimulating economists to attempt a definition and theoretical explanation on how such firms emerge and why some are sustained over time and others are not. Traditionally, two types of theories have offered explanations to the emergence, operation and existence of not-for-profit firms. One strand of theory holds that nonprofit firms emerge and exist as a result of market failures. A second strand of theory views nonprofit firms as outlets for altruism, ideological entrepreneurship and the practicing of social values. More recently, a third theory has been proposed: an integrative approach that understands and describes the existence of these firms as encompassing combination of some aspects of the aforementioned two theories.

Using the case of Cameroon we explore the historical roles of the state and the market in the smallholder farming sector and their influence on the proliferation of nonprofit firms. We observe that the failure of state and market institutions to adequately direct services to smallholder farmers triggered the demand for nonprofit firms. However, an in-depth analysis of a case study smallholder service-providing nonprofit organisation reveals that its supply is not only as a responsive to market demand, but explicitly to meet the altruistic, ideological and pecuniary motivations of its creators and managers, while contributing minimally to social amelioration and poverty reduction. Our findings go beyond a mere support of an integrative theory of nonprofit firms as pecuniary objectives are found also to be important. However the heterogeneous nature of the nonprofit sector leads us to conclude that a case by case study is inevitable.

Keywords: Cameroon, nonprofit Organisations, Rural extension