Domestic saving mobilisation and small business creation: the case of Cameroon

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Abstract

Promoting savings and providing a basis for lending to the poor is a growing concern in many developing countries. Cameroon has a culture of savings mobilisation known as *njangi/tontine*. The *njangi* is contributions given to members in a rotating form at the end of every sitting, and *tontine* is voluntary savings held by the group. This study reveals that *njangi/tontine* groups only lend money to group members and suggests that a micro village bank known as MC2 could be used as guarantor to ensure that group monies lent to non-group members are repaid. Encouragement and improvement in the function of such voluntary savings could promote the creation of small businesses in the country. The Cameroonian government needs to improve fighting corruption and a functional justice system to ensure security.

JEL E21, O13, G31

1 Introduction

According to Taylor (1992) a great idea is a vital but not the only element of successfully starting and operating a business. It takes money to get started, and knowledge and skills to keep going. Small businesses are traditionally regarded as poor credit risks by commercial banks because of their lack of collateral and the difficulty of collecting reliable information on credit worthiness (Schenk, 2004).

Informal, voluntary-saving mobilisation and credit facilities dominate the Cameroonian financial market. An estimated 70 per cent of the total money supply in the country is held outside the banks in *njangi/tontine* houses. *Njangi/tontine* is therefore of crucial importance to the people as it provides them with finances for both consumption and small business creation. All big entrepreneurs in the country are thought to have acquired their business start capital from *njangi/tontine*. In Cameroon, those in positions of power are able to concentrate millions of local francs through *njangis* to pursue their business careers. According to Ardener and Burman (1995), these early successful self-made entrepreneurs who started saving through *njangis* built up diversified businesses and investments through many years of investing their returns in market activities or trading, but nowadays qualified businesspersons use government salaries and other forms of disposable income to invest regularly in high-contribution *njangis* for short-term business purposes.

The World Bank Report (2001) Cameroon is classified amongst the most poverty-ridden countries in the world. In 2000 it had a negative growth rate in GDP and the situation has since worsened. The Structural Adjustment Programme (SAP) implemented in 1993-4 has led to a massive lay-off of civil servants, followed by a cut in civil servants' salaries by 70 per cent in 1993-4. There was also a 100 per cent devaluation of the CFA franc in 1994, with serious consequences including rising prices and higher cost of living which further aggravated the situation. The people are generally hampered by the lack of finance necessary for creating sustainable income-generating activities to ameliorate their state of poverty. To combat this, the people have to save all available capital for petty and small businesses.

This study looks at the organisation, functioning and contribution of sources of funds available to petty and small businesses in Cameroon. From the results, recommendations are made to enhance the available sources.

Denis and Mihov (2003) identify three sources of funds for businesses, namely banks, private lenders and public debt in the form of shares. The five sources of finance available for small business funding in Cameroon are:

- commercial banks;
- Credit Union;
- micro-finance institutions; and
- *Mutuelles Communautaire de Croissance* micro-banks (MC2); and
- *njangi/tontine*.

Many small businesses in Cameroon have a financial structure dominated by group savings, since more than 70 per cent of the Cameroon population live in the rural areas with no access to banks and other foreign financial institutions. *Njangi/tontine* groups in the rural areas contribute less money than those in the urban areas. Each of the five capital sources common in Cameroon can now be discussed in more detail.

1.1 Common sources of funding in Cameroon

1.1.1 Commercial banks

Travelling to areas where commercial banks are located is costly. In Cameroon, the use of banks by petty and small businesses is not common due to lack of collateral and poor bookkeeping. Also, the practice of shares is not yet common in the society. Thus, small and petty businesses depend on private lenders. The commercial banks' interest rate is 18 per cent.

1.1.2 Credit union

Credit Union derives its capital from group savings and individuals. It is organised as a bank, with many mini-banks and one head office. It gives loans to its members, and loan approvals take time. The interest rate is 10-12 per cent.

1.1.3 Micro-finance institutions

Micro-finance institutions operate in a few areas and give loans for petty businesses. Their interest rates are 12 per cent (10 per cent in ten months).

Mutuelles Communautaire De Croissance Micro Banks (MC2)

MC2s are an innovation started by CCEI bank (now called First Afrilands Bank) in the 1990s. The MC2s are strictly based in the rural areas of the country. Their capital is derived through the sales of shares to people in the communities where the various branches are located. The objective is to accumulate capital and issue loans to all types of businesses (petty, small and big businesses) and in the short, medium and long term in the rural areas. The interest rate is 10 per cent. Interest generated from loans issued is divided into three parts, 50 per cent for community development, 25 per cent as savings and 25 per cent paid out as dividend to share holders. The people of the community control the operation because it is their collective effort, and the survival of a community lies in its ability to save and pursue income generating activities (Fokam, 1998).

MC2 can be seen as a complement to the *njangi/tontine* savings culture, existing in the society in a scientific and technologically oriented age. It is said to link shareholders to the international banking system through its parent bank, First Afrilands Bank. Although it also gives loans only to its customers, it has a large capital base because it involves many people.

Njangi/tontine

Cameroon has a culture of savings mobilisation where people form small groups, usually based on ethnicity, profession, neighbourhood or friendship and save by the week or month. This culture is known as *njangi/tontine*, and has two parts. *Njangi* is the contribution given to members on a rotating basis and *tontine* is the accumulated sum available as loans for members. A Cameroonian individual commonly belongs to at least one or more *njangi/tontine* groups. Some groups can generate between 5,000–100,000,000 francs CFA (£1000-

£100,000) fortnightly or monthly in their various groups on average. This system is not different from the start of modern banking. Saving banks were retail finance institutions organised as mutuals owned by depositors and generally operate through democratic guidelines (see Batiz-Lazo, 2004). The *njangi/tontine* system is a growing saving system situated outside conventional banks. It existed in the culture from before the colonial period, which began in 1884 (see Ardener & Burman, 1995). People realised that cooperation was the only way to overcome the individual problems they were facing in all areas of life.

The functioning of the *njangi/tontine* system can now be discussed in a little more details (the functioning of the other sources of funding listed above will be explored later). It can be postulated that:

H1: The sustainability of *njangi/tontine* is positively linked to its cultural connotations.
H2: The development of small businesses in Cameroon is positively linked to njangi/tontine savings.

A research project by Fokam (1998) suggests that the classical economic theory which holds that the poor are unable to carry out any investments does not seem to be true. Low savings in Africa are not due to lack of knowledge but to lack of motivation and enlightenment. The problem according to Fokam is that policies have not been oriented toward encouraging increased savings and investment in income generating activities. The macro-saving, borrowing and lending institutions existing in the society have constantly been failing, thus creating the feeling of insecurity.

The composition and guiding principles of the groups can now be discussed. Group saving is rooted in many theoretical grounds. Portes (1998) argues that the concept refers to dense interlocking networks of relationships between individuals and groups. Putnam (1995) sees it as grounded on trust, norms and networks that can improve the efficiency of society by facilitating co-ordinated actions that enable participants to act together effectively to pursue shared objectives. Saving that enables the creation of small business cannot be generated by individuals acting in isolation; it depends on a proclivity for sociality. Fukuyama (1995) sees it as a capacity to co-operate within the terms of reference established.

Table 1
Guiding principle and disciplinary mechanism of the *njangi/tontine system*

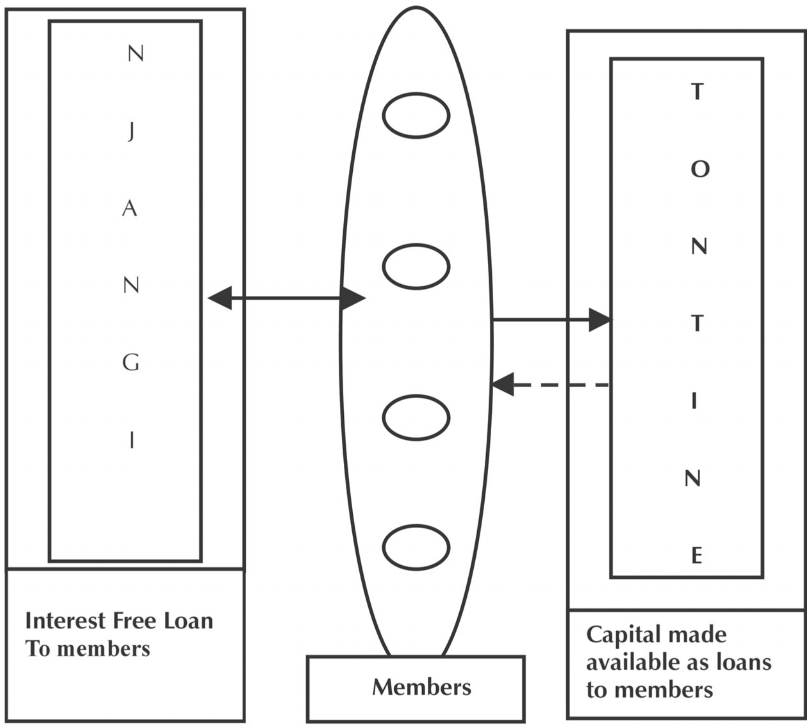
Trust	**Sanctions**	**Moral based** Rhetoric and social bonding
Default	**Defective** Property right	**Naivety** Outcast in society
High trust	Legality	Sense of belonging
High default	Jungle law	High trust

Source: Idea from Casson, 1997 Dis, Department of Econs/Mgt, University of Reading: with modifications

The organisational pattern is very informal, with few executives responsible for record-keeping (see Figure 1). Groups tend to be made up of persons of the same profession and trade, because working with peers, professional colleagues, neighbourhood friends and, most of all, people of the same ethnicity fortifies a sense of belonging, enhances self-confidence, strengthens trust, ensures continuous contribution and guards against conflicts that can arise from status exhibition. The level of education of group members is also often a group-building criteria, but this is not overtly owned. In forming such a group, identity as self-efficacy is considered an important factor in constructing boundaryless careers (see Baker & Aldrich quoted in Sejenova, 2005). Also, according to Bryson *et al*. (2004: 270), *"we are not beings of pure logic and our relationships, decisions and commitment are more often than not heavily influenced by our emotions"*. Therefore, we can postulate that:

H:3 *Njangi/tontine* savings is positively linked to self motivation.
Figure 1 illustrates the functioning of *njangi/tontine*.

Figure 1
The functioning of *njangi/tontine*



Key:

Rotating beneficiaries

Tontine contribution

Borrowing from *tontine*

The *njangi* is the rotating accumulated sum given to individual member at each sitting. The *tontine* is the accumulative savings at every sitting available for lending.

The functioning of the system depends greatly on compliance with unwritten rules. The fear of becoming an outcast from the society means more to group members than that of going to prison. Thus, members face "emotional incentives as well as material ones" (Casson, 1997: 7). The criteria for loan approval are to be a member and to pay your contribution regularly and on time. If a member fulfils all these criteria, a requested loan is immediately disbursed to him/her.

In times of financial difficulty, members can decide to reduce contribution amount or to suspend their *njangi/tontine* and share out the monies, restarting when the situation improves. Ardener and Burman (1995) find this aspect of flexibility interesting, as it indicates determination. According to Light and Gold (2000), the benefit of ethnic-based trust can be attributed to the flexible human relationships in which this trust is embedded. Therefore, we can postulate that:

H4: The sustainability of *njangi/tontine* saving is positively linked to self-motivation and determination.

On the issue of determination, a Cameroon woman who now controls millions of francs describes how she started her business with 5,000 francs (£5). In her own words: "The money you save and employ in business is full of passion and dedication. Nothing can go wrong with that money."

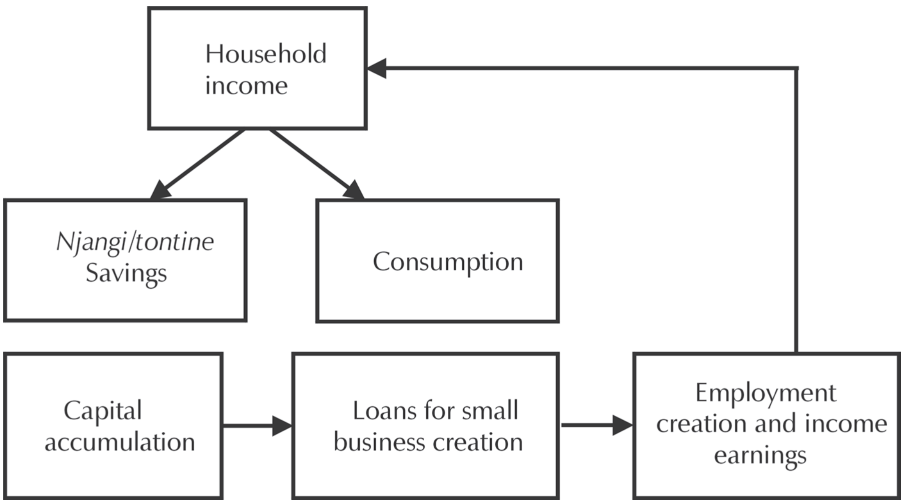
Group members do not lend their monies to non-group members, but instead try to motivate members to create small businesses by levying charges on the interest earned on savings by members who do not borrow. The common practice of restricting lending to members and penalising them for not borrowing suggests that excess demand and supply exist in the *njangi/tontine* system. If a group is to lend monies to non-group members, they require a trustworthy guarantor. How this affects the system and the creation of petty and small business is discussed later.

1.2 The role of domestic savings in national economic development

Savings form the foundations of capital accumulation and economic growth. Investment that ensures economic growth needs continuous capital availability. Sustainable economic development can only take place within a nation if people are sensitised and encouraged to save and invest for future consumption. Such investments cannot be carried out using foreign capital alone. Citizens must be the key participants, and if possible initiators. Malcolm *et al*. (1983) claim that foreigners are inevitably involved as well, but they cannot form the core of the system. Capital accumulation is an important factor that has contributed to growth in the manufacturing sector of many nations in the world (World Bank, 1993; Tham, 1995).

Saving is that part of income that is not spent (see Anderton, 2001). See Table 2.

Table 2
Capital accumulation



As shown in Table 2, households save in *njangi/tontine*, and can also borrow for investment, which creates jobs and allows employed people to earn more income which goes back to the household. Table 2 thus demonstrates the link between resource allocation to consumption and savings to ensure capital availability for small business creation, which brings about economic growth. Such domestically generated capital is important for the long-term survival of small businesses in Cameroon, given the relative lack of financial institutions in the country. Empirical studies into the *njangi/tontine* system suggest that it relaxes the financial constraints of willing investors by making finances easily available thereby, facilitating small business creation (Ardener & Burman, 1995). Therefore, we can hypothesise that:

H5: *Njangi/tontine* saving is positively linked to a reduction in household consumption.

Each country has the primary responsibility for its own development in general. Other nations can only stretch out a helping hand. In the 1970s, the Cameroonian government fought the *njangi/tontine* system, which was seen as competition for the banks in the country, but the system survived. Foreign capital which developing countries have relied on for so long is also generated from households savings through reduction in consumption and not manna from heaven. Thus, it is important that local people realise that their destiny is in their own hands and that the best and most durable solutions to their poverty problem can only come from themselves.

Within the policy environment in Cameroon, all previous financial institutions set up by the government to promote small businesses have failed (World Bank Report, 2001), thus small business development in the country depends first and foremost on *njangi/tontine* and the few micro-finance institutions in the country. The system of *njangi/tontine* has thus become extremely important in promoting the development and growth of small businesses in the country. Without domestically generated capital, petty businesses which keep the body and souls of many people together would suffer.

Thus, the issue of *njangi/tontine* groups not lending monies to non-members is a cause for concern, because monies need to circulate in the society to make capital accumulation meaningful. A lack of trustworthy guarantors causes excess savings to accumulate in some *njangi/tontine* groups with no borrowers because of insufficient demand from group members. *Njangi/tontine* groups are also small businesses and should therefore liaise with other small businesses.

1.3 Summary

Overall then, important points from this discussion of the sources of capital for small businesses in Cameroon can be summarised as follows:

- *Njangi/tontine* groups give loans only to their members;
- Group members are penalised if they do not borrow to invest;
- *Njangi/tontine* saving groups need a guarantor, if they are to lend the savings to non-group members;
- There are four sources of finance available for small businesspersons in the country;
- The interest rates of these sources of finance are: 18 per cent for commercial banks, 10-12 per cent for credit unions, 12 per cent (10 per cent for 10 months) for micro-finance institutions, 10 per cent for MC2 micro banks and 30-60 per cent for *njangi/tontine* groups;
- The functioning of the *njangi/tontine* system relies on trust;
- *Njangi/tontine* lending is mostly in the short-term; and
- The “Weiling Weman Social Gathering” in South Africa practices *njangi*, but not *tontine*;

2 Methodology

Data for this study was collected in Cameroon in early 2004. 275 petty and small business-persons, 25 *njangi/tontine* groups, 5 micro-finance sponsored groups and 4 MC2 micro banks were interviewed face-to-face. The post office could not be used for questionnaires since bad roads make it unreliable, and not everybody has a telephone in Cameroon. Questions focussed on the sources of finance used by petty and small businesspersons.

Of the *njangi/tontine* groups selected for interview, 10 groups were from the poorest class (non-working class), 8 groups from the middle class (working class) and 7 groups from people of high status in the society, to create a balance in the findings.

The views of a women’s group “Weiling Weman Social Gathering” in South Africa on *njangi* were also canvassed in an interview with them in June 2004. They described how they practice *njangi*, but not *tontine*; the group save together, but at the end of each of their regular meetings, the beneficiaries take all their contribution home.

3
Data analysis

The growth of small businesses requires financial resources acquired either in the form of borrowing or of equity from the owner. The final mixture of funds acquired from both debt and equity thus constitutes the business's capital structure (see Peirson *et al*., 2002). Business very often chooses the source that is surest and most sustainable and that has the lowest cost (Frank & Goyal, 2003). *Njangi/tontine* savings groups have enabled the creation of many petty and small businesses by providing finances usually denied to petty and small businesspersons by commercial banks.

A prerequisite for effective investment is finance (capital) and finance can only be generated through savings. According to Robinson (1969: 5), under the capitalist system, anyone who commands sufficient finance and know-how to set about it can become an employer of labour or an entrepreneur. Seen from this perspective, capital becomes the key to entrepreneurial activities, and following the Keynesian savings function, the key exogenous variables are income and a constant propensity to save (Palma 1996: 28).

Sustainability and growth of small businesses in the wake of economic globalisation is likely to largely depend on domestically generated finance, because with globalisation small business start-ups are likely to face greater capital problems than ever before (Ellhood, 2003). Financial institutions are likely to shift finances to high-growth small businesses anywhere in the world, causing capital shortages in many developing countries. Thus, the ability of these countries to generate their own capital "is an independent way of life. It stands for something essential to (their) freedoms" (Enema in Kaplan, 1979: vii). Also, Fokam (1998) points out that donation does not take into consideration contingent processes that can help (or be developed) to assure perpetuity. Moreover, externally generated finance as opposed to finance provided by the owner is supplied by owners of wealth who wish to receive a return on their property without themselves taking an active part in the business (see Robinson, 1969). *Njangi/tontine* groups perform the role suggested by Robinson (1969) in Cameroon.

The unwillingness of the *njangi/tontine* groups to lend their excess savings to non-group members is a cause for concern, and requires great attention from the country's policy makers. The practice of demanding a guarantor before group members lend their monies to non-group members must be well examined by government and the groups given encouragement and support to liaise with other small business groups.

The answers received to the question, "Where do you get your capital from?" from the businesspersons interviewed are shown in Table 3:

Table 3
Sources of funds used by petty and small businesspersons in Cameroon

Sources of finance	Number of individual users	%
Njangi/tontine	225	0.818
Credit union	35	0.127
Micro-finance institutions	15	0.054
Commercial banks	0	0
Total	275	

According to H2: Small business creation in Cameroon is positively linked to *njangi/tontine* savings. From Table 3, we see that despite the high interest rate on *tontine* loans (30-60 per cent), as many as 225 small businesses out of the 275 interviewed get their capital from *tontine* groups. Thus, H2 is accepted. This is an indication that people want to rely on their own effort. In many African countries, ethnic-based trust seems to offer many advantages over the impersonal and legalistic forms of co-operation that underlie modern economic transactions. The accumulation of capital concept argues that, within the limits imposed by the inflation and by international finance, investment determines the rate of accumulation of capital that the system will achieve (Robinson, 1969:

55). This could possibly explain the differences observed between rural and urban savings patterns. Effectiveness, competence and motivation determined whether or not individuals perceive themselves as causal agents in their environments. This concept is central to both historical and contemporary expressions of symbolic interactionism, which have advocated an “active, creative” and agentive view of the self (Svejenova, 2005).

Concerning the choice of funding sources, the pecking-order explanation is that agency costs change for different funding sources and that firms first use sources with the lowest agency cost (Frank & Goyal, 2003) or perhaps the most convenient source. Responses to the question, “Why do you use *njangi/tontine* when the interest rate is so high?” suggest that businesspersons feel that, although the cost of other sources appears lower, it usually turns out to be higher in the long-run due to rent seeking originating, corruption and delays.

Njangi/tontine also provides social capital which is in itself a resource for petty and small business. Social capital is an entity consisting of all expected future benefits derived not from one’s own labour, but from cooperating with other persons (Portes, 1995). By saving, the groups implicitly facilitate potential petty and small business wishes by providing them with both financial capital and social capital (possible business promoters), to ensure business continuity. The interest in the self as an originating agent is not new; the agency theory suggests that debt-choice influences generated by management have always tended to favour capital generated internally to external loans (see Cassar & Holmes 2003).

For instance, the interviews reveal that some abandoned products/resources are again finding their way into use through innovation and investments using loans from *njangi/tontine* groups. Such innovation, according to the interviewees, would be impossible using foreign capital, as donors often have criteria different from those of the people. Many more such recoveries could be made, assuming that policies that encourage the people are put in place by those in power.

The interviews also reveal that excess demand and supply exist within the *njangi/tontine* system. This is said to be a result of group members not lending their savings to non-group members, as mentioned above. The demand for a guarantor before such transaction should be a matter for policy-makers to address. Interviewees say that that the government does guarantee loans to small businesses, but that the institution set up for this purpose (FOGAPE) has become very corrupt and is failing in its duty. Thus, motivating policies are needed to help prevent the accumulation of monies with no investment going on, when money is in great demand.

According to the groups, unborrowed monies are put in a bank current account, not in a saving account because the total sum is brought to every group meeting in cash, so as to be available for members. The groups’ restrictive borrowing principles thus hinder money circulation as well as deprive skilful investors of capital for investment. Also, putting the monies into bank current accounts has three disadvantages, (1) groups pay the bank for keeping their money, since Cameroon banking regulations impose charges on current accounts, (2) interest is lost, and the value of the money depreciates and (3) welfare potential is lost, because willing investors cannot access the money. Bringing the monies to every meeting also exposes the group to frantic attacks by gangsters. In the case of the South African women, taking all their contributions home motivates consumption, and putting it in the bank also disadvantages them in that the banks do not lend monies to people to carry out petty businesses which is what keeps majority of the poor going. Groups also risk missing out on business opportunities because the bank is not likely to immediately lend individuals the money required to exploit a sudden opportunity, whereas spontaneous borrowing is possible in *njangi/tontine* houses. It is widely agreed that open economies generally grow faster than closed economies (European Community, 2001).

By coordinating savings and making them available to willing small businesspersons who badly need capital, the *njangi/tontine* groups could be seen as resource coordinators, since small businesspersons coordinate resources and make them available for other uses (Casson, 1997). Playing this role implies that there are no restrictions and the savings generated are freely accessed by all willing investors. The push on group members to borrow by charging interest earned on their savings could motivate a higher propensity to consume, thus creating a distinct bias toward saving. *Njangi/tontine* saving groups are themselves small businesses and should endeavour to link their activities to other small business groups through lending, as mentioned above.

The question, "Why do you not lend unconsumed monies to non-group members who have good investment opportunities, but choose to bank it in current accounts?" elicited the following answer:

> We do regret the fact that the savings generated are very often not put to more profitable use, being kept in non-interest yielding accounts. The system makes it impossible for us to do otherwise. We do not get the support we expect from the government in terms of security and encouragement. It should also be pointed out that we do not save this money because we have too much of it; rather, it is a sacrifice. We are interested in doing business, and that is why we restrict our own level of consumption in order to save. But the system seems not to appreciate and encourage such endeavours. In fact, what drives us to save is the fact that it is part of our culture, thus we are self motivated to continue the tradition.
>
> The government itself is unable to provide small businesspersons with the money they need for start-up capital. We know that many people need capital to start small businesses, hence the sacrifice. As long as we find government policies unfavourable to us, we cannot lend our monies to non-group members. We do encourage our members to go into small businesses and some are responding positively; we hope many will follow.
>
> We can only trust our own members because we can discipline them in our own ways. A non-member will borrow the money, and may never repay. Sometimes the person who gives collateral turns around and reports you for theft or stigmatises you as 'opposition', and you, the lender, can be intimidated or even thrown into prison in cases where the borrower has a politically influential relative or friend and that will be the end of the money.

Six important views are raised in this response. These are:

- the influence of culture on creativity and sustainability,
- the influence of self motivation,
- lack of finance,
- lack of trust in the government,
- the politicising of small businesses, and
- corruption.

Also, this response supports hypotheses H1, H3 and H4. It also supports H5, which suggests that *njangi/tontine* saving is positively linked to a reduction in household consumption.

Group members also say that, although they are sometimes forced to put monies in current bank accounts, they do so at a very high risk. In the words of one, "It is the banks' behaviour that has helped to strengthen the functioning of *njangi/tontine* in the country. Being cultural, we know ourselves." Other responses reveal that banks operating in the country close down every so often, sometimes with very short notice to customers, with the result that many customers lose their monies; when many banks closed in the mid 1990s many people were paid their principal savings with no interest after more than two years (World Bank report, 2001). Also, some interviewees cite times when the banks are instructed by the government to serve customers with not more than £25 at a time, and complain that the government has never made any statement explaining the reasons for this restriction. *Njangi/tontine* members are therefore sceptical about using the banks as mediators.

To the conditional question, "If you can take the risk of putting your monies into a current bank account, why can you not take the same risk and lend it to non-group members and spread the risk?" the following answer was made:

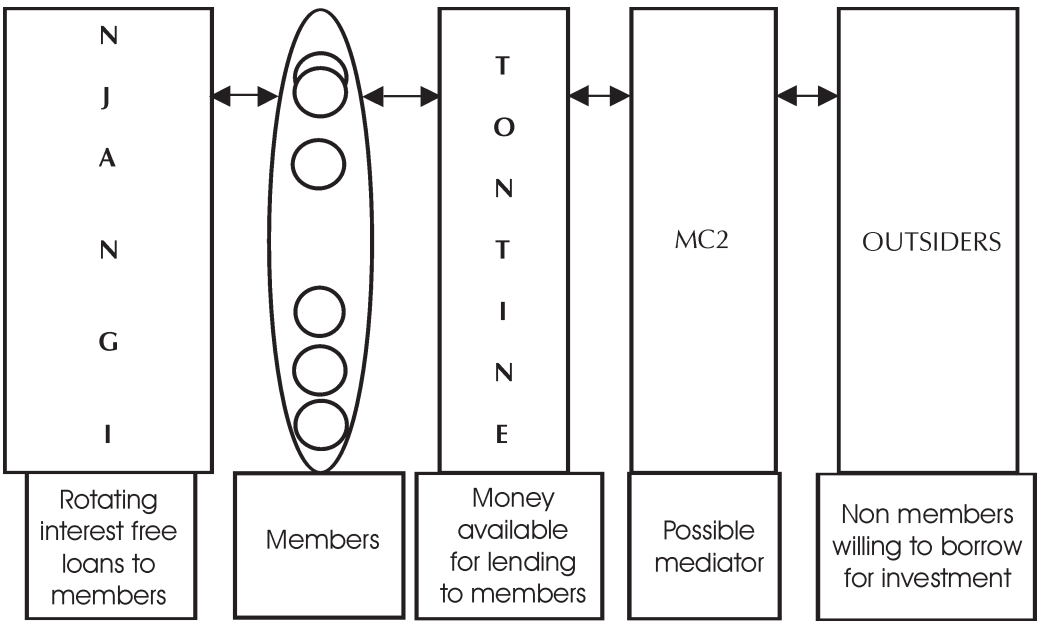
> There have been instances where collateral is accepted, and the owner turns around and reports theft or blackmail, and judgement is passed in the favour of the claimant, so that the *njangi/tontine* groups lose their money. Members are therefore very sceptical about accepting collateral, given the high level of corruption in the country.

This practice of excluding non-group members as a precautionary measures to safeguard savings is not inexplicable, since "initiatives in commerce or in manufacturing at first [represent] essentially a defensive strategy" (Bull & Corner, 1993: 86). The problem here is the risk of non-repayment. Research reveals that in the case of default, the lender suffers both intimidation and loss of the sum lent.

Further consideration of this refusal by *njangi/tontine* groups to include non-members reveals a consciousness of the future. Rationally, an entrepreneur faced with alternatives chooses the action that maximises his/her wealth (Hargreaves, 1989). Therefore, a policy that ensures the security of the group's savings is needed to encourage the groups to liaise with other small business bodies. Also, helping groups to take a strategic decision to lending more widely would do away with some of the obstacles that constrain business undertakings in Cameroonian society, making the government and the *njangi/tontine* groups more respected by society.

Risks come in different categories, according to the action required to manage them: some require government policy and others require action by businesspeople. Government action is outside the control of individual group members, implying that their rational choices are bounded (Simon, 1982). Nevertheless, to maintain the value of their money, they have to explore the possibility of lending their excess savings to non-group investors if the money is "to be redeemable at par" (White, 1991: 208). On this issue of waste, the question, "Which financial body among those available to you in the country do you see as reliable for you to use as a guarantor?" elicited an answer in favour of MC2 from 23 out of the 25 groups interviewed. This result suggests that if lending to non-group members should even become more widespread, the structure of *njangi/tontine* groups can in future take the form shown in Figure 2.

Figure 2
The possibility of using conduits

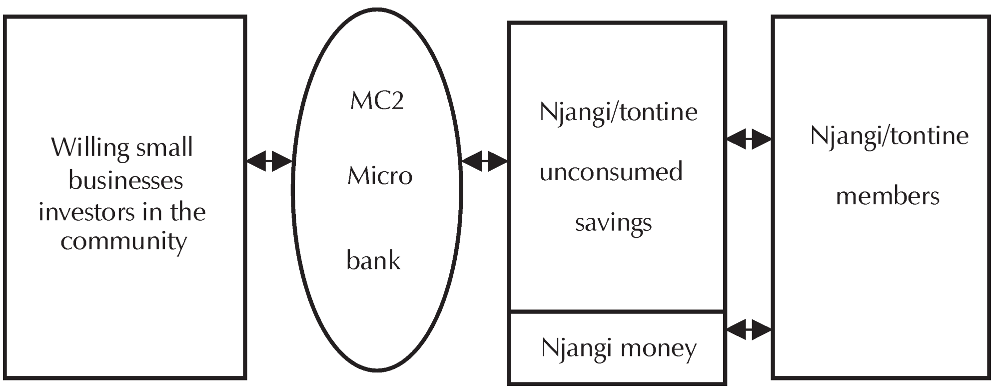


The commercial bank was rejected by all 25 groups because of the high level of corruption in the country. The Credit Union was rejected by 22 groups out of 25 (88 per cent) because it already represents other *njangi/tontine* groups. Micro-finance institutions were rejected as foreign, and also because they too become corrupt when they enter the country. According to Thillairajahs (1994), many government-sponsored projects have failed; he describes state-financed African DFIs as having a 100 per cent failure rate. Almost invariably, the rich or the chain of bureaucracy capture any proffered subsidy rather than the poor.

MC2 is widely accepted as a guarantor because it mobilises the community's financial resources and functions in the interest of the people in a community. According to the groups, the advantages of using the MC2 bank include its larger customer base, its local nature and its ability to encourage people of the same community to mobilise capital for larger long-term business undertakings. The proximity of *njangi/tontine* groups to the people encourages regular savings, since, according to Locker and Nugent (2002), poor people rely on an informal system of communal assistance, and regular group meetings in member-based financial organisations contribute to social capital. Rich members of a community living in the diaspora can also contribute to the development of their communities by saving in such banks. Large amounts of money can therefore be available for potential investors who, though not *njangi/tontine* members are members of the MC2 micro bank, as the system amalgamates small *njangi/tontine* group monies into larger sums. To overcome the problem of capital shortages in developing countries, cooperation is important as it overcome individual limitations (Bernard, 1979, Yunusa, 1998). The creation and acceptance of an MC2 bank in an area is an indication that the people of that area are determined to fight their state of penury through savings and the creation of income-generating activities.

Assuming that policies which ensure good governance are implemented, the *njangi/tontine* system will gradually take on the character illustrated in Figure 3. The added dimension is called the *Nwahkain-nyo* system, and implies that the MC2 pulls money from the *njangi/tontine* groups and other sources and makes it available to potential investors in need of capital.

Figure 3
Nwah'kain- nyo system



In this model, *njang* members who need capital for investment can still borrow from an unconsumed sum saved in MC2 banks where it can be accessed by them and others. Two MC2 banks interviewed say that from areas where *njangi/tontine* groups have been educated about the advantages, group savings have become a common practice, and are on the rise. Many people are said to have also started both petty and small businesses as a result of capital available at the village level. Although the actual number of people engaged in businesses as a result of the network between the MC2 banks and *njangi/tontine* saving groups is unknown, people in general have noticed the appearance of many new small businesses. This suggests that cooperation between the saving groups and other small businesses groups and people is important and necessary to promote and sustain small business creation in the country.

Thus, *njangi/tontine* groups do not only mobilise capital from a pool, which extends beyond the resources of a single family or individual, but also encourage savings, as well as exposing potential investors who can be earmarked for training courses on small business management. The *njangi/tontine* groups and the MC2 banks thus perform the Leibenstein entrepreneurial function of overcoming individual limitations, which is an important factor in production markets (Hirschman, 1958; Leff, 1978).

Considering that at the start of a nation's economic development, small business play a vital role due to their low capital and skill demand (Bagnasco & Sabel, 1995), it is important that people at the grass-roots level are sensitised and encouraged to save. Government cannot provide capital for every willing investor in the country. It is worth mentioning a Cameroonian maxim, which says, "Begged water cannot prepare a meal. To prepare a good and sufficient meal, you have to fetch your own water." The *njangi/tontine* groups and the MC2 banks could possibly fetch water for Cameroonian people to prepare their basic meals, if a conducive environment is created for them. Begging needs to end and be replaced by self-help. Donaldson (1701) argues that begging should be banned and beggars housed in workhouses.

Before concluding, it is worth summarising the key players in the Cameroonian small-business capital system, and the consequences of their behaviour. Tables 4 and 5 present this summary.

Table 4

Negative behaviour and its consequences

Key players	Action	Consequences
Government	Poor policies and governance	Low economic growth; high unemployment rate; insecure environment; high crime level
Judiciary	Injustice	Insecurity; savings piled up in houses with no lending going on; lack of capital to create SBs; high rate of unemployment; and high crime rate.
Savings mobilisers	Protect their money (put in safes at home); may eventually stop saving.	Money tied up in homes; unsatisfied demand for loan to potential SB owners; high unemployment rate; intense poverty.
Potential investors	No capital for investments	No investment; state of poverty worsens
Banks	No action (handicapped)	Empty coffers; stagnated economy

Table 5

Positive reactions that can emerge from good policies in the country

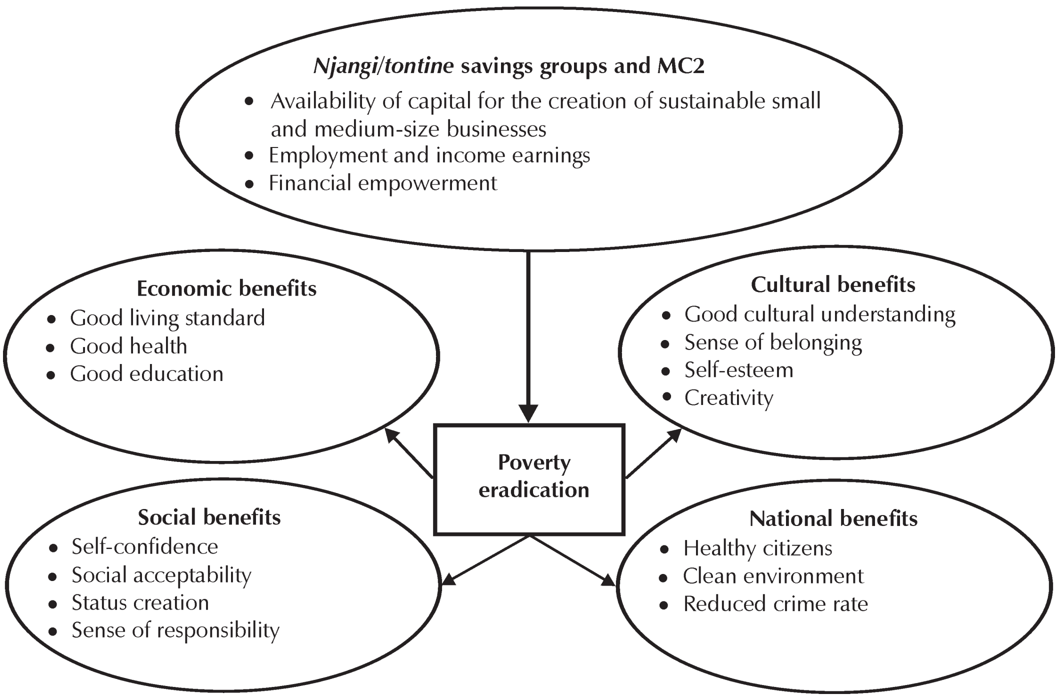
Key players	Action	Consequences
Government	Good regulations and policies that ensure security; savings mobilisers motivated to lend money to outside investors	Creation of income-generating activities; economic growth; attraction of foreign investors
Judiciary	Good justice	Security and credibility enforced; economic growth picks up

Saving mobilisers	Save more; lend to willing investors	Earn good returns on their money; more savings mobilisation
Potential	Encourage more investment investors	Savings increase; more money available for more investments
Banks	High saving rate	Money available for lending; creativity and investment in job creating activities; economic growth
Society in general	People engage in many income-generating activities	Financially viability increases; low rate of poverty
Researchers	Conducive environment for fruitful research	Technological and scientific learning; innovation and economic growth

Tables 4 and 5 suggest that motivating policies which are likely to (i) encourage free circulation of money and (ii) network with other small businesses would promote effective small business creation in the country. Insecurity and lack of trust are devastating to economic development in a country. Given good policies, the network "becomes like a family dynasty, uniting different generations both the living and the dead" (Casson, 1997: 11). Figure 4 presents the role that *njangi/tontine* could play in Cameroon, and perhaps in other developing countries.

Figure 4

The possible role of *njangi/tontine* and MC2 in Cameroonian society



Most African countries have depended on external help for too long. Help can only be meaningful if it adds to self-help. One cannot keep planning a budget based on other nations' pockets. Sen (1981) notes that analysis of poverty based on income distribution suggests that the concern should be how to narrow the divide between those at the bottom and those better-off in each stratification dimension. Poverty in all its realistic definition has to be fought, not through a few charity donors' visions, but through interventions aimed at eliminating the escalating class of the poor through the creation of income-generating activities.

The rural labour force in Cameroon is growing rapidly, while employment opportunities are dwindling. Land, as the only resource available to the rural masses, is fast becoming inadequate. This calls for the creation of non-farm employment opportunities if deepening rural poverty and massive immigration to the urban areas is to be avoided.

Without capital to finance the discovery and development of natural resources, these resources remain hidden and go to waste. Value has to be added to natural resources or else they have no meaning to a society. This added value comes about through investments. Smith (1776) in his book *Wealth of Nations* sees raw materials as manna from heaven, having very little value, and therefore unable to sustain a society's economy without transformation. He points out that the real wealth of a country consists of the goods and services available to its citizens through the use of acquired advantages (knowledge and creative thinking). Technology and skills development is therefore the important and only sustainable path to economic development. Transforming the huge natural resources of Africa for the benefit of African people requires that the people save and invest every penny they can afford. People at the grassroots are financially incapacitated, and this prevents them from developing the natural resources available in their environment for their common good. To encourage productivity and efficiency, money is needed to buy the production factors required. The influence of productivity on competitiveness has been stressed in much of the relevant literature. Porter (1990: 9) stresses that productivity is the prime determinant of a nation's long-term growth in per capita income.

Njangi/tontine makes available the capital necessary to transform innovativeness and alertness into opportunities and actual investment and production (Kirzner, 1973; Leff, 1978). Thus, any initiative from the people should be encouraged. The "gradual change…from that of an economic unit whose principal aim is that of survival to that of a unit able to some extent assess economic alternatives and make decisions on the basis of that assessment" (Bull & Corner, 1993: 5). Ardener and Burman (1995: 112) regret the fact that the complexity and diverse forms which the Cameroonian pre-colonial form of *njangi/tontine* has evolved and its relationship with formal banks have not been adequately studied.

Njangi/tontine also offers a cheaper and more available financial resource to people in rural areas who are deprived of bank services. These groups take the relatively small savings of large numbers of individuals, aggregate them and make them available for willing small enterprises (Stiglitz, 1989). This is socially desirable, because it enables the creation of employment opportunities.

4 Conclusion

This paper has presented and discussed the *njangi/tontine* system of saving mobilisation in Cameroon. The operation of this system has also been examined and analysed. The role of the newly innovated micro banks in the form of the MC2 *Nwahkaine-nyo* system, which is likely to increasingly add a new dimension in the *njangi/tontine* system, has been discussed. It is hoped that the Cameroonian government will develop policies that encourage more savings in the country to enable the rapid creation of income-generating activities.

The people's ability to save voluntarily is a strength inherent in the Cameroonian economy and should not go unnoticed by policy makers. This study finds the *njangi/tontine* groups to be a powerful source of saving mobilisation in

Cameroon, one which has enabled the creation of many petty and small businesses in the country. Voluntary savings are a mark of a self-determined entrepreneurial spirit. A government cannot develop a nation alone; development in all forms needs to be participatory. Voluntary saving is an indication that the people are willing to participate in their country's development, despite the hard times they face. Such voluntary saving practices are rare in communities throughout the world. Some governments indeed have to resort to forcing saving. It is therefore imperative for the Cameroonian government to put in place policies that encourage more saving, and enable money circulation in society. Functional disciplinary machinery to fight the corruption so endemic in the society is needed to enable money circulation in the form of investment.

Although great strides have been made towards savings mobilisation in Cameroon by *njangi/tontine* houses, many small business investors still lack finances to carry out sustainable income-generating activities capable of fighting poverty. Foreign capital is needed but should add to domestically generated capital.

5 Recommendations

- The government has to ensure good governance in the country in order to encourage more savings, and the development of open lending practices to needy investors;
- The creation of more MC2 banks in the country should be encouraged, since they are likely to serve people in the rural areas better than formal banks. Their existence should also be given good publicity through the use of the mass media, especially television;
- The government should ensure a functio-ning, unbiased and uncorrupt judiciary;
- The government has to implement policies to educate society on the importance of savings and investment.

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