

PN-ABF-060  
660-7

# AGENCY FOR INTERNATIONAL DEVELOPMENT PPC/CDIE/DI REPORT PROCESSING FORM

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number 936-5315	2. Contract/Grant Number DAN-5315-A-00-2070-00	3. Publication Date 10/89
--	---	------------------------------

4. Document Title/Translated Title  
Taking Over the Monetized Economy & Informed Groups  
in Cameroon

5. Author(s)  
1. Gertraud Schrieder  
2. Carlos E. Cuevas  
3.

6. Contributing Organization(s)  
The Ohio State University

7. Pagination 17	8. Report Number	9. Sponsoring A.I.D. Office STT/RD + AFR/MDF
---------------------	------------------	---

10. Abstract (optional - 250 word limit)

11. Subject Keywords (optional)

1.	4.
2.	5.
3.	6.

12. Supplementary Notes

13. Submitting Official Melissa Bonnkerhoff	14. Telephone Number 875-4491	15. Today's Date 4/14/90
--	----------------------------------	-----------------------------

.....DO NOT write below this line.....

16. DOCID	17. Document Disposition DOCRD [] INV [] DUPLICATE []
-----------	--

**SEMINAR ON INFORMAL FINANCIAL MARKETS  
IN DEVELOPMENT**

**TAKING OVER THE MONETIZED ECONOMY:  
INFORMAL FINANCIAL GROUPS IN CAMEROON**

Gertrud Schrieder  
The Ohio State University

and

Carlos E. Cuevas  
Department of Agricultural Economics and  
Rural Sociology  
The Ohio State University

Sponsored by

The Ohio State University

The Agency for International Development

The World Bank

October, 18-20, 1989, Washington, D.C.

## **ABSTRACT**

Based on a 1988 survey, this paper shows that informal financial groups in Cameroon are capable to respond to widely different demands for financial services. The striking relative importance of informal groups in Cameroon's highlights the need to consider the likely effect on these groups of financial policy measures.

# **TAKING OVER THE MONETIZED ECONOMY: INFORMAL FINANCIAL GROUPS IN CAMEROON**

by

Gertrud Schrieder and Carlos E. Cuevas

## **INTRODUCTION**

Groups with simple organizational frameworks are found worldwide. Individuals with a common objective or problem seek to join together when unorganized or individual action seems insufficient to further the individuals' interest. Financial self-help groups (SHGs) can be found in West, Central, East, and South Africa, Asia, the West Indies, Central, and South America. In this broad geographical range, two different concepts of financial SHGs are usually recognized: rotating savings and credit association (RoSCAs) and non-rotating savings and credit associations (NonRoSCAs) (Ardener, Bouman 1976, Geertz, Miracle, Miracle and Cohen, Seibel 1986 and 1984).

This paper documents and analyzes the activity of rotating and non-rotating informal financial groups in Cameroon, based on a field survey carried out in the Fall of 1988 (Schrieder). The findings highlight the active participation of rural dwellers in informal groups and the dominant role informal finance plays in monetary circulation in this country. A brief conceptual framework is presented in the following section, followed by a description of the methods and data used in the study. The final section reviews the main findings and draws the major implications of the study.

## **CONCEPTUAL FRAMEWORK**

Olson argues that participants in a group who supposedly act rationally and out of self-interest will pursue a common goal if they perceive this as a means of improving their condition. However, Olson claims, this kind of group behavior applies solely to small groups and not to large ones, unless large groups are organized in sub-groups or have an appropriate set of rules, usually socio-economic sanctions, that maintain the group's cohesion. The larger the group the more organizational effort it takes to cooperate and agree upon common group goals. Therefore, Olson emphasizes the need for socio-economic incentives, especially in large groups, to stimulate rational individuals to act in favor of a common group objective. In smaller groups, where members have face-to-face contact, purely social incentives might be sufficient to keep members acting in pursuance of the group objectives.

A self-help group (SHG) is defined as a "voluntary group valuing personal interactions and mutual aid as means of altering or ameliorating problems perceived as alterable, pressing, and personal by most of its participants" (Smith:205-6). Rotating and non-rotating financial groups are SHGs where the group expects to alleviate financial problems shared by most of the participants. Informal financial groups gather voluntarily to solve actual and potential financial liquidity problems faced by their participants. In

these groups, all individual members contribute their funds on a regular basis and agree on a mechanism for fellow members to benefit from their pooled contributions, e.g., by borrowing from the group's fund. A summary description of the different group types usually recognized in the literature follows. Figure 1 portrays this classification according to the financial practices of rotating and non-rotating groups.

### **Rotating Savings and Credit Associations**

The most comprehensive definition of RoSCAs has been provided by Ardener (1964). The definition describes a RoSCA as

"An association formed upon a core of participants who agree to make regular contributions to a fund which is given in whole or in part to each contributor in rotation." (Ardener, p.201)

This definition suggests that the regularity of the contributions and the rotation of the fund are main features of a RoSCA. In general, each member of a rotating financial group contributes the same amount. However, there exist groups where the participants may contribute varying amounts per meeting. In this case, the group has to ensure that the contributions from each individual correspond with each member's financial benefit for each cycle (Ardener, Warmington). The literature distinguishes two basic types of rotating financial self-help groups, the rotating savings associations and the rotating savings and credit associations (Ardener, Miracle, Miracle and Cohen, Seibel 1986 and 1984). Operationally, rotating financial groups can be classified into four sub-types according to their specific financial features:

- (a) RoSCAs with an interest free primary fund and no emergency fund
- (b) RoSCAs with an interest free primary fund and an emergency fund
- (c) RoSCAs with interest charged on the primary fund and no emergency fund
- (d) RoSCAs with interest charged on the primary fund and an emergency fund

### **Non-Rotating Savings and Credit Associations**

A non-rotating credit and savings association might be defined as an association wherein a core of participants agree to save regularly on a contractual basis. The savings might be used for member and/or non-member loans on an interest or interest free basis. NonRoSCAs can be divided into three groups: savings associations, savings and credit associations and credit associations (Miracle, Miracle and Cohen, Seibel 1986 and 1984, Seibel and Marx).

Savings associations are based on regular contributions of fixed or variable amounts from members to the group's fund. This fund is either kept by the treasurer at home (Miracle, Miracle and Cohen), deposited in a savings account, or a combination of both. At the end of a prior specified period, each member gets his savings back.

Interest revenues, accrued from the group's savings account or from loans granted out of the "emergency" fund might be allocated to the members. The interest revenues are either equally distributed among the group participants or according to their accumulated savings according commercial bank practices. Savings and credit associations work like savings associations and, in addition, the group's savings fund is also used to allocate loans to members and eventually to non-members. An "emergency" fund might complement the savings fund. All debtors of the "emergency" fund have to pay interest on their loans. Debtors of the main savings fund might or might not have to pay interest. Money that is not lent out, is kept by the treasurer at home and/or deposited in a savings account. Interest revenues are distributed according to the same principles of non-rotating savings association.

In contrast to the savings association, in which a time period of operation is specified, the core of the credit association (money-lending group) participants agrees to subscribe variable amounts for an unspecified time period. Normally, the group participants subscribe once at the foundation of the group or at their entry, however, individual members might subscribe additional funds to their group share. A money lending group uses its fund exclusively for non-member loans. Interest is charged in advance and no loan term exceeds one month. Group debtors must operate a checking account on which they draw a pre-dated personal check according to the loan amount. The interest is reinvested in non-member loans until the end of the business year. At the end of the business year, the group members receive their dividend according to their subscription out of the interest revenues. One member of the group is elected to operate all loan affairs and to keep records, perceiving a remuneration equal to one percent of the groups total profit (Nda).

## METHODS AND DATA

The primary data for this study were obtained from a survey conducted in three Provinces of Cameroon (North-West, West, and Central) in the Autumn of 1988. Four separate questionnaires for four different populations were designed. These questionnaires were administered to (1) members of financial self-help groups and their leaders, (2) traditional village leaders and local authorities, (3) non-members of any financial SHG, and (4) other local formal and informal financial organizations and intermediaries.

The questionnaires provided information on the internal decision making process, control of group conduct, funds management, selection of beneficiaries, mechanisms of social control, the importance of women as group members, and the relative importance of SHGs in the community. Thirteen financial SHGs were randomly chosen of which 11 were actually interviewed. The interviewer was formally introduced to the group board by an official or a fellow group member in order to obtain their approval to attend the group meetings.

A total of 136 members and 14 group leaders were interviewed. Three-quarters of the total number of the randomly selected member interviews corresponded to women. Since 66 percent of all members interviewed were illiterate and spoke exclusively Pidgin English or a native dialect, the assistance of an interpreter was necessary to complete

most of the questionnaires. For the most part, extension workers or educated group members acted as interpreters. When the group had more than 15 members, only 15 interviews were carried out. In smaller groups, all members were interviewed. About 60 percent of the interviews were carried out in the anglophone North West Province. The Central and West Province, both predominantly French speaking Provinces, accounted for about 9 percent and 33 percent of the sample respectively.

The financial self-help groups in the survey had a total of 1057 participants. The predominant occupation of the respondents was farming (77 percent of the sample). The category housewives accounted only for about 10 percent<sup>1</sup>. Public and private employees represented 7, merchants 5.2, and businessmen only one percent in the sample.

### FINANCIAL SELF-HELP GROUPS IN CAMEROON

In this study, it was found that the degree of financial intermediation and monetization in informal groups increases from the most simple type of RoSCA (RoSCA with an interest free rotating fund and no other financial intermediation) to the RoSCA type where the rotating fund is auctioned and the NonRoSCA that operates an emergency fund and a mutual aid fund. This indicates that the types of financial SHGs as they were described above should not be understood as strictly separated categories but rather as a continuum of group structures and operational modes. Furthermore, the data gathered in this study strongly supports the assumption that all types of financial SHGs (with the exception of the money lending group) share several features in common:

- (a) All groups are self-selecting regarding their membership. New members have to pass a period of regular savings before they are eligible for loans from the group.
- (b) It was also found that all informal financial institutions keep records, regarding loans, interest and deposits.
- (c) Normally, the meeting proceedings follow a specific pattern. Most meetings start out with a prayer. Afterwards the secretary registers all attending members by collecting their identification cards and recording their names. Then the treasurer assists the secretary in collecting the members' contributions. Each member has to approach individually the treasurer and secretary.
- (d) The members give their contributions to the treasurer who counts the money and reports the amount loudly to the secretary. The same procedure is used for loan payments due. Members who wish to obtain a group loan must publicly state this in front of the group. If the participant is in good standing regarding his regular contributions, the loan is normally granted.

---

<sup>1</sup> Most women in the survey called themselves farmers rather than housewives since they produce food crops and thus contribute to the total income of the family.

- (e) Group participants who arrive late to a meeting, behave disturbingly, or cannot pay their contribution are charged with severe fines. Observed fines for late arrivals and contributions were as high as an ordinary contribution or even twice as much. The accumulated fines might be used for food, entertainment, pooled together with the "emergency" or mutual aid fund, or disbursed at the end of the group's cycle. These observations are consistent with previous findings by Seibel (1984) and Ardener.
- (f) In addition to the financial sanctions mentioned above, there are social sanctions that apply to the defaulters. Defaulters of financial SHGs lose their reputation in the community and might never again be accepted in any other informal financial institution (Ardener, Bouman 1977 and 1976), therefore, defaulting members are very rare. During the course of this study, eye-witnesses reported that groups might sell all belongings of a defaulting member in order to get their funds back.

This section reports first the key features of Cameroon informal groups, emphasizing the operational modes observed in the management of member savings and the use of group funds. Second, the section focuses on the relative importance of financial SHGs in terms of the degree of involvement of the rural population, and the amount of liquidity mobilized through these groups.

### **Main Features of Informal Financial Groups**

Five criteria are used here to describe and categorize informal savings and lending groups in Cameroon: first, the circumstances or preconditions characterizing the foundation and creation of the group; second, the common bonds shared by the membership; third, the characteristics of the group's organization (e.g., leadership, record keeping, and social activities); fourth, modes and procedures regarding deposits and contributions; and fifth, mechanisms and rules (explicit or implicit) associated with the uses of group funds.

#### **- Foundation and Creation**

A majority of all financial SHGs interviewed were founded by indigenous members of the community (53 percent of the sample). Most of these initiators still participate actively as members in the informal financial organization they founded. The remaining groups were brought to life by missionaries, and administrative village authorities and traditional village authorities with 33 percent and 13 percent respectively.

On average, the groups in the survey had existed for 10 years in 1988. One informal financial institution has a lifetime of 34 years, while the most recent groups were founded two years ago. One-half of the groups showed at least seven years of functioning, and a good number of them were founded before independence.

- Common Bond and Membership

Within the geographical and social boundaries of their community, each financial SHG is self-selecting regarding the constitution of their membership, i.e., all group participants must approve of a new member. Mutual trust and place of residence were most often reported as the common bond of the financial SHGs (50 percent of the groups), whereas ethnic group and gender appeared to play a less important role as a membership condition than commonly assumed (21 percent and 14 percent of the groups respectively).

Women in Cameroon are traditionally food crop producers who sell their surplus in local markets. Due to the financial crises in Cameroon and the relatively low prices for cash crops, the domain of the men, the financial standing of farm-women is presently better than that of male small holders. Thus, farm-women seem to be more active in financial SHGs than their husbands due to their more substantial and steadier flow of financial income.

The total number of members per group varied widely between 5 and 350 participants. The size of groups consisting solely of men (4 in the sample) ranged between five and 24 participants, while women-only groups (also 4 in number) totaled a minimum of 26 and a maximum of 200 members. The data indicate that financial SHGs wherein both genders participate are dominated by women. Men in mixed groups serve mostly in the position of secretary since they are more often literate than women. On the other hand, the position of treasurer is mostly held by women.

- Organization and Social Activities

Most informal financial institutions are governed by a board of members. This was the case in 86 percent of all groups interviewed. Only two groups reported a single individual leadership structure: a money lending group and a corn mill group. The average number of leadership positions is seven. The largest group board had 24 members, while the smallest had only three members. The most often reported board position in a financial SHG are in descending hierarchical order, president, general secretary, treasurer, vice president and vice secretary, accountant, and "chargé de discipline". All positions are subject to rotation by general election.

In 12 of the 14 groups the secretary was in charge of the record keeping. In informal financial institutions with only one leadership position, this person also fulfilled secretarial duties. All groups kept their records in written form. In about 79 percent of all the groups' interviewed, the secretary kept track of the number of members, their contributions, loan, and deposit transactions. It was also found that all financial SHGs had at least a register book to record their financial transactions. A cash and visitor book were used by 21 percent of the groups and a member passbook, loan, and interest book were used by another 14 percent.

Generally, the member who is or was the last beneficiary of the rotating fund in a RoSCA provides the group with palm wine and corn beer. In RoSCAs where the

rotation is determined in advance, the actual beneficiary supplies the beverages and the food. In groups where the primary fund is allocated by auctioning, the last beneficiary pays for drinks and food. Understandably, this kind of entertainment was only found in groups smaller than 100 participants.

- Deposits and Contributions

The most common meeting frequency is monthly. This was the case in 43 percent of the groups. Other common frequencies were weekly, bi-weekly or every three weeks. Members' contributions are normally paid at every meeting, however, in special cases, the members' contributions are paid at once at the foundation of the group or when a new member enters the association.

Thirty-six percent of the interviewees reported that their financial SHG pays them interest on their deposits. Not all of them could specify the interest rate since the rate is generally calculated at the end of the cycle. This is because the interest revenues from member loans and/or savings accounts can only be quantified at the end of the cycle and then distributed. The average return on savings was about 50 percent with a range from 12 percent to 60 percent per annum for the respondents who specified an interest rate on their savings. These rates are higher than those reported by DeLancey and Hill for Cameroonian groups (10 percent and 12 percent respectively).

Six informal financial groups reported sources of funds other than the members' contributions. One financial SHG had a current FONADER<sup>2</sup> loan and four groups had received a loan from FONADER the year before. Two groups had loans in 1987 as well as in 1988 from the Liywontse Association, an umbrella organization of 24 informal financial groups in the Nkar area (North-West Province). A credit union had granted a loan to one of the interviewed groups in 1987. This group had borrowed from this credit union for the first time 22 years ago. All other groups had obtained their first loan from their creditor institution within the past two years. The loan amounts in 1988 varied between 200,000 F CFA and 673,500 F CFA. The shortest and longest term ever experienced from these groups varied between two months and two years. FONADER charged an annual interest rate of 9.25 percent, the Liywontse Association 6 percent and the credit union 12 percent. All these creditor organizations required some sort of collateral. FONADER required a guarantee in the form of land or real estate and the Liywontse Association freezes the group's member shares. The credit union demands a guarantor if the loan exceeds the group's savings at the credit union.

.. Uses of Group Funds

About three-fourths of all groups interviewed use their funds primarily for member loans. About 46 percent of these groups also hold reserves either at the treasurer's home

---

<sup>2</sup> "Fondation Nationale de Développement Rurale", a public development institution currently being replaced by a public agricultural bank.

and/or the bank or the credit union. One group, the money lending group, granted exclusively non-member loans, while another informal financial group invested its funds in a corn mill and accumulated savings in a nearby credit union.

The average member loan amount was 156,532 F CFA, the smallest loan reported was 1,000 F CFA, while the largest was 4,500,000 F CFA. As Table 1 shows, the majority of the member loans reported in the survey ranged between 1,000 and 20,000 FCFA.

Table 1  
Informal Loan Categories in Francs CFA

Amount FCFA	Frequency	Pct	Cum. Pct
1,000- 9,999	40	36.04	36.04
10,000- 19,999	30	27.03	63.07
20,000- 49,000	18	16.21	79.28
50,000- 99,999	6	5.40	84.68
100,000-1,000,000	12	10.81	95.49
>=1,000,000	5	4.51	100.00
	111		

Missing Values:25

Loan terms in the sample had a mean of 9.5 months. The shortest loan term was one month, while the longest term was four years and eight months. However, 83 percent of all loan terms found in the survey varied between one month and one year.

The interest rates charged by informal financial groups vary widely. The one extreme was an interest rate of 6 percent per year (non-rotating savings and credit association), the other extreme was a 360 percent interest rate per annum (money-lending group). Three groups did not charge any interest on loans. If one excludes the extreme interest rates indicated above, the average rate charged on loans by informal groups is 33 percent per year.

The interviews showed that informal financial groups generally do not require guarantees from their members for granting loans. This was found to be the case in 83 percent of all groups, and confirms previous findings by Bouman. Two groups considered the members' savings as a sufficient security for their loans and one interest-charging RoSCA required a check as guarantee for the contributions not yet subscribed. The money-lending group however required several loan guarantees. The debtor had to sign a loan contract and a check for the amount of the loan.

All member loans are made in front of witnesses. Generally, the whole group acts as a witness, otherwise loans are witnessed by the group board. About eighty-three percent of all groups give loans only to members who have proven their savings capability. Also important (in 58 percent of the cases) was the regular participation of the members in the group's meetings and other activities.

The allocation of a beneficiary in a RoSCA can be determined through several mechanisms. The order might be arranged in advance, by general agreement, by the group board, by drawing lots, or by auctioning (Adams 1987, Ardener, Haggblade). In the sample, three-fourths of all interviewed RoSCAs allocated their rotating fund through general agreement prior to the beginning of the cycle. However, this order was open to changes by the group board in agreement with the members if a group participant could document an urgent need for the fund. If funds in non-rotating savings and lending associations are limited, the member with the most urgent need generally has priority. The need for money by members in RoSCAs is also a strong determinant for the allocation of the group's fund. Seventy-three percent of all rotating and non-rotating groups with loans named a member's need as the determinant for loan allocation. This flexibility in the allocation of funds explains the finding that only two of the 14 groups interviewed operated a mutual aid fund. Emergency funds however, were observed in almost one-half of the groups in the sample.

### **Relative Importance of Financial SHGs**

#### Membership Involvement in Informal Financial Groups

Local experts claim that almost everybody in Cameroon belongs to at least one financial SHG. A person who does not participate in any informal lending and savings association might lack money or might have a bad or not yet established reputation in the community (Lantum 1988). Respondents in this study who did not participate in any informal financial group, explained their behavior claiming lack of money or mistrust towards the group, health problems that would keep them from regularly attending the group's meetings, or frequent changes of residence. None of the respondents admitted to be expelled from group participation caused by financial or social conflicts with the group, however, some claimed to have voluntarily resigned because of fraud in the group they had participated in.

In this survey, almost 80 percent of all adult-family members participate in at least one financial SHG, a proportion somewhat higher than that reported by Warmington and DeLancey. About 52 percent of all interviewees belonged to multiple informal financial lending and savings associations. In one-third of the cases at least one other family member also participated either in the same group as the interviewee or in some other financial SHG. Only about 21 percent of the respondents did not belong to a second financial SHG. Table 2 indicates that multiple membership in informal lending and savings associations is very common. About 42 percent of all interviewees belonged to exactly two financial SHGs, 10 percent participated in more than two financial SHGs. Panel B in Table 2 shows that 52 percent of all respondents belonged to at least two financial SHGs.

Table 2  
Multiple Participation in Financial SHGs by Respondent

N° of Groups	A		Participation in at least ... groups	B	
	Frequency	Percent %		Frequency	Cumulative Pct
1	66	48.5	1	136	100.0
2	57	41.9	2	70	51.5
3	8	5.9	3	13	9.6
4	1	.8	4	5	3.7
5	4	2.9	5	4	2.9

Seventy-one percent of all groups interviewed provided their participants with loan services. The exceptions were two pure savings groups, the corn-mill group, and the money lending group. Loans from sources outside the groups in this data set were mainly borrowed from other financial SHGs. The access to loans from sources outside the group is illustrated in Table 3

Table 3  
Access to Loans from Sources Outside the Group

Loans from		Other financial SHG				Total	
		Yes		No		N°	Pct
		Absolute	Percent	Absolute	Percent		
Formal financial institution	Yes	5	3.7	5	3.7	10	7.4
	No	18	13.2	108	79.4	126	92.6
Total		23	16.9	113	83.1	136	00.0

Only 7.4 percent of the sample had loans from formal financial institutions. However, loans from other SHGs were found in 17 percent of the cases. Although informal financial self-help groups provide more loans in absolute numbers, their average amount is smaller compared to formal loans, as Table 4 substantiates.

Table 4  
Access to Loans from Sources Outside the Group  
Average Amounts in 1000 francs CFA

Loans from		Other financial SHG	
		Yes	No
Formal financial institution	Yes	4272.0	3355.6
	No	34.8	0.0

### Relative Importance of Informal Borrowing Projected to the National Level

The mean value of the total amount (21,385,449.95 francs CFA) of informal loans in the sample is 157,245.96 F CFA. This calculation includes interviewees who had not yet received a member loan in 1988 but also loans from informal sources outside the groups in the data set. Therefore, this average amount is somewhat larger than the average loan granted exclusively by the groups in the data set mentioned above.

As stated earlier, 79 percent of all adult household members do participate at least in one financial SHG, however, we assume that about 70 percent of Cameroon's population participates in informal lending and savings associations. Although the findings regarding the participation in financial SHGs in this study indicate a higher participation, a lower figure is preferred in order to avoid over-estimating the relative importance of informal groups in the overall economy. This more modest assumption takes into account Cameroon's population in the Northern Provinces where informal financial institutions seem not to be as popular as in the rest of the country. Also, 70 percent represents a middle value between Warmington's and DeLancey's estimation of 75 percent and 64 percent respectively. Cameroon's population totalled about 11 million citizens in Autumn 1988, of which the active population is estimated at about 3.5 million. This number has been calculated under the assumption that Cameroon's active population represents 30 percent of the total population (Agricultural Census 1984). With these assumptions, it is now possible to project the average member loan from the sample data onto Cameroon's total active population.

$$\begin{array}{rclcl} \text{Average member} & * & \text{Participation} & * & \text{Active} \\ \text{loan} & & \text{rate} & & \text{population} \\ 157,245.95 & * & 0.7 & * & 3,327,480 = 366,262,927,600 \text{ FCFA} \end{array}$$

This amount is equivalent to 36 percent of all claims on the private sector by Cameroon's commercial banks and its development bank in March 1988. This implies that these indigenous financial groups provide 27 percent of all loan requirements in Cameroon. Bechtel had estimated that more than 50 percent of all short and medium term loans are granted by informal savings and lending groups, which is not inconsistent with our findings, given the different loan amounts involved in institutional and non-institutional lending.

### Relative Importance of Informal Savings Projected to the National Level

In addition to the voluntary savings in external formal financial organizations, interviewees held large deposits in financial SHGs other than the groups in the data set. Table 5 illustrates the external savings pattern of the respondents in the survey.

**Table 5**  
**Savings in Other Informal Financial Institutions**

Deposits in		Other financial SHGs				Total	
		Yes		No		Absolute	Pct
Formal financial institution	Yes	Absolute	Pct	Absolute	Pct		
		No	51	37.5	64	47.1	
<b>Total</b>		<b>59</b>	<b>43.3</b>	<b>77</b>	<b>56.7</b>	<b>136</b>	<b>100.0</b>

Table 5 shows clearly that informal savings institutions are far more important in absolute numbers than are formal savings organizations. Fifty-nine of the respondents held savings in other informal financial institutions, while only a total of 21 had bank or credit union accounts. Table 6 presents the average monetary values of deposits outside the groups in the sample.

**Table 6**  
**Savings in Financial Institutions Outside the Group**  
**in 1000 Francs CFA per Respondent**

Deposits per Household in		Other SHGs	
		Yes	No
Formal financial institution	Yes	546.4	1,873.4
	No	121.5	0.0

The total accumulated amount of informal financial deposits by the respondents in the data set was 33.8 million F CFA in 1988. This estimate includes savings in the interviewed groups as well as deposits in other informal financial groups. About 15 percent of the sample also held deposits in formal financial organizations. The total amount of formal deposits reported by 21 of the respondents (15.4 percent) was 27 million F CFA which is equivalent to 80.4 percent of the above informal savings. However, one interviewee, a businessmen, held 15 million F CFA of these formal savings. If one drops this extreme outlier, the savings in formal institutions are equal to 36 percent of the informal financial savings. This might be a more accurate estimation regarding rural households and their voluntary savings in formal institutions.

The mean over the total amount of voluntary informal savings for all respondents is 248,679 F CFA. Using the same assumptions about participation in informal groups and active population, the total national savings kept by informal financial groups is estimated at about 580 billion FCFA, an amount equivalent to 1.2 times the magnitude of all demand, time, and savings deposits in Cameroon's commercial banks and its development bank in March 1988. This analysis thus indicates that informal voluntary savings account for about 54 percent of total savings in Cameroon.

## CONCLUDING REMARKS

This paper has described and analyzed the main features and operational modes of informal financial groups in Cameroon, and their relative importance in the country's monetized economy. Two major remarks arise from this preliminary analysis. First, informal SHGs appear to be able to adjust their structure and operating principles to a wide variety of circumstances. In other words, these groups are capable to respond to widely different demands for financial services, a major advantage with respect to formal financial institutions.

The second major remark relates to the striking relative importance of informal groups in Cameroon's overall monetary circulation. The estimates reported in this paper suggest that informal groups account for more than one-fourth of total domestic private sector credit, and for more than one-half of total financial savings. These findings, for the most part consistent with previous studies on Cameroon, highlight the significance of informal finance in the country and emphasize the need to consider the likely effect on these groups of financial policy measures. The current initiative of establishing a public agricultural bank in Cameroon should be evaluated in terms of the effects this institution might have on the motivations and incentives associated with the formation and functioning of informal financial groups.

## REFERENCES

- Adams, W. Dale and Marie L. Canavesi de Hahonero. "Rotating Savings and Credit Associations in Bolivia." Occasional Paper No. 1417. Columbus, Ohio State University, May 12, 1988.
- "Agricultural Census." Ministry of Agriculture. Republic of Cameroon. Vol.1, Oct. 1984.
- Ardener, Shirley. "The Comparative Study of Rotating Credit Associations." in The Journal of the Royal Anthropological Institute of Great Britain and Ireland. vol.94, part2, July to Dec. 1964.
- Bechtel, Heinrich Ph.K. "Institutional and Operational Problems and Constraints in External Finance of Informal Savings- and Credit Rings." gtz. Eschborn, FRG, Feb. 1988.
- Bouman, F.J.A. "Indigenous Savings and Credit Societies in the Third World-Any Message?" Paper presented at the Conference on Rural Finance Research. San Diego, California, 1977.
- Bouman, F.J.A. and K. Harteveld. "The Djanggi, A Traditional Form of Saving and Credit in West Cameroon." in Sociologia Ruralis. XVI, No.1-2, 1976.
- DeLancey, Mark W. "Credit for the Common Man in Cameroon." Journal of Modern African Studies. Vol.15, No.2, 1977.
- DeLancey, Mark W. and Virginia H. DeLancey. A Bibliography of Cameroon. 4 vols. New York, Africana Publishing Company, 1975.
- Dhonte, P., Harnack, J., Dessart, M., Novak, M. and B. Sarr. "Statistical Annex." IMF, Cameroon, Sep. 6, 1988.
- Dhonte, P., Harnack, J., Dessart, M., Novak, M. and B. Sarr. "Staff Report for the 1988 Article IV Consultation and Request for Stand-By Arrangement." IMF, Cameroon, Aug. 26, 1988a.
- FAO. AFRACA. AFC. Report Of The Workshop On The Role Of Informal Groups In The Rural Financial System. Harare, Zimbabwe, Oct. 12-16, 1987.
- FAO. "Conclusions and Recommendations. The Third International Symposium on the Mobilization of Personal Savings in Developing Countries. Yaoundé, Cameroon, Dec. 10-14, 1984.
- Gadway, John F. Recommendations to improve Rural Financial Markets in Cameroon. FONADER Mission Report GTZ. Cameroon, May 30, 1986.

- Geertz, Clifford. "The Rotating Credit Association: A Middle Rung in Development." in Economic Development and Cultural Change. vol.10, no.3, 1962.
- GTZ. "Zielgruppen Des CAC." Yaoundé, Cameroon, Sept. 28, 1988.
- GTZ. "Diskussionspapier: Credit Agricole du Cameroun." Cameroon, May, 1988a.
- Heidhues, Franz and Günther Weinschenk. Rural Finance Sector Study. GTZ. Frankfurt, FRG, July 10, 1986.
- IMF. International Financial Statistics. Washington. vol.XLII, no.2, Febr. 1989.
- Kropp, Erhard. "Banking of the Poor: A Dialogue and Cooperation Process Involving banks and Non-Governmental Organizations." GTZ, 1988.
- Kropp, Erhard. "From Agricultural Credit Towards rural Finance - Conceptional Changes in German Technical Cooperations." Paper. Eschborn, FRG, Aug. 1983.
- Lantum, Alexander. "The Liywontse Association of Nkar-A Joint GTZ/FONADER Pilot Project." Bamenda, Cameroon, March 31, 1988a.
- Miracle, P. Marvin, Diane S. Miracle and Laurie Cohen. "Informal Savings Mobilization in Africa." in Economic Development and Cultural Change. vol.28, no.4, pp.701-24, July 1980.
- Nda, N. Jacob. "Munang Co-Operative Fund Loan Conditions." Bamenda, Cameroon, Oct. 14, 1988.
- Nzemen, Moïse. Theory De La Pratique Des Tontines Au Cameroun. Societé de Presse et d'Editions du Cameroun. Yaoundé, Cameroon, Aug. 1988.
- Olson, Mancur. The Logic Of Collective Action: Public Goods and the Theory of Groups. Harvard University Press. Cambridge, Mass., 1971.
- Rauch, Hubert and Arno Grozinger. "Credit Agricole Du Cameroun: C.A.C.: Vorschläge zur Konzeption der neuen Bank und zur Übergabe der wichtigsten Aktivitäten des FONADER." Yaoundé, Cameroon, Nov., 1988.
- Rauch, Hubert. "'Credit Agricole du Cameroun': Orientierungspapier zur Projektentwicklung nach dem 30. Juni 1988." Yaoundé, Cameroon, May 30, 1988a.
- Seibel, Hans Dieter. "Rural Finance in Africa: The Role of Informal And Formal Financial Institutions." in Development and Cooperation. ISSN (0723-6980), vol.6, 1986.

- Seibel, Hans Dieter. "Savings For Development: A Linkage Model For Informal And Formal Financial Markets." Paper presented at Yaoundé, Third U.N. Symposium on the Mobilization of Personal Savings in Developing Countries, Dec. 10-15, 1984.
- Seibel, Hans Dieter and Michael T. Marx. Dual Financial Markets in Africa. Verlag Breitenbach Publishers Saarbrücken, Fort Lauderdale, 1987.
- Smith, David Horton and Karl Pillheimer. "Self-Help Groups As Social Movement Organizations: Social Structure And Social Change." in Research In Social Movements, Conflicts And Change. vol.5, p.203-233, 1983.
- Tammi, G. and A. Slangen. "Strategies for Linking Informal Savings Groups to Financial Institutions In Africa." Paper to be presented at AFRACA, EACACT Seminar On Resource Mobilization for Rural Development. Dec. 1983.
- USAID. "Cameroon: Agricultural Sector Review." Yaoundé, Cameroon, Oct. 1988.
- Warmington, A. W. "Savings and Indebtness among Cameroon Plantation Workers". in Africana. London. XXVIII, pp. 329-43, Oct. 4, 1958.

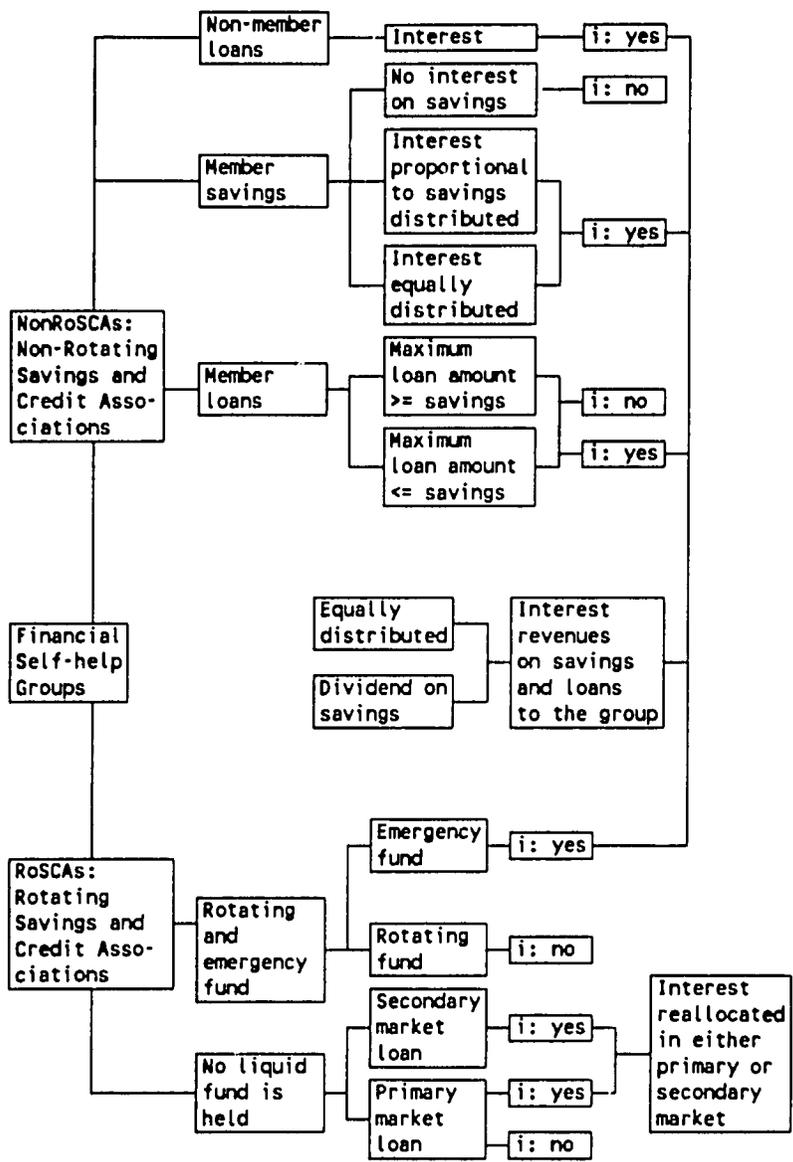


Figure 1. Financial Features of Rotating and Non-Rotating Savings and Credit Associations