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DEPARMENT OF BUSINESS AND MANAGEMENT STUDIES

IMPACT OF MICROFINANCE ACTIVITIES ON HOUSEHOLD LIVELIHOOD IMPROVEMENT: CASE STUDY OF SMALL SCALE FARMERS IN BAMENDA II POLICE CREDIT UNION (BAPCCUL) CAMEROON

A Research Project Submitted to the Department of Business and Management studies of the Pan African Institute for Development – West Africa (PAID-WA), in Partial Fulfillment of the Requirement for the Award of a Bachelor's Degree (BSc) degree in Sustainable Development with specialization in Accounting and Finance

By

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BUEA, FEBRUARY 2018

DECLARATION

I, Oswel Nformi Njamnsi declare that this research project is my original work and has not been presented for a degree in other Universities and that, all the sources of materials used for the research project have been duly acknowledged.

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Oswel Nformi Njamnsi Date: February 2018

Matricule no. PAIDWA00256/BSc/14

CERTIFICATION

The research project entitled: **"Impact of microfinance activities on household livelihood: Case Study of Selected Small Scale Farmers of Bamenda Police Credit Union"** is submitted to the Department of Business and Management Studies of the Pan African Institute for Development – West Africa (PAID-WA) Buea, by Oswel Nformi Njamnsi Registration No. PAIDWA00256 for the award of a Bachelor's of Science (BSc) degree in Business studies with specialization in Accounting and Finance.

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DEDICATION

To my Mother Mme Gladys Njamnsi and My ant Mrs. Njingti Grace and Lovely Brother Mr. Nelson Nfor N. I thank you all for your patience, support and understanding throughout this Academic program.

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ABSTRACT

Microfinance has become very vital in local, national and global poverty alleviation debates. The popular assumption is that enabling poor households (especially farmers) access to credit and other financial services helps households begin micro entrepreneurship which would enable them improve their livelihood It is against this backdrop that this study sought to assess the impact of microfinance activities on household improvement: the case of selected small scale farmers who are members of Bamenda Police Credit Union, based in Bamenda II municipality (BAPCCU). Specifically, the study first examined the impact of microcredits, secondly, evaluated the impact of capacity building (training activities) and finally, examined the impact of group lending by BAPCCUL on livelihood improvement of small scale farmers in Bamenda II Municipality. The study adopted the sample of 97 small scale farmers selected using both the purposive and simple random methods. In order to meet up with the above objectives, primary data was gathered with the use of questionnaire administered to 97small scale farmers who had benefited from BAPCCUL activities. The responses from the questionnaire were analyzed using percentage frequency tables while a regression analysis was employed to validate the hypothesis. The findings revealed that microloans, capacity building and group lending have a significant impact on livelihood improvement in terms of living standards with an R2 value of 67% and secondly in terms of Education with an R2 value of 46% and lastly in terms of healthcare with and R2 value of 63% of small scale farmers in Bamenda II municipality. The study recommended among others, that microfinance institutions should encourage more of group lending to farmers. Also, more training programs should be organized to educate farmers on lending procedures, financial management and investment analysis. This will enable the farmers invest in income generating activities. It will also enable the farmers know how to properly manage their finances. This will be important to the microfinance institutions in that it will increase income security of the farmers thereby reducing the rate of loan default.

Key words: Microfinance Institutions, Microcredit, Capacity Building, Group Lending, Household Livelihood.

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LIST OF ABBREVIATIONS

BAPCCUL:	Bamenda Police Co-operative credit union Limited
BRAC:	Bangladesh Agricultural Research Council
CAMCCUL:	Cameroon cooperative credit union league
CEMAC:	Central African Economic and Monetary community
CGAP:	Consultative Group to assist the poor
COBAC:	Commission Bancaire de l'Afrique Centrale
DFID:	The Department for International Development
FOCCAS:	Foundation for Credit and Community Assistance
FOCCAS:	Foundation for credit and community Assistance
GIC:	Groupes d'Initiatives Communes
GIE:	Groupes d'Initiatives Economiques
IFAD:	International fund for Agricultural Development
MFIs:	Microfinance Institutions
NGOs:	Non-Governmental Organizations
PAIDWA:	Pan African Institute for Development - West Africa
WASH:	Water, Sanitation and Hygiene

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The global poverty crisis and resulting human suffering, environmental degradation, civil unrest and many other societal ills, are hastening the search for saleable anti-poverty approaches. These deplorable conditions are the source of the growing interest in microcredit and, more broadly, microfinance. The term “Microfinance” pertains to the lending of extremely small amount of capital to poor entrepreneurs in order to create a mechanism to alleviate poverty by providing the poor and destitute with resources that are available to the wealthy, albeit at a smaller scale (Anand, 2013).

The concept of microfinance is not new. It is an approach that have been used by governments, regional agencies and other international plays in the development arena to improve on the livelihood of the poor. Even though this approach (lending to the poor) has existed in the world for quite some time, it was formalized by Mohammed Yunus in Bangladesh during the 1970’s, in his efforts to combat poverty and provide resources to the poor via the Grameen Bank and the microfinance model. The commercialization of microfinance is a means to an end, and that end is the reduction and ultimate lamination of extreme poverty from the face of the earth. (Yunus 1999)

Microfinance refers to a variety of financial services that target low-income clients, particularly women (Sivachithapp, 2013). Since the clients of microfinance institutions (MFIs) have lower income and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, training and remittances. Microloans are given for a variety of purposes, frequently for microenterprise development. The diversity of products and services offered by microfinance reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty (Howson, 2013).

Despite all the efforts and strides to create a poverty free ecosystem the world over, the rate of poverty is still relatively very high in the developing world (Chenaa and Kimengsi, 2017). Sub-

Saharan Africa for instance still records many slumps and high rural poverty. It is reflected in many forms and causes multiple harms. Lack of basic necessities such as food, water, and shelter, high rate of unemployment, prevalence of diseases, homelessness, and marginalisation are some of the common features observed among the poor which also reinforce to each other (Ogwumike and Akinnibosun, 2013). The results among those affected is manifested in the form of physical, mental, and emotional disability, limited skills and education, low self-esteem and lack of self-confidence, and exhibit general powerlessness. The prevalence of poverty also limits people's opportunities, undermines their assets, and capabilities, as well as increases their exposure to risk (IFAD, 2011).

At a point where the Human Development Index of Sub-Saharan Africa is 10% as compared to the other continents, it is imperative regional authorities and governments to adopt an approach that trickles development to poor households. Most of these households, especial in rural Africa feel alienated from the developmental process. According to Human Development Report (2016), most households especially in rural areas in Sub-Saharan Africa, are characterized by10% rate of household incomes, high mortality rates and rising infant malnutrition, high rate of unemployment, little or no food and income insecurity. Consequently, it is important to adopt a model that addresses the needs of the poor. This situation have been frequently blamed to limited access to financial facilities by the poor (IFAD, 2011; Fareed, Z. *et. al*., 2014; Luqman, *et. al.,* 2016; Habte, 2016).

The formal financial sector has historically excluded the poor, because there was no business case to justify many low transactions involving high transaction costs (Dean, 2011). Moreover, formal financial institutions in the developing countries are characterized by market imperfections that resulted in credit market failure. Financial market failure particularly limits the availability of financial resources to the poor due to information asymmetry, high fixed costs in the form of collateral and bureaucratic procedures of formal financial institutions, among others (Habte, 2016). The poor substantially benefit from accessing to small-scale financial resources such as credit and savings. Where available, these and other financial services help low-income people improve their livelihood, create and expand microenterprises, increase productivity, smooth income and consumption flows, enlarge and diversify their income sources, and thus improve their welfare.

Microfinance increases the options and the self-confidence of poor households and improve livelihood options for the vulnerable. A livelihood is a means of making a living. It encompasses people's capabilities, assets, income and activities required to secure the necessities of life. A livelihood is sustainable when it enables people to cope with and recover from shocks and stresses (such as natural disasters and economic or social upheavals) and enhance their well-being and that of future generations without undermining the natural environment or resource base (Anand, 2013). Microfinance and livelihood have a great link in that the Microfinance institutions provide financial services like savings, money transfers, payments, and insurance, among others to improve on household livelihood (Tang, Guan & Jin 2010; Tassew & Dirribsa, 2015). 70% borrowers like the case of small farmers invest their loans in small businesses such as growing fruits and vegetables, starting small retail shops, poultry farming and agriculture as a whole, and 80% of borrowers start from small amounts of loans and have the opportunity of upgrading their loans, if it turns out that they have done successfully in previous loans (Amoah, 2008).

"Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households" (CGAP 2005). Notably unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors. The main underlying assumption in this argument is that microfinance is already good for the clients, and therefore what is really needed is to make the financial service available to as many poor people as possible. (Morduch, 2000) states that this kind of enthusiasm for microfinance rests on an enticing win-win proposition that: Microfinance institutions that follow the principles of good banking will also be the ones that alleviate the most poverty. The assumption that with good banking practices it is possible to cover costs and operate in a sustainable manner to continue serving clients and alleviating poverty (Morduch, 2000).

The case of Cameroon is of essence where there is still prevailing high socio-economic challenges. Cameroon currently ranks 153th of 183 on the 2016 Human Development Index (HDI) compared to 150th on the 2011 Human Development Index, and it is estimated that 48 percent of the population lives below the poverty line (HDIR, 2016).Poverty in Cameroon is largely a rural phenomenon; 55 percent of the country's poor live in rural areas. About half of the people living in poor households are women and children under the age of 15. Most of the youthful population is unemployed. Access to health and other basic facilities such as education, roads, electricity, pine bone water, food, shelter and clothing is a challenge. Infant and adult mortality rate on the raise. Food insecurity becoming more visible at a time when the resources to meet this needs are strictly unlimited. This situation has been further exacerbated by low financial inclusion. Most of the population especially those in rural areas do not have access to traditional financial institutions. The Financial Inclusion Data for Cameroon from World Bank, (2014) have it rightly that, just 12.2% of adults, 10.2% of women, 5.3% of youth adults (% ages 15 to 25) and 11% of adults living in rural areas have bank accounts and enjoy of some sort of financial services from mainstream financial institutions. This have left most of the deprived depended mostly on informal financial sources. A situation that remains particularly troubling to national and regional policymakers.

For Cameroon to attain the objectives of the Sustainable Development Goals, it must improve access to finance to those who have be alienated from the financial system. Improving access to finance have serious implications for development in Cameroon in particular and the continent at large. The government in the quest to look for lasting solutions in alleviating poverty through enhanced livelihood especially for the poor has adopted deferent strategies and policies over the years. With plethora of programmes - Starting with the five year development plans, to the Structural Adjustment Programmes, poverty reduction strategy programmes then Growth and Employment Strategy Paper and now the Vision 2035, the government can be perceive to have made efforts and recorded stride to improve development. However, many households, especially in rural areas faced difficulties meeting their needs (Fotabong, 2012; Chenaa & Kimengsi, 2017).

The households especially in the rural areas are involved in farm and non-farm activities. The non-farm activities are mostly hocking, petit-trade (food stuffs, vegetables, firewood, and clothing), provision stores, break laying, plumbing etc. Most of the activities are carried out using rudimentary methods. The farm sizes are relatively small for those who own land. Most of the agriculture is carried out at a subsistent level which can barely sustain most households. Most of the farmers cannot afford inputs (seeds, fertilizers, pesticides) and this has affected their yields. Most of the harvest is characterized by low productivity. Consequently, leading to food and income insecurity, high rural exodus, unemployment challenges among others. Most of these challenges has been blamed on little or no access to credit. The cost of accessing capital from main stream financial institutions is very high and requires collateral securities which most of the poor cannot afford.

Failure of commercial banks to meet the needs of the poor, the microcredit model was adopted to fill the vacuum created by the commercial financial institutions. In its traditional microfinance form, the route of formal microfinance activities can be traced back in 1963 following the creation of the first cooperative savings and loans institution (Credit Union), at Njinikom in the North West region of Cameroon by a Roman Catholic clergy from Holland called Father Anthony Jansen (Yuh, 2013). Development of microfinance institutions and their activities remain blurred until the early 1990s when President Paul Biya in order to incorporate the elites and various interest groups into his New Deal Policy passed the remarkable law No. 90/053 of 19 December 1990 relating to freedom of associations, and Law No.92/006 of 14th August 1992 relating to cooperatives, companies and common initiative groups. For over three decades now, microfinance has proved its value in many countries as a weapon against poverty and hunger. (Morduch, 2002) posits that, 'Since the concept was born in Bangladesh almost three decades ago, microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change people's lives for the better, especially the lives of those who need it most'' UN secretary General Kofi A. Annan (Latifee, 2006)".

Since the upsurge of microfinance, it has caught the attention of many governments, NGOs, aid donors as an effective tool for poverty alleviation (Georgia summit June, 2004). However, in Cameroon, there has always existed a controversial view point on whether microfinance is actually a poverty alleviation tool or a business scenario. Today, within the network of microfinance institutions, cooperatives, and some common initiative groups carrying out savings and credits, it is estimated there are about 1.5million accounts (Yuh, 2013). This number is significant when compared to the almost same level of accounts registered in the commercial banking sector (MINFI, 2008). However, access to financial services in Cameroon is deemed very low compared to other parts of Africa particularly when compared to the rest of developing countries. The situation is made worst as most MFIs limit their branch network in urban areas living out the rural areas which harbors about 87% of the poor population (IMF Country Report No.12/237). Many have agreed that microfinance has helped to reduce the number of poor people in Cameroon especially those who did not have access to the commercial banks services have at least been able to get access to the MFIs. Improving capabilities and accessibilities of credit to the poor has implications for livelihood improvement in Cameroon. It is against this backdrop that this study sought to assess the contributions of microfinance activities to the improvement of household livelihood using small scale farmers of Bamenda Police Credit Union in Bamenda II municipalities.

1.2 Problem Statement

In the 2012 IMF Country Report No.12/237, Cameroon had an estimated population of 19.8 million inhabitants with close to 40% living below the poverty line. About 87% of these poor populations are living in rural areas. The UNDP 2013 Human Development Report ranked Cameroon 150th of 186 countries with about a third of the population living below the poverty threshold of US$1.25 a day in 2009 (UNDP, 2013). Earlier reports by the International Fund for Agricultural Development had shown that although the poverty level of Cameroon had improved from 51% in 1996 to 40% in 2001, poverty still remains a major issue in Cameroon with grave consequences on its populace (IFAD, 2001). This improvement of the poverty situation mainly benefitted people who live in urban areas, of whom 22.1% are poor, compared to 49.9% of poor people in rural areas. Thus, poverty in Cameroon stands out as a fundamental rural phenomenon.

This is equally true for Bamenda II for there is still high rural poverty. About 70% of the rural population of Bamenda II is involved in agriculture as a main source of livelihood. The agriculture practices carried out by these set of people is subsistence with the use of rudimentary tools. In 2016, agricultural productivity has been relatively low (Chenaa & Kimengsi, 2017; Forgha, Mobit & Phungeh, 2014; Tambi, Atemnkeng & Bime; 2017). This has be blame to lack of farm credits to adopt new technologies, expand farm sizes, purchase farm inputs, and obtain labor and a host of other challenges. Climate change has worsen the situation for the farmers. Most of them do not have adequate resources to adopt strategies that can mitigate the effects posed by global warming (Balgah & Bitondo, 2016; Tingem, 2008). To be able to address these challenges, the farmers need credits. Unfortunately, accessibility has been hamper by several factors. These farmers are considered by financial institutions to be high risk clients because of the nature of their activities. The farmers do not possess the require guaranties to permit them access credit. Also, the cost of accessing credit facilities is perceived to be very high. This has translated to poor productivity which has affected the income generating ability of most of the farmers in Bamenda II municipality. Income insecurity has worsen the livelihood of farm houses. They cannot afford basic healthcare, education, food insecurity and poor dietary composition.

Paradoxically, Bamenda II is host to many financial institutions with BAPCCUL being one of them. The microfinance institutions are charged with the responsibility of livelihood improvement by making available financial services (microloans, savings, and group lending, training and insurance) to the rural poor. The question is do their activities have a significant impact on household livelihood? Their services have been received with mixed perception and there is little or no documentation their contribution to livelihood improvement in Bamenda II municipality. It is against this backdrop that this study sought to fill the gap by assessing the impact of microfinance activities on the improvement of farmers' livelihood in Bamenda II municipality.

1.3 Objectives of the Study

1.3.1. Main Objective

The main objective of this study was to examine the impact of microfinance activities on livelihood improvement using the case of small scale farmers of Bamenda Police Credit Union, Bamenda II municipality.

1.3.2. Specific Objectives

1. To examine the effect of microcredits on livelihood improvement of small scale farmers in Bamenda II Municipality.
2. To evaluate the effects of capacity building on livelihood of small scale farmers in Bamenda II municipality.
3. To examine the effects of group lending on livelihood improvement of small scale farmers in Bamenda II municipality.

1.4 Research Questions

1. What are the effects of microcredit on livelihood improvement of small scale farmers in Bamenda II Municipality?
2. What are the effects of capacity building programs carried out by BAPCCUL on livelihood improvement of small scale farmers in Bamenda II Municipality?
3. What are the effects of group lending on livelihood improvement of small scale farmers in the Bamenda II municipality?

1.5 Research Hypotheses

The hypotheses used in this research are the null hypothesis (H_0) and affirmative hypothesis (H_1)

Ho: Microfinance activities have no significant impact on livelihood improvement of Small scale farmers in Bamenda II municipality.

H_1: Microcredits have a bearing on livelihood improvement of small scale farmers in Bamanda II municipality

$H_{2:}$ There is a significant impact of Capacity Building on livelihood improvement of small scale farmers in Bamenda II municipality.

H_3 Group lending have no bearing on livelihood improvement of small scale farmers in Bamanda II municipality

1.6 Significance of the Study

Microfinance programs are one of the valuable important interventions in developing country efforts to improve the household livelihood. This study investigates the impacts of microfinance activities on households' livelihood improvement of small scale farmers in the Bamenda II municipality. The study findings of this study will be of great importance to a gathering of stakeholders ranging from the academic line, to all microfinance institutions in Cameroon but more importantly the management BAPCCUL that might be faced with challenges relating to microfinance operation especially expanding outreach to the poor and will help get clients perception of their services.

To the Academia and Research community: This work will contribute to literature to fill the existing gaps on the on the clients perception on whether or not microfinance activities (microloans, capacity building and group lending) on livelihood improvement. It brings out the difficulties faced by microfinance institutions in extending financial outreaching to deprived communities. It also triggers and fosters more research into the area through the publication of findings and other analyzed literature.

To Microfinance Institutions: This study have great significance to microfinance institutions in that it will act as a client appraisal document of the perception of the services render by microfinance institution. It will inform the microfinance institutions on their strength, weaknesses, opportunities and threats and will pose as a solution document to some of the challenges they face in making services available to the poor.

To Microfinance Clients: The study will educate the clients especially small scale farmers on the various financial services provided by microfinance institution and the various modes and procedures for access. It will equally inform the farmers on the importance of microfinance activities (microloans, group lending and training) by establishing a relationship between the activities or services and livelihood improvement.

Policy Significance: An established investigated possible challenges or limitations of microfinance institution in Cameroon will offer valuable information that would guide future policy pathway for the building and empowerment of the microfinance institutions to improve financing capacity, extend outreach to deprived communities to improve livelihood and enhance economic development in the country.

1.7 Scope of the Study

The study sought out to assess the impact of microfinance activities on household livelihood improvement of small scale farmers of BAPCCUL in Bamenda II Municipality. The research was limited to Bamenda II municipality, Mezam Division North West Region of Cameroon. The study population comprised of all the registered small scales farmers who were members of BAPCCUL. The study covered microfinance activities (microcredits, capacity building and group lending) and Small scale farmers’ perception on livelihood improvements which will be measured by standard of living (family income, regular consumption, balance nutrition, overall household wellbeing); education security (affordability of school fees, books, uniform and other school activities) and health security (easy access to healthcare facilities, easy access to medications, regular hospital checkup).The duration of the study was six months.

1.8 Description of the Study Area

Bamenda, also known as **Abakwa** and **Mankon Town**, is a city in northwestern Cameroon and capital of the Northwest Region. The city had a population of about 500,000 people and is located 366 kilometers (227 mi) north-west of the Cameroonian capital, Yaoundé. Bamenda is known for its cool climate and scenic hilly location. Bamenda is known for its cool climate and scenic hilly location. Bamenda is all about a city and a people whose commitment to self-reliance sets the pace in individual and collective development. Metropolitan Bamenda doubles as the capital of the North West Region and Mezam Division. Hospitality is a legendary asset of the people who are also known to be very grateful but rather too sensitive to injustice. This cosmopolitan city is expectant of a fresh push in development since the Presidential decree of 17th January 2008 dissolved its urban status and created Bamenda I, Bamenda II, Bamenda III Councils and the City Council. (Chenaa and Kimengsi, 2017)

As a regional centre, the city, also an administrative commune, has numerous financial institutions, woodcarvings, bronze statues, local artworks and common craftworks, a wide variety of local baskets and beads, markets, and offices. Bamenda is also about people known to be poor and proud, with few government enterprises to absorb the unemployed. The main industries are the processing of agricultural produce such as coffee.

Bamenda II which is located at the heart of Bamenda houses many commercial and financial institutions. It is home to the Bamenda main market and also the city council. Most of the head offices of microfinance institutions and branch offices of commercial banks are found in this area. It is the melting pot of cultural groups from across the Region and beyond. Some of the streets are named after major tribal groups that inhabit the city, groups that provide diverse cultural animation through their associations and meetings. Community libraries, youth cultural centres, sports academy, museums, handicraft centres, royal palaces, ancient architectural structures make for a very friendly cultural atmosphere. With free public primary education, there is virtually a primary school in every backyard, and the best of secondary education is offered by religious bodies. See map of Bamenda II I appendix II.

1.8 Organization of the Study

This research comprises five chapters, followed by a reference section. At the end, an appendix section has been included for further information on some specific issues. A brief outline of the Study. Chapter one is providing a general introduction and a background study, problem statement, objectives and research questions, significance of the research, definition of terms and organization of the study. Chapter Two is centered on the literature review, theoretical framework and empirical review. Chapter Three talks on the research methodology, it describes the research design, analytical approach and the validity of the research. Chapter Four will constitute the presentation and analysis of data, implication of result and limitation of the research. And Chapter Five will constitute the summary of findings, conclusion, recommendations and suggestions for further research.

1.9 Operational Definition of Key Terms

Microfinance:

Microfinance, according to Otero (1999), is “the provision of financial services to low-income poor and very poor self-employed people”. Microfinance is an economic development approach that involves providing Financial Services, through institutions, to low-income clients, where the market fails to provide. Appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit, saving, group lending and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives. This study will adopt the definition of Otero (1999) but will look at it from both providing financial services (microcredits or loans) through institutions to low-income clients and social intermediation services (capacity building or training and education)

Micro-credit:

It is a component of microfinance and is the extension of small loans to entrepreneurs, people who have very low income to qualify for traditional bank loans (Fayorsey, 2009). Especially in developing countries. In association with the study Micro-credit enables very poor people to engage in self-employment projects (say small farming) that generate income, thus allowing them to improve the standard of living for themselves and their families.

Micro finance Institutions (MFIs): Christen, (1997) defines microfinance as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches. ‘A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities. Services and activities such as savings, payments, group lending and building capacity. An MFI is typically not a part of the formal banking industry or government. It is usually referred to as a NGO (Non-Government Organization).

Group lending:

Form of collateral substitute in which borrowers form groups, all of whose members must maintain a suitable payment record for any group member to be eligible for future loans (Ghalib, Asad K.

2007).The process of creating group with minimal saving and eligible for loans through the groups with no collateral.

Capacity Building:

Capacity refers to the ability of an individual, group, organisation or system to deliver intended outcomes, while *capacity building* refers to improving the ability of the entity to perform. The study will look at capacity building from the angle of the beneficiaries. The various programs designed and instituted by microfinance institution to education, and arm the clients with tools and techniques that can help improved their efficiency.

Livelihood:

Livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base (Chambers & Conway, 1991). This relates with the study in that it might give us an idea of how people are likely to respond to new opportunities and which performance indicators should be used to access support activity. This study looked at livelihood improvement from the angle of standard of living (family income, regular consumption, balance nutrition, overall household wellbeing); education security (affordability of school fees, books, uniform and other school activities) and health security (easy access to healthcare facilities, easy access to medications, regular hospital checkup).

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter presents the conceptual, empirical and theoretical review of the study with a particular focus on the overview and development of the micro financial sector in Cameroon, the legal framework and structure of the micro financial sector in Cameroon. The researcher further discusses smallholder farmers‟ accessibility to micro financing. The chapter also presents the conceptual framework of the study and previous empirical studies relevant to the contribution of micro finance activities on the likelihood of farmers.

2.1 Literature Review

2.1.1 Conceptual Review

2.1.1.1 Concept of microfinance

Historically, the existence of microfinance was among the poor in various shapes and form. Early beginners of micro credit programs in the world were the cooperative societies. Proof shows that group formation for undertaking economic activities was an ancient concept of modern microfinance institutions (MFIs) and in the 12th century there was a cooperative type association named "kou" in Japan. Though these types of traditional and informal institutions could not achieve sustainability and as a result, formal institution for the poor emerged. Microfinance in formal shape started out from Bangladesh in 1970's in a limited scale and Professor Dr. M Yunus, the great visionary, is the unique and only claimant the development of this concept. He has conceptualized micro credit intervention for its extensive use to alleviate poverty of millions for the world's poorest people. (Yunus 1999)

The mission of micro credit has been guided by four core themes: (i) reaching the poorest; (ii) reaching and empowering women; (iii) building financially self-sufficient institutions; (iv) To ensure a positive measurable impact on the lives of the clients and their families. Before the microfinance era, poor did not have access to credit and loans due to the extensive belief that the poor could not repay loans, though this belief has proven absolutely incorrect and "the poor are indeed responsible to manage credit and repay loans" (ibid, 2005). At present, this concept has proliferated worldwide including developed countries. Currently 1000 to 2500 MFIs are serving some 67.6 million clients around the world

Microfinance is the provision of financial services to low income poor and very poor self-employed people (Otero, 2005). These financial services according to (Ledgerwood, 2005) generally include savings and credit but can also include other financial services such as insurance and payment services. (Schreiner 2001) support this view by defining microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. Moreover, Microfinance or microcredit is an economic development approach that involves providing financial services, through institutions, to low income clients. The services provided by the Microfinance Institutions (MFIs) include credit payments, savings and insurance services. MFIs also provide social intermediation services such as training and education, health and skills in line with their development objectives. Further, Microfinance Institution (MFI) is an organization, engaged in extending micro credit loans and other financial services to borrowers for income generating and self-employment activities for examples small Farmers.

An MFI is usually not part of the formal banking industry or government. It is generally referred to as Non-Government Organization (NGO). Related concepts to Microfinance are micro savings; micro insurance and MFIs. They are briefly noted in the subsequent paragraph. Micro Savings is also a microfinance service that allows insolvent individuals to safeguard money and other valuables items and even earn interest. It allows a lump sum to be enjoyed in future in exchange for a series of savings made now (Arytery, 2008). Micro Insurance is also a component of microfinance. It is therefore not surprising that Micro Insurance is an important service in every aspect of life. Poor households are especially vulnerable to risk, both in the form of natural tragedies as well as more regular occurrences of illness and accidents. Microfinance Institutions (MFIs) have played an active role in reducing or protecting the low income earners against this vulnerability. This is done by providing credit for increasing income earning opportunities and through providing savings services to build up resources that can be drawn down in cases of emergencies.

In this literature, the terms microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused (Sinha1998) states that "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services such as savings and insurance". Therefore microcredit is a component of microfinance in that it involves the provision of credit to the poor, whilst microfinance add on non-credit financial services such as savings, insurance, pensions and payment services (Ayertey, 2008).

Further, microfinance as a product has several characteristics some of these as identified by (Mohammed 2007) are that "they entail little amounts of loans which are given to individuals and groups to help them start some income generating activities". Secondly "they involve little savings over time as it serves as security for poor households and also help them accumulate substantial capital to overcome their capital constraints". Thirdly, "the loans which are given out are a short term loans, usually up to one year. Payment schedules are usually on weekly basis and installments which combine both principal and interest, and are amortized in course of time". Finally, "easy access to the microfinance intermediary saves time and money of the client and permits the intermediary to have a good idea about the clients‟ financial and social status".

Moreover, in terms of application the clients need not go through the cumbersome procedures which are required in the traditional commercial banks. There is also short processing periods between the completion of the application and the disbursement of the loan. No collateral is required which is contrary to formal banking practices. Instead of collateral, microfinance use alternative methods, like, the assessments of clients‟ repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken. Large size loans are less costly to the MFI, so some borrowers provide large size loans on relatively lower rates. The clients who pay on time become entitled for repeat loans with higher amounts. It is worthy to note that the literature reviewed two main approaches to microfinance as Identified by (Morduch1999) and they are explained in subsequent paragraphs.

2.1.1.2 Approaches of Microfinance

There are two main diverse approaches of microfinance in the literature. These are the welfarist approach, also called the direct credit approach, and the institutionalist approach also called financial market approach (Morduch, 1999).

2.1.1.3. Welfarist Approach

The welfarist approach focuses on the demand side, which focuses on the clients. This approach support the idea of subsidizing microcredit programmes in order to lower the cost for the microfinance institutions so they can grant low interest rates on their loans (Morduch, 1999). The performance of the MFIs are measured through household studies with focus on the living standard of individuals; number of saving accounts, number of loans, productivity improvement, incomes, capital accumulation, social services such as education and health as well as food expenditures (Congo, 2002). Welfarist argues that MFIs can achieve sustainability without the institutionalist definition of self-sufficiency (Woller, Dunfield, & Woodworth, 1999). They further argue that gifts and grants, for instance subsidies, from donors serve as a form of equity, and as such the donors can be viewed as investors. Unlike investors who purchase equity in a publicly traded firm, MFI donors hardly expect to earn monetary returns. Instead, these donor investors realize an intrinsic return. These donors can be compared to equity investors who invest in socially responsible funds, even if the estimated risk-adjusted return of the socially responsible fund is below that of an index fund. These socially responsible fund investors are willing to accept a lower expected return because they also receive the intrinsic return of not investing in firms that they find offensive.

2.1.1.4 Institutionalist Approach

The institutionalist view of microfinance argues that an MFI should be able to cover its costs with its revenues. Institutionalists feel self-sufficiency leads to long-term sustainability for MFIs, which will enable greater poverty alleviation in the long-term. The institutionalist argument is consistent with (Congo 2002) who discusses historical cases in an attempt to identify the institutional designs that facilitated success and sustainability for 19th century loan funds in the UK, Germany, and Italy. Secondly, the institutionalist approach criticizes subsidization because it leads to high, unpaid rates and transaction costs, which have led to the failure of many microcredit programs and activities. They mean that it is not sustainable for the MFIs to be subsidized and that the subsidies lead to an inefficient allocation of the financial resources. The economists supporting this view mean that the welfarists make the wrong assumptions when they say that the repayment interest rate must be low, because the clients are not creditworthy and unable to save and that commercial banks could not survive in rural areas because of the high costs of offering financial services to poor households. The Institutionalist view of self-sufficiency as a requirement for MFI sustainability seems untenable until one realizes that there appears to be a trade-off between self-sufficiency and targeting. Most MFIs which have proven self-sufficient have tended to loan borrowers who were either slightly above or below the poverty line in their respective countries (Morduch, 1999). These MFIs are able to capture economies of scale by extending larger loans to the low income earners. Those who support subsidization tend to put much greater social weight on consumption by the poor, assume highly sensitive credit demand to interest rates, low impacts or perhaps negative impacts of interest rates on returns, moderately high, but not extremely high, returns to investments by poor households, and small or beneficial spillovers onto other lenders.

Despite the lack of evidence, experienced practitioners on both sides of the debate hold their views strongly.

Overview of Microfinance in Cameroon

Though the growth of microfinance actually began to escalate in the early 1990s, it has existed in Cameroon for almost fifty years. The first appearance of microfinance institutions occurred in 1963 in the Northwest Province where Anthony Jasen, a priest from Holland, created the first savings and credit cooperatives in the country. The relative success experienced by these institutions lead in 1968 to the formation of the Cameroon Cooperatives Credit Union League (better known as CAMCCUL), which is currently the longest standing microfinance network in Cameroon. Toward the end of the 1970s, Cameroon first began to experience an economic downturn, during which certain banks in the country began to suffer financially from a lack of available liquid funds. During the early 1980s, banks in Cameroon became increasingly difficult to support themselves as it became more difficult to receive international credit and they were largely unable to obtain their own resources within the country. In the late 1980s, this resulted in government action; namely, there was a complete restructuring of all financial institutions, causing many banks to close their doors while taking the savings of many Cameroonian citizens with them.

2.1.2. Legal Framework

It was out of this bank crisis that microfinance was born in Cameroon, as many citizens were still in need of banking services that were no longer readily available. Microfinance proved to be able to offer these services and the number of institutions in Cameroon began to increase. In the interest of more efficient regulation of the financial sector on the part of the Cameroonian government, a series of new laws were created. The first of these was the loi nº 90/053 of 19 December 1990 granting freedom of association. Two more laws were passed in 1992 and 1993 outlining specific responsibilities and regulations for groupesd'initiatives communes (GIC) and group's d'initiatives économiques (GIE) respectively.

In 1998 the loi 98/99 was passed and began to recognize microfinance institutions as unique entities in the financial sector. Under this law, microfinance institutions were placed under the control of the Ministry of Finance rather than the Ministry of Agriculture, by whom they had previously been overseen. Furthermore, La Commission Bancaire de L'AfriqueCentrale (COBAC) was officially recognized as an authority figure of microfinance institutions that was capable of dissolving them if they did not adhere to its regulations.

Finally, in 2002, the réglement nº 01/02/CEMAC/UMAC/COBAC, which clearly defines and controls the activities of microfinance institutions in Central Africa, came into effect.

2.1.3. Structure of Microfinance in Cameroon

Under article 5 ofnº 01/02/CEMAC/UMAC/COBAC, a microfinance institution may be considered either a category one, category two, or category three microfinance institution. Those which fall under the first category are cooperative institutions, which provide savings opportunities exclusively to members and then use these savings to offer credit for member-run projects. These organizations cannot seek profit and exist for the sole purpose of the empowerment of their members. Category two microfinance institutions are profit-seeking institutions which offer savings and credit services to the public. UNICS, the case study of this project, is one of these institutions. Finally, category three microfinance institutions are profit-seeking institutions which provide credit services to the public but do not provide any savings services.

As was mentioned in the introduction, there are currently over 500 microfinance institutions in Cameroon. These institutions account for approximately eighty percent of all microfinance institutions in Central Africa, which does contains relatively few institutions compared to other regions of Africa. Cameroon is also among the top ten African countries for both savings (3.0%) and loan (0.8%) penetration rate, indicating that a relatively large percentage of the Cameroonian population uses the services of microfinance institutions. In relation to other countries in Africa, Cameroonian microfinance institutions operate relatively efficiently. Cameroon is amongst the thirty-one African countries to have passed new microfinance-specific legislation since 2002 and is one of relatively few to have specific laws governing microfinance institutions separately from banks. Additionally, unlike some African countries, Cameroon does not impose maximum interest rate caps. Such restrictions are considered by many to be counterproductive, as they are often set at a restrictively low rate that hinders the sustainability of microfinance institutions. There are, however, certain factors that deter the success of microfinance in Cameroon to some extent. For one, there is a distinct lack of infrastructure, particularly in rural regions, and a population density that is less than ideal in much of Cameroon. These conditions differ from those in countries such as India and Bangladesh, where extremely high population density allows services to be distributed to millions of people in some cases rather than to thousands, as is true in Cameroon. Because of this constraint, the cost to operate microfinance institutions in can be quite high in Cameroon and can hinder their ability to be financially sustainable.

2.1.4. Microfinance activities

Microfinance activities carried out by micro-finance often focused on business development services such as training, educational service and health interventions to improve the livelihood of clients aimed at poverty reduction that can enhance the skills and productivity to create a better life-cycle (Orbuch, 2011). Microfinance activities refers to social intermediation services provided by Microfinance institutions such as group creation, development of self-confidence and training in financial literacy and management capabilities (Canadian Center of Science and Education, 2014).

- **Group Lending**

Group based lending is one of the most unique approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before obtaining a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved by the clients in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly answerable for the repayment of each other's loans and usually meet weekly to collect repayments. To guarantee repayment, peer pressure and joint liability works very well. The entire group will be ineligible for further loans, even if one member of the group becomes a defaulter. The eligibility of the borrower is therefore determined by the members rather than by the MFI. (Murray, and Boros, 2002), Down to Cameroon little or no studies have been carried out on group lending the lack of literature but the activity is hardy carried out and lithely promoted in microfinance institutions in Cameroon

- **Building Capacity**

Social intermediation is the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be excluded but social intermediation may require subsidies for a longer period than financial intermediation.

Enterprise development services or activities services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis. This can or cannot require subsidies and this depends on the ability and willingness of the clients to pay for these services. Social services or activities services that emphasis on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training. These social facilities are like to require ongoing subsidies and are always provided by donor supporting NGOs or the state (Bennett, 1997; Legerwwod, 1999). Coming Down to Cameroon little or no studies have been carried out on building capacity of microfinance clients also the lack of literature and the activity is hardy carried out and lithely promoted in microfinance institutions in Cameroon.

- **Savings**

Savings mobilization in microfinance is a very controversial issue. Which gives the possibility to save money without no minimum balance. This allows people to retain money for future use for unexpected cost. . They have been increase awareness among policy makers and practitioners on the vast number of informal savings schemes. MFIs such as credit union organizations around the world have been very successful in rallying clients to save (Paxton, 1996a, p8).

- **Insurance**

Insurance give the entrepreneurs the chance to focus more on their core business which drastically reduces the risk affecting their properties or health or working possibilities. The different types of insurance services like life insurance, property insurance, health insurance and disability insurance. This is one of the services and products that are experimented by MFIs Many group lending programs offer insurance or guarantee scheme as collateral and the Grameen bank is a typical example of MFI in this scheme.

2.1.1.5 Livelihood

Establishing indicators of outcomes requires a precise definition of livelihood. The increasing literature on this subject is not particularly clear on this question. The term ‘livelihoods’ relates to a wide set of issues which encompass much of the broader argument about the relationships between poverty and environment. Yet in the existing literature, there is often little clarity about how contradictions are addressed and trade-offs are assessed. As (Carswell et al (1997) point out: definitions of livelihoods are often unclear, inconsistent and relatively narrow.

Without clarification, there is a risk of simply adding to a conceptual muddle. Drawing on Chambers and Conway (1992) among others for this study, a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood must be sustainable. A sustainable livelihood is when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base.

Some major elements of the definition can be recognized, each relating to a wider literature, in some cases, established ways of assessing outcomes. Firstly the key elements focus on livelihoods, linking concerns over work and employment with livelihood improvement with broader issues of adequacy, security, well-being and capability. While the other elements added the sustainability dimension of livelihoods and the natural resource base on which they depend.

- **Well-Being**

Well-being has origins in development economics and social psychology. In development economics, well-being reflects a desire to move beyond narrow utility-based assumptions about individual rationality and mono-dimensional poverty indicators, such as the poverty line (Alkire2002), and to go beyond the concept of quality of life (Costanza et al. 2007). In social psychology, well-being reflects a shift from treating psychological problems to examining the conditions for human flourishing (Ryan and Deci 2001, Gasper 2004).

The synthesis report of the Millennium Ecosystem Assessment (MA 2005), Entitled Ecosystems and Human Well-Being: Current State and Trends, is one of the first efforts to substantially incorporate considerations of human well-being into how ecosystem dynamics are comprehended. In the MA (2005) approach, human well-being is defined as an aggregation of five components: basic material needs, health, security, good social relations, and freedom of choice and actions. Rather than the MA definition of well-being, the “social conception of well-being” developed by the Research Group on Well-being in Developing Countries (WeD), defined social well-being as “A state of being with others and the natural environment that arises where human needs are met, where individuals and groups can act meaningfully to pursue their goals, and where they are satisfied with their way of life” (McGregor2008).

A social conception of well-being nests the individualistic and basic needs aspects of well-being within the wider social-psychological and cultural needs required to live well (Deneulin and McGregor, 2010, Coulthard, et al. 2011). This definition recognizes human well-being as an outcome and a process, in which three dimensions are taken into account, reflecting both the development and social psychology perspectives (Gough, et al. 2007): (1) a material dimension, (2) a relational dimension, and (3) a subjective dimension. This multi-dimensional perspective is consistent with (Sen's 1999) capabilities approach (and sustainable livelihoods approach) and the recognition that development cannot be captured solely in narrow income or commodity ownership terms. Rather, growth is seen as the ongoing effort to establish and deepen a wide set of entitlements, including most broadly, the freedom of individuals to make choices based on what they value (Sen,1999).

In that context, the material component of well-being may encompass physical requirements of life, such as income, wealth, assets, or physical health, and the ecosystem services provided by the physical environment. The relational component of well-being emphasizes social interactions, collective actions, and the relationships involved in the generation and maintenance of social, political, and cultural identities. These include relations to the state and to formal and informal societal structures which determine the scope for personal action and influence in the community.

Lastly, the subjective dimension of well-being incorporates cultural values, norms, and belief systems, and importantly, accounts for notions of self; individual and shared hopes, fears, and aspirations; expressed levels of satisfaction or dissatisfaction; trust; and confidence (White, 2009).

- **Income**

Throughout history, many have written about the impact of income on morality and society. Some scholars have come to the conclusion that material progress and prosperity, as manifested in continuous income growth at both individual and national level, provide the indispensable foundation for sustaining any kind of morality. This argument was explicitly given by Adam Smith in his Theory of Moral Sentiments, and has more recently been developed by Harvard economist Benjamin Friedman in his book The Moral Consequences of Economic Growth. According to Investopedia, 2008 income is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. However, for households and individuals, "income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings received in a given period of time."

Money that an individual or business receives in exchange for providing a good or service or through investing capital. Income is consumed to tackle day-to-day expenditures. Most people age 65 and under receive the majority of their income from a salary or wages earned from a job.

Investments, pensions and Social Security are primary sources of income for retirees. In businesses, income can refer to a company's remaining revenues after all expenses and taxes have been paid. In this case, it is also known as "earnings". Most forms of income are subject to taxation.

In the field of public economics, the term may refer to the accumulation of both monetary and non-monetary consumption ability, with the former (monetary) being used as a proxy for total income (Case and Fair, 2007).

2.1.5. Livelihood

2.1.5.1 Household Livelihood

A popular definition of livelihoods is that provided by (Chambers and Conway, 1992), where they note that livelihoods comprise the capabilities assets (both material and social assets) and activities required for a means of living. Briefly, one could define livelihood as a combination of resources used and the activities undertaken in order to live (DFID, 1999). A livelihood is sustainable when it can handle with and recover from stress and shocks maintain or enhance its capabilities and assets, while not undermining the natural resources base (Chambers and Conway, 1992). Livelihood outcomes are the achievement of livelihood strategies, such as more income (e.g. cash), increased well-being (e.g. non material goods like self-esteem, healthcare status; access to services, sense of inclusion); reduced vulnerability (e.g. better resilience through increase in asset status); improved food security (e.g. increase in wealth in order to buy food) and a more sustainable use of natural resources (Scoones, 1998). Outcomes help to understand the output of the current configuration of factors within the livelihood framework, they demonstrate what motivation stakeholders have to act as they do their work and what their priorities are (Singh and Gilman, 1999).They might give us an idea of how people are likely to respond to new opportunities and which performance indicators should be used to access support activity. Livelihood outcome directly influence the assets and dynamically change their level (DFID, 2000).

2.1.5.2 Impacts at a household level

Health and education are two key areas of non-financial impact of microfinance at a household level. (Wright,2000) states that from the little research that has been conducted on the impact of microfinance participations on health and education, nutritional indicators seem to improve where MFIs have been working. Research on the Grameen Bank shows that members are statistically more likely to use contraceptives than non-members thereby impacting on family size (ibid, 2005). (Littlefield, Murduch and Hashemi, 2003) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been conducted they conclude, "Households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households". Among the examples they give is of FOCCAS, a Ugandan MFI whose clients were given health care instructions on breastfeeding and family planning. They were seen to have much better health care practices than non-clients, with 95% of clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Littlefield, Murduch and Hashemi, 2003).

Microfinance interventions have also been shown to have a positive impact on the education of clients' children. (Littlefield, Murduch and Hashemi 2003) state that one of the first things that poor people do with new income from microenterprise activities is to invest in their children's education. Studies show that children of microfinance clients are more likely to go to school and stay longer in school than for children of non-clients. Again, in their study of FOCCAS, client households were found to be investing more in education than non-client households. Similar findings were seen for projects in Zimbabwe, India, Honduras and Bangladesh (ibid 2005.).

Robinson (2001), in a study of 16 different MFIs from all over the world shows that having access to microfinance services has led to an improvement in the quality of life of clients, an increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income. Following a three-year study of 906 clients, ASA17 an MFI working with 60,000 rural women in Tamil Nadu, India, found that their project had several positive impacts on their clients (Noponen, 2005). The programme had a "positive impact on livelihoods, social status, treatment in the home and community, living conditions and consumption standards". Compared with new members, some of the findings showed that long-term members were more likely to live in tile roofed and concrete houses, to have a higher percentage of their children in school, to have lower incidence of child labour, to be the largest income provider or joint provider in the home, and to make decisions on their own as regards major purchases (Noponen, 2005). Clients also reflected significant increases in ownership of livelihood assets such as livestock, equipment and land (ibid.2005). Community level on both clients and non-clients (Marconi and Mosley, 2004).

Many of the impacts on income were positive for the less poor and negative for the poorer clients, a trend that we have already seen. (Marconi and Mosley 2004) state that this should not be surprising as poorer clients are more risk adverse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock. However, it was found that social networks played an important part in helping clients escape from poverty. Access to social networks provided clients with a defence against having to sell physical and human assets and so protected household assets (ibid.2005).

(Chowdhury and Bhuiya2004,) assessed impact of BRAC's poverty alleviation programme from a "human well-being" perspective in a programme in Bangladesh where they examined seven dimensions of 'human-well-being'. The project included the provision of microfinance and training of clients on human and legal rights (ibid.2005). They noted that the project led to better child survival rates, higher nutritional status, improvement in the basic level of education, and increased networking in the community. Children of BRAC clients suffered from far-off less protein-energy malnutrition than children of non-members, and the educational performance of BRAC member's children was also higher than that of children in non-BRAC households (ibid.2005). BRAC member households spent significantly more on consumption of food items than poorer non-members did and per capita calorie intake was also significantly higher.

2.2 Theoretical Framework

2.2.1 Models of Microfinance Interventions

MFIs employ wide variety of implementation methods to reach their clients. These methods are called models of MFI. The Grameen Bank has identified fourteen different microfinance models of which the research focused on three in the literature. They are Rotating Savings and Credit Association (ROSCAs), the Grameen Bank and the Village Banking models, as these are the three microfinance models that are mostly practice in Cameroon and Africa at large

2.2.2 The Grameen Solidarity Group model

This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually done weekly (Ledgerwood, 1999). According to Berenbach & Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as the Grameen Bank, who use this type of microfinance model. They also highlight the fact that this model has contributed to wider social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Yunus, 1999). The Grameen Solidarity Group model relates with the study in guarantee for loan repayments by group members and access to subsequent depending on successful repayment of loans by all group members.

2.2.3 Village Banking Model

Village banks are 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 (Hulme, 1999). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income earners seeking to improve their lives through self-employment activities. These members control 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 thus the assurance that the group stands behind each loan (Global Development Research Centre, 2005). The sponsoring MFI lends loan capital to the village bank, who in turn lend money to the members. All members sign a loan agreement with the village bank to accept on a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Member's savings are held to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest rates paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women mainly, as according to (Hulme1999) the model anticipates that women participation in village banks will improve social status and intra household bargaining power. In Relation to the study the village banking model associates with the idea of group lending. In which groups are created then associated with MFIs. Client's savings are held to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the MFI. Very little or no interest rates paid on savings but members receive a share of profits from the MFI re-lending activities.

2.2.4 Livelihood theories

Carney (1998, p.4) defines a livelihood as comprising "…the capabilities, assets (including both material and social resources) and activities required for a means of living." Chambers (1997, p.10) states that livelihood security is "basic to well-being" and that security "refers to secure rights and reliable access to resources, food, income and basic services. It includes tangible and intangible assets to offset risk, ease shocks and meet contingencies."

Lindenberg (2002, p.304) defines livelihood security as "a family's or community's ability to maintain and improve its income, assets and social well-being from year to year." Concern also state that livelihood security is more than just economic well-being as they define livelihood security as "the adequate and sustainable access to and control over resources, both material and social, to enable households to achieve their rights without undermining the natural resource base" (Concern, 2003). Livelihood security therefore, like poverty, is not just about income, but includes tangible and intangible assets, and social wellbeing.

Johnson and Rogaly (1997, p.122) state that "NGOs aiming for poverty reduction need to assess the impact of their services on user's livelihoods." They argue that in addressing the question of the impact of microfinance, NGOs must go beyond analyzing quantitative data detailing the numbers of users, and volumes and size of loans disbursed, to understanding how their projects are impacting on clients' livelihoods. They state that the provision of microfinance can give poor people "the means to protect their livelihoods against shocks as well as to build up and diversify their livelihood activities". Therefore when analyzing the impact of microfinance the overall impact of the microfinance activities on the livelihoods of the poor needs to be taken into consideration. That is the focus of this study.

A livelihood security approach according to Concern (2003,) aims for a holistic analysis and understanding of the root causes of poverty and how people cope with poverty. They identify livelihood shocks such as natural disasters and drought, the social, political and economic context, and people's livelihood resources such as education and local infrastructure as factors affecting people's livelihood security (ibid.2005). Therefore, when analyzing the impact microfinance is having on livelihood security, as is the objective of this dissertation, a holistic analysis of people's livelihood security must be conducted, rather than just focusing on the material/economic impact microfinance is having on the livelihoods of the poor.

2.3 Empirical Review

2.3.1 Impact of Microcredit on livelihood

The impact of microcredit on livelihoods is focused in terms of the changes to livelihoods assets and the use of livelihood assets to cope with vulnerability. The provision of microcredits can assist the poor financially to help out with the means to protect their livelihoods against shocks and to build up their livelihood activities. Microcredits is to fulfill its social objectives of bringing financial help to the very low income earners through loans, it is important to know the extent to which its wider impacts contribute to livelihood improvement. (ibid.2005).

A study of 16 different MFIs from all over the world pointed out that having access to Microcredit services have led to an enhancement in the quality of life of clients, had increased their self-confidence, and had helped them diversify their livelihood security strategies and thereby increase their income (Robinson, 2001). For instance relating back to Cameroon Microcredit plays a great role in the lives of the MFI clients in that financial assistance given by MFI help to increase employment and also increase in micro business there increasing their income and personal needs.

2.3.2 Impact of Building Capacity on livelihood of farmers

The impact of Capacity Building on livelihood assets thereby creating an awareness to the microfinance clients on how properly managing their loans by educating them on the following aspects, Inventory management cash management, and cash management, trained on how to develop a business, Leadership and also on bookkeeping. These social facilities are like to require ongoing subsidies and are always provided by donor supporting NGOs or the state (Bennett, 1997; Legerwwod, 1999).These aspects builds the capacity of the clients on how to manage their mange properly their loans taken from the Microfinance institutions.

MF also contributes to building up physical assets. According to Marconi &Mosley (2004), clients reflected significant increases in ownership of livelihood assets such as livestock, equipment and land. They stated that this should not be surprising as poorer clients are more risk averse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock (Marconi & Mosley, 2004). MF creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty (Otero, 1999).

According to the 2008 Status Report of Plant Genetic Resources for Food and Agriculture in Malawi, there is limited scientific methodology or strategies for implementing on-farm conservation in the country. This is the reason why most of the activities that are implemented towards supporting on-farm conservation in the country have generally involved pilot studies rather than long-term programs.

Daniel Loiruck (2013) Capacity Building on Agriculture Interventions One of strategies for transforming the farming modalities so as to maximize output is by applying modernized farming techniques. For instance a group such as Elakunotowhich was intervened during this assessment confirmed to have been undergone into capacity development in terms of training from Research, Community, and Organizational Development Associates (RECODA) on enhancement of sustainable farming and poverty eradication strategies.

2.3.3 Impact of Group Lending on Livelihood

The impact of Group Lending on livelihood impacts changes livelihood for instance MFI clients form groups in which little saving are made and Loans are granted with collateral which goes a long way to those who cannot afford collateral security. The groups have a group leader whose keeps records of the group individuals in order of savings and loan acquisition. The groups are then granted loans to members which helpful to the clients though are mostly not in large amounts and used purposely for the micro-business and to be repaid MFIs. The entire group will be ineligible for further loans, even if one member of the group becomes a defaulter to repay the loan. The eligibility of the borrower is therefore determined by the members rather than by the MFI. (Murray, and Boros, 2002)

This method of providing small credits to the poor is most use by microfinance that provides loans without collateral. The interest charge is around not much different from that of commercial banks but far lower than interest charge by individual by money lenders (Natarajan, 2004). The Grameen bank is a typical example of microfinance institution using this method. The repayment rate is very high since each member is liable for the debt of a group member (Stiglitz, 1990). Group formation is made by members who know themselves very well or have some social ties. Loans are not granted to individuals on their own but to individuals belonging to a group; and the group acts as a collateral which is term social collateral. This is to avoid the problems of adverse selection and also to reduce costs of monitoring loans to the members who must make sure the loan is paid or they become liable for it (Armendariz, 1994).

According to Shah (2008).One of the objectives of the research was to inquire about perceptions of the borrowers in obtaining credit from MFIs. Despite of the effectiveness of the credit, almost all the borrowers complained about the interest rate charged on these loans. Being subsistence farmers they were of the view that the interest rate is too high for them. Moreover, majority of them were not happy with procedure for obtaining agricultural credit. One reason could be that a majority of the farmers had low level of education and they were unable to understand and to fill in the loan application forms for themselves. For this purpose they had to get help either of the MF stop or some other educated person. Which was advisable for clients to take loans in groups?

This conforms to the fact that the poor place emphasis on diversifying their sources of income (UNDP, 1995; Graham, 2000). Majority of the respondents were those with occupations that offered daily income and thus had a probability of repaying their loans in time. This pattern is in line with Marguerite's (2001) and Todd's (1990) studies that MFIs provide credit to borrowers who have experience in a particular type of enterprise and who it is believed can and will repay the loan and interest on time. Most of the studies carried out in Cameroon did not directly focused on group lending. The studies rather focused on loans and savings and their contribution to wellbeing (Toh, 2013; Long 2009; Akanga, 2016)

2.4 Gap Identified in Literature

This thematic area is one of those sphere in research that has been highly contested and is plagued with varied thoughts. Some research has been done in the areas but it has mostly been looked at from different angles. Most of the studies were done in areas such as agricultural variability challenges and agricultural productivity (Tingem, 2008; Innocent, 2015; Balgah, 2017), agricultural extension services and wellbeing (Nyambi, 2012; Besong, 2011; Ogunremi, 2013). Some other works have been done on agricultural productivity and wellbeing of smallholder farmers (Michelle, 2016; Chenaa & Kimengsi, 2017), microfinance and poverty reduction (Toh, 2013; Long 2009; Akanga, 2016). However, to the best of the researcher's knowledge, study has not been carried out in Bamenda II on the topic. Also, the authors who researched on the contribution of microcredits to performance mostly looked at it on micro and small enterprises. This study fills that gap by assess the impact of microfinance activities on performance of small scale farmers. The study did not limit the variables to loans as done by most study but expanded it to include group lending and capacity building. This study will contribute to knowledge by filling this gaps, thereby, updating and expanding the existing literature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Model speciation

Certain models were formulated to guide this study. The model were stated thus:

SL= f (loans, CB, GL)

AE = (loans, CB, GL)

AH= (loans, CB, GL)

Where:

SL= standard of living

AE= Access to education

AH= Access to health care

CB= Capacity building

GL= group lending

3.2 Description of variables in the Study

The study assess the role of microfinance in improving the livelihood of the households of the study area. It was conducted by assessing small farmers' who were members of BAPCCUL and benefitted from microfinance services. Microfinance activities is the independent variable and Livelihood improvement of small scale farmers the dependent variable implying that most livelihood activities are sustained and promoted by microfinance intuitions through their activities specifically credits. The microfinance activities which is the independent variable consist of microloans, group lending and training (capacity building). The dependent variable, livelihood improvement of small scale farmers was measured using the following indicators: standard of living (family income, regular consumption, balance nutrition, overall household wellbeing); education security (affordability of school fees, books, uniform and other school activities) and health security (easy access to healthcare facilities, easy access to medications, regular hospital checkup).Notably microfinance institutions play a great and important role in improving livelihood and living standards. Lack of financial resources is one of the major problems facing poor households. Therefore, the study shows that livelihood improvement depends on Microfinance major activities which is Credit, by giving out small loans to client's specifically small farmer also through groups and building their capacity on loan management to improve their livelihood and standards of living.

3.3 Study Design

The Case Study design was adopted for the study. This is because this method is mostly used for intensive study of individual unit. By adopting this approach, a single entity is explored, bounded by time and activity. Detailed information was obtained using a variety of data collection procedures during a sustained period of time. The present study is an empirical investigation based on sample beneficiaries of BAPCCUL in Bamenda II municipality.

3.4 Population and target population

The target population comprised of small farmers who are BAPCCUL clients and had benefited from the microfinance services for at least two years (2yrs) and live in the Bamenda II municipality. We chose the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons of microfinance activities, so they can reflect better to our research. According to the records of BAPCCUL (2017), 130 small scale farmers met the criteria. The target population amounting to 130 small farmers in Bamenda II painted a whole picture of microfinance institution and its role in livelihood improvement.

3.5 Sampling Techniques

The study adopted both the purposive and simple random sampling methods to obtain the sample size. Firstly, the study purposively selected the sample unit of small farmers who had benefited from BAPCCUL's services for at least 2 years. This is so because the researcher considered that two years is enough time to assess the impact BAPCCUL's services on the small scale farmers. A list of the clients (130) who met the criteria was got from the management of BAPCCUL Head office in Bamenda. Using the sample determination table propounded by Crecy& Morgan (1970), with a population of 130, at a 95% confidence interval at 5% error margin, the sample size of 97 small scale farmers was adopted for the study. The 97 respondents for the study were randomly selected out of the 130 farmers using the balloting system.

3.6 Data Collection

Information from both primary and secondary sources was collected.

3.6.1Secondary Data Collection Techniques

Secondary sources was also required to understand the concepts, definitions, theories and empirical results. We used several books, research literatures, articles, journals and thesis, as secondary sources for the study. Internet sources were also used as a secondary source for the thesis. Since the internet sources are less reliable, the researcher limited the use of those sources to the web pages of prominent organizations like microfinance institutions in Cameroon such as CamCCul, google scholar, the researcher also use handbooks and annual reports of some of the MFIs in Cameroon and annual reports for the years 2003 to 2014. All materials used are duly acknowledged.

3.6.2 Primary Data Collection Techniques

The primary source of data was obtained through questionnaire administered to respondents that is to small scale farmers who were Clients of BAPCCUL, to gather information on the contribution of microfinance activities on their livelihood improvement. Primary data collection was through questionnaires administered to client's microfinance institutions after the whole purpose of the research study had been carefully explained to them. However due to the peculiarity of the study area the researcher occasionally conduct interview with respondents and also observed the impact of microfinance on farmers livelihood. Interviews were also conducted with officials of the microfinance institutions with regards to their services.

3.6.3 Administration of Questionnaire

Administration of Questionnaire was main and key method to gather the data needed for the study. All sets of questionnaire contained open and closed-ended questions and were structured in three sections. Section A of the questionnaire comprised of background or demographic questions about the various individual correspondent while Section B comprised of 3 independent variables which were loans, group lending and capacity building which was measured on the likert scale and then Section C comprised of 3 dependent variables which are living standards, access to health care and access to education which was measured using the likerit scale. The questionnaires were administered to small farmers who have benefited from BAPCCUL services for at least two The structured questionnaire shared to benefited microfinance small farmers used the degree of satisfaction or agreement level questions in which the researcher provided respondents were asked to select one or more of the alternatives making it easy to answer, understand and analyze.

3.7 Reliability and Validity of the Instrument

Validity can be defined as the factual accuracy of the account. This turns to answer question like if the researcher accurately reported what was been heard and seen or whether what was reported as actually taking place was occurred (Lupyana, 2009)

The research instrument was corrected and the corrected copy was validated by the research tool committee of PAIDWA. This was to ensure that, the instrument to be used was the right one so as to ensure that illicit questions were not asked, objectives targeted were being respected through the questions and following the documented literature.

Reliability refers to the logical harmony of findings of the same data collection methods and procedures. Reliability was ensured through the presentation of the questionnaires to the respondent by the researcher and making sure that they understood the questions before answering and responses from proven and reliable sources.

3.9 Data Analysis and Presentation

The research adopted both the descriptive and inferential statistics in analyzing data collected from the field. Descriptively, the findings were presented on frequency tables. And the variables were validated with the use of regression analysis.

3.8 Data Analysis and Presentation

The data obtained during the survey was analyzed using both descriptive and inferential statistics. Descriptively, data were coded, counted, categorized in to tables and processed to provide frequency table and percentages using the Statistical Package. A linear regression analysis was done to ascertain the impact of microfinance activities (microloans, capacity building and group lending) on small scale farmers' livelihood improvement using farmers who are members of BAPCCUL.

3.9 Ethical Considerations

Following the scientific principles for a good research study, the researcher took into consideration some ethical issues. The researcher assured the authority of the school concerned and the research participants that the research study is mainly for academic purposes. Equally, the researcher guaranteed that the confidentiality of the information provided will be ensured. Participants' consents were solicited for before randomly selecting them to take part in the study.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Demographic distribution of respondents.

Table 4.1 Distribution of respondents according to demographic characteristics

Variable	Frequency	Percentage
Sex		
Male	39	40.21
Female	58	59.79
Total	**97**	**100.00**
Age (years)		**0.00**
18-25	23	23.71
26-33	34	35.05
34-41	18	18.56

Variable	Frequency	Percentage
42-49	12	12.37
50-57	10	10.31
Total	**97**	**100.00**
Marital Status		**0.00**
Single	31	31.96
Married	54	55.67
Divorced	4	4.12
widow(er)	8	8.25
Total	**97**	**100.00**
Educational Qualification		**0.00**
FSLC	11	11.34
O level	27	27.84
A level	24	24.74
Diploma	15	15.46
Degree	15	15.46
master's degree and above	5	5.15
Total	**97**	**100.00**

Source Field Work, (2017)

The result in Table 4.1 revealed that 39(40.21%) of the respondents were males while 58(59.79%) were female. Distribution of the respondents according age showed that 23(23.71%) of the respondents were 18-25 years, 34(35.05%) were between 26-33 years, 18(18.56%) were between 34-41 years, 12(12.37%) were between 42-49 years, 10(10.31%) were between 50-57 years. According to marital status, 31(31.96%) were single,54(55.67%) were married, 4(4.12%) were divorced from their marriages, while 8(8.25%) were widow(er). Finally, for level of Educational 11 (11.34%) had FSLC, 27(27.84%) had O levels, 24(24.74%) had A level, 15(15.46%) had diploma, 15 (15.46%) had first degree while 5(5.15%) had master's degree and above.

4.2 Answer to research questions

4.2.1 To establish the effect of microcredit's on livelihood improvement of small scale farmers who are clients of BAPCCUL in Bamenda II Municipality.

The result is presented in Table 4.2

Table 4.2 the assessment of microcredit

Loans	SA	%	A	%	N	%	D	%	SD	%
The procedure to obtain the loan easier and given on time	17	17.53	9	9.28	5	5.15	13.0	13.40	53	54.64
The charges for loan application are favorable	13	13.40	16	16.49	10	10.31	18	18.56	40	41.24
The rate of interest is reasonable	25	25.77	14	14.43	9	9.28	27	27.84	22	22.68
-The inspection fee is reasonable and has an advantage on Loan utilization	23	23.71	8	8.25	12	12.37	38	39.18	16	16.49
- Supervision on loan recovery too strict by MFIs staff	38	39.18	29	29.90	15	15.46	8	8.25	7	7.22
-The loan assistance given by MFIs helpful to run your business	18	18.56	28	28.87	20	20.62	16	16.49	15	15.46

Source: Field work (2017)

The result in Table 4.2 revealed that 17(17.53%) of the respondents strongly agreed that the procedure to obtain the loan is easier and given on time, 9(9.28%) agreed, 5(13.16%) were neutral, 13.56(35.70%) disagreed while 52.435(54.06%) strongly disagreed with the statement. Also, 13(13.40%) of the respondents. The result equally revealed that 16(16.49%) of the respondents strongly agreed that the charges for loan application is favorable, 10(26.32%) agreed, 18(47.37%) were neutral, while 40(41.24%) disagreed with the statement.

Additionally, 25(25.77%) of the respondents strongly agreed that the rate of interest is reasonable, 14(14.43%) agreed, 9(23.68%) were neutral, 27(71.05%) disagreed while 22(22.68%) strongly disagreed with the statement. Furthermore, 23(23.71%) of the respondents strongly agreed that the inspection fee reasonable has an advantage on Loan utilization, 8(8.25%) agreed, 12(31.58%) were neutral while 16(16.49%) of the respondents strongly disagreed with the statement. Furthermore, 38(39.18%) of the respondents strongly agreed that supervision on loan recovery too strict by MFIs staff, 29(29.90%) agreed, 15(39.47%) were neutral, 8(21.05%) disagreed while 7(7.22%) of the respondents strongly disagreed with the statement. The result equally revealed that 18(18.56%) of the respondents strongly agreed that the loan assistance given by MFIs helpful to run your business, 28(28.87%) agreed, 20(52.63%) were neutral, 16(42.11%) disagreed while 15(15.46%) strongly disagreed with

4.2.2 To evaluate the effects of group lending on livelihood improvement of small scale farmers who are members of BAPCCUL in Bamenda II municipality

Table 4.3 The impact of group lending

Group lending	SA	%	A	%	N	%	D	%	SD	%
Easier to have loan when in a group	45	46.39	25	25.77	4	4.12	14	14.43	9	9.28
Interest rate on loan lower when in a group	24	24.74	31	31.96	9	9.28	23	23.71	10	10.31
Collateral not required for loan when in a group	23	23.71	18	18.56	15	15.46	30	30.93	11	11.34
Loan repayment is difficult when you obtain loan through group lending	14	14.43	18	18.56	24	24.74	13	13.40	28	28.87

Large amount of money is not granted for group members	48	49.48	32	32.99	7	7.22	6	6.19	4	4.12

Source: Field Survey (2017)

The result in Table 4.3 revealed that 45(46.39%) of the respondents strongly agreed that it is easier to have loan when in a group, 25(25.77%) agreed, 4(4.12%) were neutral, 14(14.43%) disagreed while 9(9.28%) strongly disagreed with the statement. Also, 24(24.74%) of the respondents strongly agreed that interest rate on loan is low when in a group, 31(31.96%) agreed, 9(9.28%) were neutral, 23(23.71%) disagreed while 10(10.31%) strongly disagreed with the statement. Additionally, 23(23.71%) of the respondents strongly agreed that collateral is not required for loan when in a group, 18(18.56%) agreed, 15(15.46%) were undecided, 30(30.93%) disagreed while 11(11.34%) strongly disagreed with the statement. Furthermore, 14(14.43%) of the respondents strongly agreed that loan repayment is difficult when you obtain loan through group lending, 18(18.56%) agreed, 24(24.74%) were neutral 13(13.40%) disagreed, 28(28.87%) Strongly disagreed with the statement. Lastly, 48(49.48%) of the respondents strongly agreed that large amount of money is not granted for group members, 32(32.99%) agreed, 7(7.22%) were neutral, 6(6.19%) disagreed, while 4(4.12%) strongly disagreed with the statement

4.2.3 To examine the effects of Capacity building by microfinance institutions on livelihood in the Bamenda II municipality.

The result is as presented in Table 4.4

Table 4.4 the impact of Capacity building

Capacity building	**SA**	**%**	**A**	**%**	**N**	**%**	**D**	**%**	**SD**	**%**
Trained on inventory management	17	17.53	18	18.56	4	4.12	21	21.65	37	38.14
Trained on cash management	19	19.59	13	13.40	5	5.15	25	25.77	35	36.08
Trained on how to develop a business plan	23	23.71	14	14.43	6	6.19	32	32.99	22	22.68
Trained on leadership	21	21.65	15	15.46	10	10.31	29	29.90	22	22.68
Trained on book keeping	23	23.71	13	13.40	13	13.40	34	35.05	14	14.43

Source: Field Survey, (2017)

The result in Table 4.4 revealed that 17(17.53%) of the respondents strongly agreed that they were trained on inventory management, 18(18.56%) agreed, 4(4.12%) were neutral, 21(21.65%) disagreed while 37(38.14%) strongly disagreed with the statement. Also, 19(19.59%) of the respondents strongly agreed that they were trained on cash management, 13(13.40%) agreed, 5(5.15%) were neutral, 25(25.77%) disagreed, while 35(36.08%) strongly disagreed with the statement. Equally, 23(23.71%) of the respondents strongly agreed that they were trained on how to develop a business plan, 14(14.43%) agreed, 6(6.19%) were neutral, 32(32.99%) disagreed while 22(22.68%) strongly disagreed with the statement. Additionally, 21(21.65%) of the respondents strongly agreed that they have been trained on leadership, 15(15.46%) agreed, 10(10.31%) were neutral, 29(29.90%) disagreed while 22(22.68%) strongly disagreed with the statement. Lastly, 23(23.71%) of the respondents strongly agreed that there were trained on book keeping, 13(13.40%) agreed, 13(13.40%) were neutral, 34(35.05%) disagreed while 14(14.43%) strongly disagreed with the statement.

4.2.4. To assess the standard of living of the beneficiaries

Table 4.5 Standard of living of the beneficiaries

Increase in standard of living	**SA**	**%**	**A**	**%**	**N**	**%**	**D**	**%**	**SD**	**%**
- Increase household income and improved Overall household wellbeing	45	46.39	21	21.65	6	6.19	10	10.31	15	15.46
- Increase in regular consumption and nutritional balance(balance diet)	53	54.64	23	23.71	7	7.22	5	5.15	9	9.28
- Improve household food security status	34	35.05	25	25.77	5	5.15	14	14.43	19	19.59
- Increase in social and leisure engagements	32	32.99	35	36.08	4	4.12	11	11.34	15	15.46
- Increase in property acquisition (land, house, car, bike etc.)	13	13.40	23	23.71	10	10.31	25	25.77	26	26.80

Source: Field Survey (2017)

The result in Table 4.5 revealed that 45(46.39%) of the respondents strongly agreed that they experienced increase household income and improved Overall household wellbeing, 21(21.65%)

agreed, 6(6.19%) were neutral, 10(10.31%) disagreed while 15(15.46%) strongly disagreed with the statement. Also, 53(54.64%) of the respondents strongly agreed that they experienced increase in regular consumption and nutritional balance (balance diet), 23(23.71%) agreed, 7(7.22%) were neutral, 5(5.15%) disagreed while 9(9.28%) strongly disagreed with the statement. Equally, 34(35.05%) of the respondents strongly agreed that they experienced improve household food security status, 25 (25.77%) agreed, 5 (5.15%) were neutral, 14(14.43%) disagreed while 19(19.59%) strongly disagreed with the statement. Additionally, 32(32.99%) of the respondents strongly agreed that they experienced increase in social and leisure engagements35 (36.08%) agreed, 4(4.12%) were neutral, 11(11.34%) disagreed while 15(15.46%) strongly disagreed with the statement. Lastly 13(13.40%) of the respondents strongly agreed that they experienced increase in property acquisition (land, house, car, bike etc.), 23(23.71%) agreed, 10(10.31%) were neutral, 25(25.77%) disagreed while 26(26.80%) strongly disagreed with the statement.

4.2.6: To assess access to education of the beneficiaries of microcredit

Table 4.6 Access to education of the beneficiaries of microcredit

Better access to Education	**SA**	**%**	**A**	**%**	**N**	**%**	**D**	**%**	**SD**	**%**
Easy access to schools	56	57.73	21	21.65	8	8.25	5	5.15	7	7.22
Affordability of school books	42	43.30	31	31.96	3	3.09	11	11.34	10	10.31
Affordability of school fees	37	38.14	35	36.08	7	7.22	12	12.37	6	6.19
Affordability of school uniforms	26	26.80	43	44.33	5	5.15	16	16.49	7	7.22
Affordability of other school requirement and activities	35	36.08	44	45.36	4	4.12	5	5.15	9	9.28

Source: Field Survey (2017)

The result in Table 4.6 revealed that 56(57.73%) of the respondents strongly that there is easy access to schools, 21(21.65%) agreed, 8(8.25%) were neutral, 5(5.15%) disagreed while 7(7.22%) strongly disagreed with the statement. Also 42(43.30%) of the respondents strongly agreed that there is affordability of school books, 31(31.96%) agreed, 3(3.09%) were neutral, 11(11.34%) disagreed while 10(10.31%) strongly disagreed with the statement. Equally 37(38.14%) of the respondents strongly agreed that there is affordability of school fees, 35(36.08%) agreed, 7(7.22%)

were neutral, 12(12.37%) disagreed while 6(6.19%) strongly disagreed with the statement. Furthermore, 26(26.80%) of the respondents strongly agreed that there is affordability of school uniforms, 43(44.33%) agreed, 5(5.15%) were neutral, 16(16.49%) disagreed while 7(7.22%) strongly disagreed with the statement. Lastly 35(36.08%) of the respondents strongly disagreed with the statement. Lastly 44(45.36%) of the respondents strongly agreed that affordability of other school requirement and activities, 4(4.12%) were neutral 5(5.15%) disagreed while 9(9.28%) strongly disagreed with the statement.

4.2.7: To assess access to health care of the beneficiaries of microcredit

Table 4.7 access to health care of the beneficiaries of microcredit

Better access to health care	**SA**	**%**	**A**	**%**	**N**	**%**	**D**	**%**	**SD**	**%**
- A favorable change in the health situation in the family	36	37.11	31	31.96	7	7.22	14	14.43	9	9.28
- Easy access to health facilities	36	37.11	46	47.42	5	5.15	4	4.12	6	6.19
- Decrease in regular illnesses	25	25.77	32	32.99	14	14.43	17	17.53	9	9.28
- Easy access to quick medication	43	44.33	41	42.27	4	4.12	5	5.15	4	4.12
- Increase in regular Hospital checkup	33	34.02	36	37.11	12	12.37	4	4.12	12	12.37

Source: Field Survey (2017)

The result in Table 4.7 revealed that 56(57.73%) of the respondents strongly that there is easy access to schools, 21(21.65%) agreed, 8(8.25%) were neutral, 5(5.15%) disagreed while 7(7.22%) strongly disagreed with the statement. Also 42(43.30%) of the respondents strongly agreed that there is affordability of school books, 31(31.96%) agreed, 3(3.09%) were neutral, 11(11.34%) disagreed while 10(10.31%) strongly disagreed with the statement. Equally 37(38.14%) of the respondents strongly agreed that there is affordability of school fees, 35(36.08%) agreed, 7(7.22%) were neutral, 12(12.37%) disagreed while 6(6.19%) strongly disagreed with the statement. Furthermore, 26(26.80%) of the respondents strongly agreed that there is affordability of school uniforms, 43(44.33%) agreed, 5(5.15%) were neutral, 16(16.49%) disagreed while 7(7.22%) strongly disagreed with the statement. Lastly 35(36.08%) of the respondents strongly disagreed with the statement. Lastly 44(45.36%) of the respondents strongly agreed that affordability of other school requirement and activities, 4(4.12%) were neutral 5(5.15%) disagreed while 9(9.28%) strongly disagreed with the statement.

Regression analysis

4.3.1 Model I: To test the relationship between microfinance activities on the livelihood of the beneficiaries in terms of standard of living.

The result is presented in Table 4.8

Table 4.8 Regression results of the relationship between microfinance activities and household livelihood interns of stand of living

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	4.261	1.449		2.940	.004
	Loans	.308	.040	.396	7.626	.000
	Group lending	.178	.128	.057	1.391	.165
	Capacity building	.689	.089	.413	7.711	.000
a. Dependent Variable: Standard of living						

R^2 = 0.67

AdjR^2 =0.58

F –statistics =116.308

Table 4.8 revealed an R^2 value the coefficient of multiple determinant of 0.67. This implies that about 67 per cent variation in household livelihood of small scale farmers in terms of standard of living is caused by changes in microfinance activities of loans, group lending and capacity building. Thus the remaining 33 per cent changes in household livelihood is caused by other variables not shown in the equation but represented by the error term. The Adjusted R^2 value of 0.58 implies that the model is 58 per cent goodness fit. The F-value of 116.308 which is significant at 0.05 level of significance implied that there is a significant relationship between microfinance activities of group lending, loans and capacity building and the household livelihood in terms of standard of living

The estimated coefficients for loans, group lending and capacity building are positive. This means that there is a direct relationship between these variables and household livelihood in terms of standard of living. These results are in order with economic theories and are significant at 1% level of significance.

4.3.3 Model II: To test the relationship between microfinance activities on the livelihood of the beneficiaries in terms of access to education.

The result is presented in Table 4.9

Table 4.9 Regression results of the relationship between microfinance activities and household livelihood interns of Access to education

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	7.507	1.480		5.072	.000
	Loans	.144	.041	.252	3.493	.001
	Group lending	.177	.130	.077	1.360	.175
	Capacity building	.036	.091	.029	.395	.693
a. Dependent Variable: Access to education						

R^2 = 0.46

AdjR^2 =0.40

F –statistics =10.096

Table 4.9 revealed an R^2 value the coefficient of multiple determinant of 0.46. This implies that about 47 per cent variation in house hold livelihood of small scale farmers in terms of Access to education is cause by changes in microfinance activities of loans, group lending and capacity building. Thus the remaining 33 per cent changes in household livelihood is caused by other variables not shown in the equation but represented by the error term. The Adjusted R^2 value of 0.40 implies that the model is 40 per cent goodness fit. The F-value of 10.096 which is significant at 0.05 level of significance implied that there is a significant relationship between microfinance activities of group lending, loans and capacity building and the household livelihood in terms of Access to education The estimated coefficients for loans, group lending and capacity building are positive. This means that there is a direct relationship between these variables and household livelihood in terms of Access to education. These results are in order with economic theories and are significant at 1 per cent level of significance.

4.3.4 Model III: To test the relationship between microfinance activities on the livelihood of the beneficiaries in terms of access to health care.

The result is presented in Table 4.10

Table 4.10 Regression results of the relationship between microfinance activities and household livelihood interns of Access to healthcare

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	7.231	1.295		5.584	.000
	Loans	.397	.038	.474	10.444	.000
	Group Lending	.217	.088	.152	2.456	.015
	Capacity Building	Loans	Loans	Loans	Loans	Loans
a. Dependent Variable: Access to health care						

R^2 = 0.635

AdjR^2 =0.632

F –statistics =182.201

Table 4.10 revealed an R^2 value the coefficient of multiple determinant of 0.635. This implies that about 63.5 per cent variation in house hold livelihood of small scale farmers in terms of Access to healthcare is cause by changes in microfinance activities of loans, group lending and capacity building. Thus the remaining 33 per cent changes in household livelihood is caused by other variables not shown in the equation but represented by the error term. The Adjusted R^2 value of

0.632 implies that the model is 63 per cent goodness fit. The F-value of 182.201which is significant at 0.05 level of significance implied that there is a significant relationship between microfinance activities of group lending, loans and capacity building and the household livelihood in terms of access to healthcare. The estimated coefficients for loans, group lending and capacity building are positive. This means that there is a direct relationship between these variables and household livelihood in terms of Access to healthcare. These results are in order with economic theories and are significant at 1 per cent level of significance.

4.4 Discussion of findings

The Findings of the demographic distribution states that according to the sample size of 97 clients, 38(40.21) % where males and while 58(59.79) % females. This is supported by a study carried by Chenaa & Kimengsi (2017) and found out that they are more females than males. The study revealed that most of the farmers felt in the ages range 23-33 34(35.05%). This is collaborated by Toh, (2013). Finally according to educational qualification 11(11.34) % had the FCLS secondly 27(27.84) % had O level and lastly 24(24.74) % had A level, all related to the clients.

The findings of research hypothesis one of this study revealed that there exist a significant relationship between loans given by the credit union and livelihood of small scale farmers who are members of the MFI. The findings of this study is in line with the finding of Singh and Gilman, (1999) posited that there exist a significant influence of loans given to customers on the livelihood of the customers. The finding is also collaborated by Besong, (2010).

The findings of the second objective revealed that there exist a significant relationship between group lending and the livelihood of small scale farmers in Bamenda Municipality. This finding is in agreement with the findings of (Murray, and Boros, 2002) who in their study discovered that there exist a significant influence of group lending and the livelihood of the beneficiaries of the loans. This finding is also in line with the findings of (Lucas, 2008) who found out that there exist a significant relationship between group lending and poverty alleviation

The findings of research hypothesis three revealed that there exist a significant relationship between capacity building and the livelihood of small scale farmers in Bamenda Municipality. This finding is in agreement with the findings of (Bennett, 1997) who found out that there exist a significant influence of capacity building adopted by microcredit institutions and the livelihood of their members. This finding is also in order with the findings of (Legerwwod, 1999) who discovered that one of the best way to improve the livelihood of the members.

4.5 Implications of the findings

The demographic distribution revealed that majority of the clients where women which was 58 and ages ranging from 26-33 which were 34 and most of them were married which were 54 and most of them had O level of education qualification, implying that more attention of microfinance activities should be focused on Women since they are vulnerable in the society been that the cannot own land, make family decisions and actually don't get involved in society. Which call for attention of microfinance activities to focus on Women in the Bamenda community.

The finding of objective one of this study revealed that there exist a significant influence of microcredits on livelihood improvement small scale farmers in the Bamenda II municipality. This implies that when credits are given out properly, easily and favorably, it will improve access by small farmer to acquire credits to buy inputs leading to increase productivity. This productivity in many ways transform to improved livelihood of the farmers.

The findings of research objective two of this study revealed that there exist a significant influence of Capacity building on the livelihood improvement of small scale farmers in Bamenda II municipality. Not all microfinance institution carry out capacity building activities. The results implies that securing loan in itself those not translate to livelihood improvement. Have the adequate knowledge, skills and ability to invest properly and efficiently have implications for livelihood improvement. Consequently, MFIs should trained their clients on how to choose the right investments and how to effectively allocate funds. This will ensure that the farmers get in to commercial or income generating activities. When the activities of the farmers are sustainable, it will guarantee to an extend income and food security and will improve on the loan repayment rate.

The findings of research objective three of this study revealed that there exist a significant influence of Group lending on livelihood of small farmers in Bamenda II municipality. This implies that it is easy to pull resources in a group than as individuals. Microfinance institutions should encourage the creation of groups by small farmers and others to form registered cooperative which is in line with the degree of 1992 giving freedom of association to cooperatives and CIGs. This will reduce credit risk and default rates by the clients. This will encourage purchase of credit will available collateral which in this case can be provided through group guarantor as a result of social trust. This will help the farmers improve upon their livelihood by expanding the scope of their activities

4.6 Limitations of the study

Firstly, this study is limited regarding its respondents and organization. By this, only a few number of respondents were selected for the study. Moreover, also, only a particular group of respondents who applied to the study were used.

Also, the busy schedule of respondents made the collection of information a difficult one. Again, their bias and hesitations affected the analysis of the survey in a significant manner. Due to the unwillingness of providing information, respondents filled the questionnaires casually which might have affected the conclusions.

The researcher received no financial assistance from any institution but incurred a significant cost that chocked the research process. Some appointments were missed because respondents were either not on seat or attending other meetings. These appointments could not be made up for because of financial constraints on the researcher’s part. Nevertheless, every appointment missed was made up for, by following up for another appointment at the convenience of the respondent.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The main aim of this study was to access the impact of microfinance activities on the livelihood of small scale farmers in Bamenda II municipality. The Bamenda police credit union headquarters Bamenda II was chosen for the study in the district. Also the study sought to find out the factors that affect access to microfinance activities and its impacts on livelihood of small scale farmers. After a careful analysis of data collected for the study, the following are the summary of the major findings.

The demographically that majority of the clients where women which was 58 and ages ranging from 26-33 which were 34 and most of them were married which were 54 and most of them had O level of education qualification. Based on the statistical analysis carried out on the objectives and hypothesis of this study, the following findings were made:

- Objective one states that, there exists a significant influence of loans given by the credit union on livelihood of their members (small scale farmers) of BAPCUUL in the Bamenda II Municipality.
- Objective two states that, there exist a significant influence of group lending on the livelihood of the small scale farmers of BAPCCUL in Bamenda II municipality.
- Objective three states that there exist a significant relationship between capacity building and the livelihood of small farmers of BAPCCUL in Bamenda II municipality

5.2 Conclusion

The study was to identify changes that result from an implementation of microfinance activities on the livelihood of small farmers in the study area. It is worthy to note that an impact assessment methods was employed to establish plausible association between changes experienced and participation in the activities. In reality, however, other factors intervene to influence the impacts for example, gender, role of farming incomes in the household and location of the farms.

The findings therefore suggest that the livelihoods of households within the Bamenda II municipality been improved. They can now to an extend access healthcare, cater for basic necessities even done some challenges prevail. It should however be emphasized that the use of microfinance alone as a tool for livelihood enhancement cannot achieve much if the fundamental causes of poverty are not directly addressed. Therefore, to achieve the maximum impact of Microfinance activities by the MFIs, it is important for the government and stakeholders to focus on developing efficient legal institutions and the necessary infrastructure such as good roads, affordable health care, affordable schools and accessible market centers. Moreover, they should improve macro-economic policies and the regulatory framework which would make the financial system function effectively and efficiently.

Finally, availability and accessibility of Microfinance Institutions (MFIs) is defiantly in a positive way of bringing a revolution not only in their lives of the poor farmers but also in the society. The dream of a healthy and educated society and high or moderate living standards with no discrimination and biased can be achieved through available and accessible credit (Loans). The hope of a life that no one will sleep hungry, no one will die due to lack of medication, assess to pipe bone water and our children can read and write on their own then everyone will be the pillar of the society. If these are done then one can conveniently conclude that there is livelihood improvement.

5.3 Recommendation of the Study

To the small scale farmers:

Given the Challenges the small farmers face for instance lack of collateral security to acquire credit lack of involvement in group which will better give them access to loans and also limited involvement in capacity programs. In line with the above challenges it will be recommended that; Schemes should be created to easily access loans by small farmers which require little or no collateral security but full guarantee of repayment.

Secondly Small farmer clients should involve their selves in groups to be able to access loans easily in high amounts without high securities. More illiterate small farmers need to be sensitized and psyched on capacity building programs up through financial literacy campaigns so as to change their negative perceptions of borrowing from the MFIs.

To the Microfinance institutions:

The study reveal that most of the farmers perceived that the credit given to them is not large enough to improve the livelihoods of farmers. It therefore recommended that microfinance institutions should increase their loan threshold. An increase in loan threshold under monitoring will have a greater multiplier effect on farmer's income through profits from income generating activities. Even though the current threshold improves profit, the margin is not enough to have the expected impact on the lives of small farmers

These agencies should strengthen their collaboration with one another. Financial literacy will empower small farmers as it will make them understand financial service requirements better and improve their ability to obtain full amount of loan applied for and take advantage of savings and other microfinance services.

To the Government:

The Government as the key stakeholder's involved in the General policy by building empowerment of the microfinance institutions to improve financing capacity, extend outreach to deprived communities to improve livelihood and enhance economic development in the country. Also initiate policies like improvement of infrastructure like roads and other facilities to make assess to MF activities easy. There should be intensification of capacity building programs for adults being run by the non-formal Education Division of the Ministry of Education; together with the Association MFIs and agricultural extension services.

5.4 Suggestions for Further Research

The current study was based on small sample size taken from only few farmers Bamenda II municipality. Therefore, the results cannot be generalized to other districts in the Northwest region and Cameroon at large especially in the analytical terms. Further research done on a bigger scale with large sample size could shed light on how microfinance activities affect the livelihood of small farmers

The current study did not consider the reasons of motivation to join the microfinance program. Another area that has not been investigated is the difficulties that the borrowers face to repay the loan. These areas deserve to be studied by future researchers in the field.

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APPENDIX

PAN AFRICAN INSTITUED FOR DEVELOPMENT WEST AFRICA PAID-WA BUEA

DEPARTMENT OF BUISNESS MANAGEMENT STUDIES

I am studying for a Bachelor's Degree Program at Pan African Institute for development West Africa studying accounting and Finance. I have designed the following questionnaire for the study of the "Impact of Microfinance activities on household livelihood improvement". Which required for the thesis work as an integral part of the study.

It would be highly appreciated if you fill this questionnaire. It will take approximately 20-25 minutes. I expect your kind cooperation in this respect. All information provided in this study will be treated as confidential and your anonymity is assured.

Section A: Questionnaires for the clients of MFI

Personal Information

1.Respondent'sName(optional) ………………………………………………………………

2. Sex Male [ ] Female [ ]

3. Age 18 to 20years [ ] 21 to 25years [ ] 26 to 30years [ ] 31 to 35years [ ] 35years and above [ ]

4. Marital Status (1) Single [ ] (2) Married [ ] (3) Divorced/Separated [ ] (4) Others [ ]

5. Educational background (1) illiterate [ ] (2) Primary [ ] (3) O' Levels [ ] (4) A' levels [ ] (5) BSc Degree [ ] (6) Master's Degree [ ] (7) Others specify…………………………………

6. How did you know about Microfinance institutions (MFI)?

(a) From a: (1) friend [ ] (2) Customer [ ] (3) Relative [ ] (4) Advertisements/promotions [ ] (b) Proximity to: (1) Home [ ] (2) Business [ ]

7. Which of these products attracted you to join the MFI? (1) Savings [ ] (2) Credit [ ] (3) Insurance [ ] (4) Payment Services [ ]

8. Which Economic activities are you involved in? (1) Farming [ ] (2) Small Business [] (3) others…………………………………………………………

The numbers of following table indicates the degree of satisfaction or agreement level (on a scale of 1-5*) of the household or a person after he or she has received loan from a microfinance institution. Please write the number, which accurately reflects your opinion

Section B: Microfinance Activities

Items	Likit scale				
	Strongly agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly disagree (5)
Loans					
-The procedure to obtain the loan easier and given on time					
-The application for loan charges favorable					
- The rate of interest is reasonable					
-The inspection fee reasonable has an advantage on Loan utilization					
- Supervision on loan recovery too strict by MFIs staff					
-The loan assistance given by MFIs helpful to run your business					
Group lending					
- Easier to have loan when in a group					

- Interest rate on loan lower when in a group					
- Collateral not required for loan when in a group					
- Loan repayment is difficult when you obtain loan through group lending					
- Large amount of money is not granted for group members					
Capacity Building					
- Trained on inventory management and book keeping.					
- Trained on cash management					
- Trained on how to develop a business plan					
- Trained on leadership					

Section C: Livelihood Improvement

Items	Likit scale				
	Strongly agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly disagree (5)
Increase in standard of living					
- Increase in regular consumption					
- Increase in nutritional balance(balance diet)					
- Increase in maintenance of basic household consumption (Electricity, water, cloths etc.)					

-Increase in social and leisure engagements					
- Increase in property acquisition (land, house, car, bike etc.)					
WASCH					
-Easy access to pipe born water					
-Increase in general sanitary condition					
-Increase in cleanliness of environment					
-Improvement in water supply					
Increase in individual sanitary conditions.					
Better access to Education					
- Easy access to schools					
-. Affordability of school books					
- Affordability of school fees					
- Affordability of school uniforms					
- Affordability of other school requirement and activities					
Better access to healthcare					
- A favorable change in the health situation in the family					
- Easy access to health facilities					
- Decrease in regular illnesses					
- Easy access to quick medication					
- Increase in regular Hospital checkup					

Thanks for your Cooperation