Rose Samba

DEVELOPING THE RISK MANAGEMENT IN MFIs IN CAMEROON

Degree Programme in International Business

2017

samk
Satakunnan ammattikorkeakoulu
Satakunta University of Applied Sciences

DEVELOPING THE RISKS MANAGEMENT IN MFIs IN CAMEROON

Rose, Samba
Satakunnan ammattikorkeakoulu, Satakunta University of Applied Sciences
Degree Programme in International Business
September 2017
Supervisor: Keskinen, Arto
Number of Pages: 52
Appendices: 2

Key Words: Risk Management, MFIs, Cameroon

The purpose of this thesis was to analyze and improve the risk management strategies in micro financial institutions in Cameroon. The main aim is to develop the risk management strategies in micro financial institutions in Cameroon. The major challenges of this thesis were: (1) to identify the kind of risks that threatens MFIs in Cameroon, (2) to understand how such risks are being managed and (3) to come up with suggestions on how management can improve the management of the different risks. Although the research is done on 30 different MFIs in Cameroon, the research is conducted closely with the case company KUCCCUL.

The theoretical part of the thesis looks into six major topics; background history of MFIs in Cameroon, the concept of risk management, how risk management is relevant to MFIs, types of risks faced by MFIs, risk management flow chat and the status quo of risk management strategies in Cameroon.

The empirical part of the thesis established the fact that there exist financial risks, operational risks and systematic risks in MFIs in Cameroon with financial risk posing the most threat to the institution as it affects its liquidity. Being a financial institution it is of interest to MFIs in Cameroon to reduce such risks. The study looks into this risk and how it is currently managed. This actually led to the main goal of the thesis as the researcher was able to find some loopholes in the risk management system and suggest some solutions. Descriptive research design was used with a targeted population of 30 registered credit unions in Cameroon. The study used both primary and secondary data with the primary data obtained through questionnaires and the secondary data obtained from seminar materials organized by CamCCUL and ANEMCAM. The data collected was analyzed using descriptive statistics.

The results obtained shows that 66.7% of the risks faced by MFIs in Cameroon is from financial risk, 28.4% of the risks is from operational risk, and 4.7%of the risks is from strategic risks. Findings also shows that poor risk management especially financial risks management has led to a significant average delinquency yearly rate of 36.91%. Delinquent loans greatly affects liquidity and the day to day functioning of the institutions. The researcher was able to meet the objective of the study by being able to provide suggestions on how to better mage risk in MFIs in Cameroon

CONTENT

List of tables

List of figures

List of abbreviations

List of Tables

List of figures

List of Abbreviations

ANEMCAM	National Association of Microfinance Establishment in Cameroon
ASA	Association for Social Advancement
BODs	Board of Directors
CamCCUL	Cameroon Cooperative Credit Union League
CEMAC	Central Africa Economic and Monetary Community
COBAC	Commission Bancaire de L'Afrique Centrale Banking Commission of Central Africa
KUCCCUL	Kumba Central Cooperative Credit Union Ltd
MINFI	Ministry of Finance
MFIs	Microfinance Institutions
NGO	Non-Governmental Organisation
ANEMCAM	National Association of Microfinance Establishment in Cameroon

1 INTRODUCTION

The reason for this research is to analyze and improve risks management in MFIs in Cameroon. The outcome of this research will be of great benefit to not just MFIs in Cameroon but also to scholars and researchers as this will form a basis for discussion and further research. Policy makers of MFIs in Cameroon (BODs and MDs) are the main beneficiaries of this research in that with the findings they will get some guideline on policy enactments and implementations to better the sector. I find this topic worth researching because I am not just a Cameroonian but also member of a MFI in Cameroon who have noticed how poor risk management in MFI does not only affects the institution as a business entity but also affect the people who have entrusted their savings and hope in such establishments.

The objective of this research is to develop the risks management in Micro Financial Institutions in Cameroon. At the end of this research there should be some established strategies that will enable managers and directors of MFIs to be able to identify, anticipate and deal with major risks in MFIs more effectively thereby improving risks management, customer satisfaction and long term sustainability in MFIs in Cameroon.

The structure of this thesis will be as follows; chapter two of the thesis will deal with the background of the research stating the research problem and the research questions. Chapter three will deal with the theoretical aspect of the thesis with 3.1 dealing with the concept of risk management, 3.2 handles the relevance of risk management to MFIs and 3.3 analyze the types of risks faced by MFIs. Chapter 4 describes the method implemented by the researcher to be able to come out with the desired result of the thesis. Chapter five will analyze the data collected and chapter six will deal with the conclusion and limitations of the thesis and also make provision for recommendations.

2 BACKGROUND OF THE RESEARCH

2.1 Research background

In no circumstance can a financial institution stay clear of risk. Being a financial intermediary financial institutions collect deposits from customers and issue out loans to customers thereby putting the customers' savings at the risk of borrowers default. MFIs are not of any exception to this and as such should not neglect the existence of risk but rather should put in place strategies to efficiently and effectively manage risk in other to be successful and to ensure continuity. Since the main objective of MFIs is to provide financial services to the poor, if they fail to effectively manage risks they will be faced with financial loses and this will scare away investors and customers as they will in turn lose confidence in the institution and thereby causing the institution to run out of business.

The researcher has been not just a member to one of the MFIs in Cameroon since 2009 but has also been an account clerk at one of the MFIs in Cameroon (KUCCCUL) for a period of one year (in 2012). During my period of service to the institution I noticed some short comings in the management of risk but had nothing to say at the time. During my studies of the course risk management at SAMK I kept thinking of on how risk management in MFIs in Cameroon can be developed. Then I talked with the manager of KUCCCUL who was interested in the research since they are facing great difficulties especially in the domain of financial and operational risks.

2.2 Research Problems and Research Questions

The objective of this research is to develop the risks management in Micro Financial Institutions in Cameroon. At the end of this research there should be some established strategies that will enable managers and directors of MFIs to be able to identify, anticipate and deal with major risks in MFIs more effectively thereby improving risks management, customer satisfaction and long term sustainability in MFIs in Cameroon. This research will answer the following questions

- What kind of risks threatens MFIs in Cameroon?
- How are they being managed?

- How can management improve the management of the different risks?

2.3 Framework and methodology summary

The purpose of the conceptual frame work is to visualize the different aspects that will be analyzed in this research work in other to achieve its objectives. It consist of the concept of risks management and background of MFIs in general and Cameroon in particular. Next is the types of risks faced by MFIs, effective strategies to manage such risks and what strategies are currently used by MFIs in Cameroon. Short comings of such implemented strategies and recommendations. The framework is presented in figure 1.

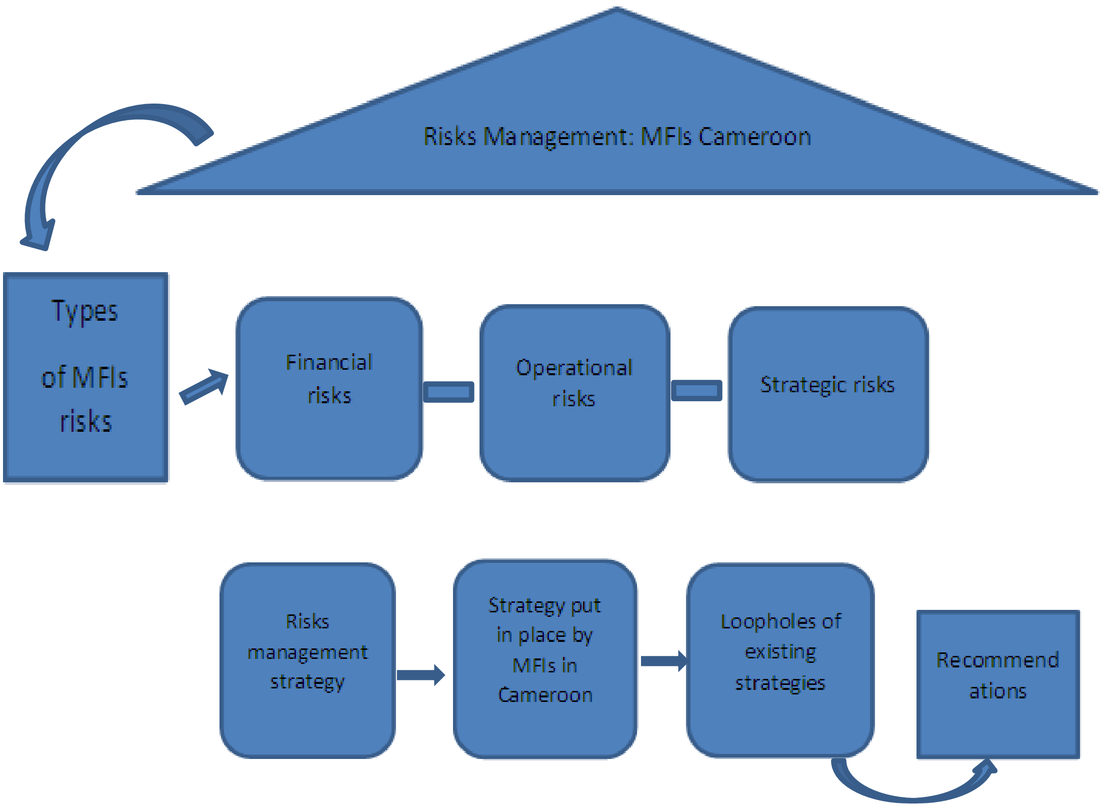


Figure 1. Visual form of the conceptual framework

2.4 Boundaries and Limitations

This research will look at the types of risks faced by MFIs in Cameroon and how these MFIs manage such risks. Then the researcher will analyze the short comings in the risk management strategy implemented by MFIs in Cameroon and finally make recommendations to assist in the effective management of risks in MFIs (What should be done to reduce the risk (better management of the risk).This research will not look in to the effect of poor risk management in MFIs in Cameroon.

3 MICROFINANCE AND RISKS

3.1 Introduction to MFIs in Cameroon

Micro finance can be traced as far back as the late 70's when a small group of young men in Bangladesh joined together to make a secrete pledge in which they vowed to fight rural poverty. They formed the ASA (association for social advancement) in March 1978 which targets the poorest villagers of Bangladesh. At this point in time Bangladesh was just seven years away from the victorious war of independence but was a devastated country. ASA started as a step to political transformation but today it is a bank for the poor and low income communities thus ASA stands as a part of a global micro finance movement dedicated to expanding access to small scale loans, saving accounts, insurance and broader financial services in poor and low income communities. Traditional commercial banks avoid this part of the population because the loans are too small and also because the borrowers are poor with almost no collateral securities for the loans. But ASA which started as a micro credit grew into a microfinance and 30years after its creation it served nearly 6 million villagers in Bangladesh and was celebrated by global business leaders. In 2006 Mohammed Yunus and Gramen Bank the pioneers of Micro finance got a noble prize award and in 2008 ASA report a 99.6% loan recovery and a fully covered cost in every year since 1993.(Armendariz & Morduch, 2010, 1-2).

Microfinance in Cameroon can be traced as far back as the 19th Century with moneylenders informally performing the role of new formal institutions in the form of 'Njangi'' groups and Cooperative Credit Unions. The first micro-finance institution in

Cameroon was created in 1963 by Anthony Jansen, a Dutch Catholic Priest in Njinikom, Bamenda in the North West Region of Cameroon. With the significant success of these institutions CamCCUL was creating in 1968.

In the last part of the 70s most banks in Cameroon began to face an economic downturn which greatly affects their liquidity rendering them unable to receive national and international credit. As such most banks in the 80s shot down with customer's savings. The close down of most banks and the continuous need of banking services by the people made microfinance the best option. To make this financial sector efficient the Cameroon government passed a number of laws in the 90. First was the law no. 90/053 of 19 December 1990 which allowed for freedom of association followed by the laws passed in 1992 and 1993 which outlines responsibilities and regulations for Common Initiative Groups (CIG) and Economic Initiative Group respectively. In 1998 the law no. 98/99 which recognize MFIs as unique entities in the financial sec-tor was passed. 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. Finally, regulation no.01/02/CEMAC/UMAC/COBAC of 13th April, 2002 relating to the conditions of exercise and control of Micro Finance activities within the Central Africa. With this, 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.

Under article 5 of these regulations, Micro finance is exercised by legal persons commonly known as micro finance institutions which are classified in three categories namely;

- Micro finance Institutions of First Category, are establishments which collect savings from their members for use in credit operations to the exclusive benefit of the latter. These institutions cannot seek profit and exist solely for the empowerment of their members.
- Micro Finance Institutions of second category, are profit seeking institutions collecting savings and granting credit to third parties.
- Micro Finance Institutions of third category, are profit seeking institutions that grant credit to third parties without exercising the activity of collecting savings.

These Micro finance institutions are governed by a code of ethics which is aimed at establishing a healthy climate, a partnership and solidarity spirit between the various operators and shall define the principles of ethics, professionalism, integrity and transparency that must govern microfinance activities, guaranteeing the establishment of trust with the public. (Long 2009, 16-22).

The insufficiency in the control of the microfinance sector due primarily to the insufficiency of financial, human and material means at the disposal of the regulatory and control agencies remain a big problem. The legislative framework and law enforcement of the MFI are characterized by insufficiencies e.g.

- The monitoring is not exhaustive. The organization of the COBAC stipulates that monitoring should be permanent and should be done using functioning computer tools in an identical way as those of banks to guarantee transparency and accountability. However the accounting chart of MFI was adopted in 2009 and became applicable only from January 2010.
- Difficulties in mobilizing long term resources and signing contracts of long term with personnel to guarantee stability because some personnel do not hesitate to quit once they have better opportunities.
- The prudential ratios are always standardized for the mutuality institutions of saving and credit co-operatives. This do not allow for good evaluation and comparison of the institutions at the national and sub-regional levels which creates a lot of functioning weaknesses including inadequate human and financial resources, a strong volatility of the financial resources which is expressed by the fact that a large majority of financial resources are consisted of savings and deposits at short notices, absence of average techniques and logistics permitting a regular, effective, and constant follow-up of activities at the time of the receptions of credits in general and products do not correspond to the needs of ijef.ccsenet.org International Journal of Economics and Finance Vol. 9, No. 4; 2017 209 clients. MFIs has been created in Cameroon under the umbrella of CamCCUL by the name credit union. CamCCul is a network of 208 credit unions formed in 1968.

MFIs now are the primary sources of funds to small and medium size enterprises in Cameroon and other countries in the process of economic growth. MFIs are not evenly spread in Cameroon. The impact of MFIs on poverty reduction, economic growth and women empowerment has increasingly received greater attention in Cameroon. Due to the 1990 economic crisis that made Cameroon to devaluate its currency in 1994 the microfinance sector is still facing serious problems. Many microfinance establishments failed to comply with the required standard for the solidarity fund due to the problems involved in the control and supervision of the sector, in the regulation framework, and in the establishment of microfinance enterprises. The micro-finance sector in Cameroun remains exposed to illegal practices. All the establishments approved for the first category equally carry out unapproved operations patterning to the second category.

3.2 The concept of risk management

When daring in any venture in life there is always expectation(s). Sometimes our expectation(s) materialize and sometimes it doesn't. Outcome(s) lower than expected are considered losses while those higher than expected outcomes are considered as gains. Risk is when the outcome deviate from expectation(s).Thus, risk is the uncertainty associated with the occurrence of a loss. (Baranoff 2004, 12.) Hazards are not necessarily risks. Hazards only become risks if there is a likelihood of harm. There exist two different classifications of risks namely; pure risks and speculative risks with pure risks being risks with possibilities of only losses and speculative risks being risks with possibility of gains, losses or no change. Only pure risk can be insured and it occurrence has no benefit for example damage caused by fire while speculative risks are not insurable. (Rejda 2001, 6.)

Risk management is defined by the business dictionary as "the identification, analysis, assessment, control, and avoidance, minimization or elimination of unacceptable risks". "Risk management is a process to identify loss exposures faced by an organization and to select the most appropriate techniques for treating such exposures". (Rejda, 2001, 42). Risk management is a process and not an event since the business environment, financial systems and natural disasters keep changing over time. Therefore risk management keeps developing new strategies to adjust the existing risk management tools to help reduce risks. Risk management has two main objectives which are pre-loss objectives aimed at preparing the organization for potential losses in the most economical way, reduction of anxiety and compliance with legal obligations and post loss objectives aimed at ensuring continuity of the organization.

3.3 Relevance of risk management to MFIs

MFI is considered successful if it is part of both financial and social sustainability offering financial services to the targeted segment of the population and also respecting institutional values. This can only be achieved if MFIs manage risk efficiently and effectively creating a systematic approach that applies across the different product lines and activities and considers the overall likelihood of risks.

Since the main function of risk management is to make valuable decisions on how much risk to tolerate, how to mitigate risk that cannot be tolerated and how to manage real risks that are part of the business thus allowing senior managers and directors to make conscious decisions about risk thereby enabling MFIs to succeed in their economic and social missions towards their members, customers etc.
Also, managing risk in MFI helps in developing the sector which may fail if these risk are not well mitigated.
More still, risk management helps MFIs to achieve their objectives within the framework of poverty alleviation while establishing a healthy climate, a partnership and solidarity spirit between various operators.
Finally, risk management defines the principles of ethics, professionalism, integrity and transparency that must govern MFIs and also guarantees the establishment of trust with members, customers and other stake holders. While protecting the interest of the MFIs, their members, or clients in specifying the necessary practice and attitudes to be observed in MFI activities.

3.4 Types of risks faced by MFIs

MFIs are in all point in time faced with several risks that threatens its very financial standing and sustainability. MFIs can directly control and avoid some of such risks while others cannot be controlled directly by MFIs such as natural disasters and war, but MFIs can only prepare itself to reduce the adverse effect of such risk. Risk management process in MFIs is first to identify, understand and assess the risks that can affect the functioning of MFI and the probability of its occurrence only then can steps be taken or designed to control such risks. MFIs most often are faced with liquidity risk, credit risk, operational risk, market risk, legal risk and strategic risk which can be group under three main categories namely; financial risks, operational risks and strategic risks. All the above mentioned risks can lead to reputational risk for the MFI. Risks are usually interlinked with one being the consequence of another which if not properly managed can seriously affect the reputation of the MFI.

3.5 Financial risks

Financial risks arises through different financial transactions such as loans and investments. MFIs whose main aim of creation was to be a financial intermediation is faced with the responsibility of managing financial risks which includes credit risk, liquidity risk, interest rate risk, foreign exchange risk and investment portfolio risk. Financial risks is the heart beat of MFIs irrespective of whether the MFI uses savings, deposits or borrowed sources as a source of fund that is why most MFIs invest a lot in developing methodology that reduces financial risks especially credit risk and maintain quality portfolio.

3.5.1 Credit risk

Credit risk is the likelihood of losing money due to the inability, unwillingness or non-timeliness of a counterparty (obligors) to honor a financial obligation. In every event of a default from the obligor there is the existence (occurrence) of a credit risk. (Coogan- Pushner & Boutielle 2012.) Credit risk common with institutions that deals with lending and MFIs commonly known as credit unions deals and emphasize on lending giving it a greater credit risk exposure.

3.5.2 Transaction risk

Transaction risks are credit risks that which are pre-settlement risk or settlement risk with pre-settlement risk resulting from obligors default prior to settlement and entering in to a replacement contract with less favorable terms(financial derivatives), while settlement risk is a risk that arise not from obligor's default but from exchange of payment where payments are made but not received. Transaction risk is handled by MFIs through counterparty's screening techniques, quality procedures for loan disbursement, monitoring and recovery. (Hocher 2005, 103-106).

3.5.3 Portfolio risk

Portfolio risk also known as concentration risk is mostly associated with organizations whose counterparties are concentrated in a particular region, sector or companies. Thus it is associated with lack of diversification.

Over the years MFIs have used different effective strategies to manage credit risk with the key management techniques being the reduction of credit exposure. Some of such techniques includes:

- Proper screening of borrower, loan rationing, close monitoring of borrower, clear collection procedures and the use of collaterals.(high quality counterparties)
- Constant portfolio reporting showing the delinquency trend and status of the MFI on a monthly basis
- Make use of credit diversification where available. (Hocher 2005, 103-124).

3.5.4 Liquidity Risk

Liquidity risk in MFIs is when the institution has insufficient Liquidity (financial capacity) to meet its day to day operations in a timely and cost efficient manner resulting to decisions that may be detrimental to long term growth. Thus for MFIs to efficiently manage liquidity risk they have to engage into a continuous process of striving for a balance between having too much cash and too little cash. There exist a close relationship between credit risk and liquidity risk. The inability of a customer to repay his/her loan thereby making the customer a delinquent also reduces the availability of fund leading to liquidity risk. Also in the case of a natural disaster to a customer rendering the customer unable to make loan repayment and instead comes for more loans increases liquidity risk. Once a MFI is viewed to as being unable to meet its financial obligations borrowers for fear of inability to get more loans will prefer to hold back (default) loan repayment rather than running into cash shortage.(Hocher 2005, 44).

3.5.5 Market Risk

Interest rate risk

Interest rate fluctuations cause financial loss to MFIs and thus is a risk. Interest rate risk arises from the changes in the value of assets and liabilities due to changes in market interest rate. MFIs manage this risk by managing its assets (customer's loans and mortgages) and liabilities (Customers deposits). Such asset and liability management is done by matching assets and liabilities of the MFI in such a way that changes in interest rates do not affects the institution negatively. (Hocher 2005, 50).For example, if an MFI engages in short term variable interest rates deposits as a source of funding and long term fixed interest rate mortgages as investments and the short term funding inter rate increases so quick not giving the MFI time to restructure its assets to match the changes then they are bound to face financial losses. Sometimes the cost of funds goes up so fat that the MFI is unable or unwilling to adjust its lending rates to match this changes.

This interest rate risk of mismatch between short term variable interest rate liability and long term fixed interest rate can be managed by offering longer and fixed term deposits of one and two years as a product and also borrowing (long Term Loan) five to ten years loans from other sources. But sometimes MFIs welcome mismatch of assets and liability where they anticipate a change in interest rates if and only if the manages believe that interest rates will fall in the near future then they will go for more long term fixed interest rates lending while taking short term loans. Although this increases the interest rate risk there is hope of great profit for the institution if the forecast materialize.

Interest rate risk and liquidity risk are closely related as a mismatch of assets and liabilities affects not just profitability but also cash flow (liquidity).

Foreign currency risk

Foreign exchange risk arises from fluctuations in currency value .and this affects the MFIs in cases where they borrow in a foreign currency or accepts deposits in a foreign currency and in turn lends in local currency. The risk only arises if the value of the local currency later on falls as this will lead to financial losses but if the value of the local currency rises the institution will make profits.

This risk can be manage by MFI if management only engage in such transactions when it is sure if matching its foreign liability with foreign assets of the same duration and maturity. Also, MFIs can use interest rates swaps or future contracts to man-age this risk.

3.6 Operational risks

Operational risk as the name says it are risks that arises as a result of mistakes in daily transactions of the institution and this includes either people, process or technology. It is the risk of loss that arise due to inadequate or failed process, people, system or external events (failed or inadequate employees, contractual specifications and documentation, technology, infrastructure and disasters, external influence and customer relationship) including legal risk. Legal risk in operational risk includes exposure to fines, penalties or punitive damages resulting from supervisory actions and private settlements. (Girling, 2013, 1-4). This risk can be classified into transaction and fraud risk.

3.6.1 Transaction risk

This includes human resources risk, information and technology risk. Since this involves both the employees and the technology then it can be said to be risk that arises every day in MFIs as they carry out their daily transactions and since MFIs has many short term loans there is the likelihood of more opportunities for mistakes and fraud. Loan portfolio constitute the major part of MFIs assets and thus the main source of its operational risk.

3.6.2 Fraud risk

MFI transactions often involves employee’s decisions and relationships and as humans they sometimes engage in fraudulent activities which causes great financial loss to the institution thus causing MFIs has to watch out against such frauds. It is some-times

called integrity risk because it is sometimes caused by the intentional deception by an employee or a customer such as theft of fund by loan officers, misleading financial statements, bribes and loans that do not exist.
Fraud risk can be managed by implementing effective internal control of process and procedure both before an operation and after and operation.

3.7 Strategic risks

Strategic risks are those internal risks that arises from poor business decisions or improper implementation of business decisions, poor governance as well as those external risks that arises due to change in business or competitive environment.

3.7.1 Governance risk

This risk is the risk associated with inadequate structure or body to make appropriate decisions. This is common with MFIs as directions and accountability are usually done by the BODs who are made up of representatives of the various MFIs stake-holders. Though the social mission of MFIs pulls professionals to serve on their board, they are often reluctant to apply strict commercial tools that leads to their success when dealing with MFIs thereby lading to inadequate or poor governance. Thus MFIs managers must be able to balance social and commercial objectives to ensure sustainability and this can be achieved by making sure that the BODs of an MFI constitute a mix of individual with needed background, technical and personal skills that is why most MFIs have special committees to perform specific role on the board if not name executive officers. And also, MFIs have clear and accessible by-laws to all board members. The degree governance risks of an MFI depends on its structure and ownership. MFIs that operates as NGOs have board members with no financial stake in the institution and as such they have less incentives to closely oversee operations. MFIs that operates as credit unions have board members who are mostly client members (net borrowers). Effective governance in MFI (clear lines of authority for the board and management) is essential as it is needed for sustainability. It is needed walk through long term difficulties.

3.7.2 Reputational risk

It is the impact of a management mistake (mismanagement of social, financial and operational risk) on the image of an institution. Reputation is an intangible asset of an MFI which is very strategic for the development of the institution because it determines recruitment and customer loyalty, market access regulators and investors relationship just to name a few. For an MFI to be successful, it should build a good reputation with its customers which constitute its market, its investors which constitute its source of fund and its regulators or officials. These group of audience will not appreciate over indebted clients, unethical recovery techniques, lack of transparency on pricing and unfair prices.

3.7.3 External risks

MFIs may have a direction and a relatively efficient staff and adequate system and control but still remain subject to major problems arising from it environment. To minimize business risk, MFIs should be able to anticipate potential environmental threats and take advantage of the opportunities that may arise.

3.7.4 Regulatory risk

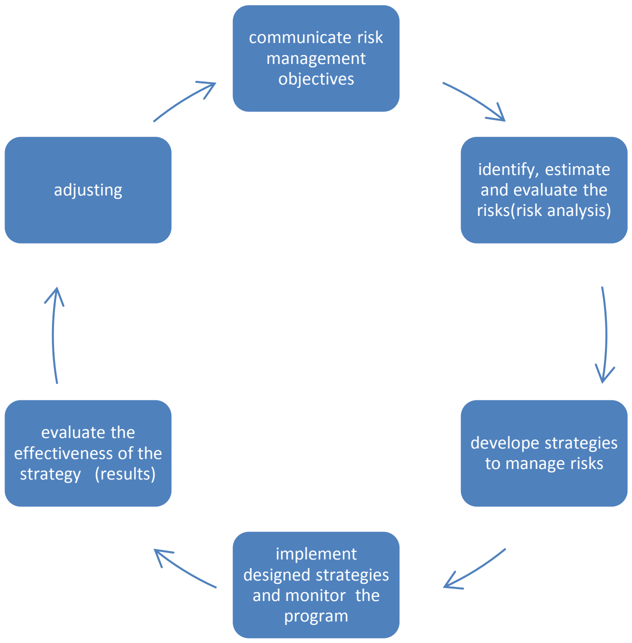
Policy makers, monetary authorities and other regulatory bodies have some laid down laws and regulations which they expect MFIs to respect when performing credit intermediation, collection of customer savings and loan issuing. Violations or noncompliance with such laws or regulations give rise to regulatory risk. Some of this policies threatens MFIs such as loan without physical guarantees and usury laws while others weakens MFIs such as restrictive labor laws.
Effective risk management strategy Effective risk management strategy requires an organization to take four major steps which are:

- To communicate risk management objective by using a risk management policy statement, mission statement of the organization, risk management manual, and risk manager's job description.
- Next, is to identify the risks the institution is facing and evaluates their loss se-verity and loss frequency to better understand the magnitude and riskiness of the problem with the intention of choosing the appropriate measures to reduce its ad-verse effect.
- Followed by constant monitoring of the program put in place to manage the risk to be certain that the decisions right and rightly implemented and also to be certain that the underlying problem have not significantly changed to require a re-vised risk management plan.
- Adjusting is the final step required in an effective risk management strategy which only comes in when the underlying problems have significantly change thereby calling for a revised plan that starts from the first step of identification of risk and the process returns making risk management a continuous process (Baranoff 2004, 48-53).

3.8 Risk management Flow Chart

The risk management process requires an interactive and dynamic flow of information from the head office to senior management and back to the field. Thus this whole process of identification of risk, development and implementation of risk management program and evaluation which if not satisfactory will require redesign, reimplementation and re-evaluation, constitute the risk management feedback loop which is the risk management flow chart. Figure 2 presents the risk management flow chart.

Figure 2. Risk management flow chart



Source: Figure 1: Risk Management Feedback Loop (Stein wand 2000, 34)

Key Components of the Flow Chart.

Communication of objective.

The risk management department needs to understand perfectly the objective(s) of the institution to be able to assess and manage risks efficiently in a manner that meets the institution's risk management objective(s). In every organization the risk management objectives are always in line with the organization's objective(s). Therefore the first step in the risk management process is to communicate to the risk management department the objective(s) of the institution. This can be done by using one or more of the following tools; risk management policy statement, company's mission statements, risk management manual and risk manager's job description. (Baranoff 2004, 48).

Risk analysis

The next step of the risk management process is to identify and analyze the problems that can cause the institution not to meet its objective(s). MFIs does the identification by reviewing it operation function by function to see where there exist risk exposures. Once these risks are identified the risks are then evaluated to better understand the frequency and severity of the risk in order to know which program to be used to properly manage it. This can be done using a risk management matrix which takes into account only two variables namely; the frequency and the severity of the risk. (See table 1).

Pure risk solution

	Low frequency of losses	**High frequency of losses**
Low severity of losses	Retention-self insurance	Retention with loss control- risk reduction
High severity of losses	Transfer-insurance	Avoidance

Table 1. Risk management matrix: Baranoff 2004, 49

This risk management matrix can also be used to analyze speculative risk. It is a great tool as it helps in rating and prioritizing risk showing areas with greater attention. Once the risk management matrix is developed, it should be constantly updated by the risk manager yearly, semi-annually or quarterly depending on the frequency of changes in events.

Develop strategies to manage risk

Once the risks has been analyzed the board of directors together with the management of the MFI sit together and develop strategies which they believe if properly implemented would be able to efficiently manage those risk. After this strategy is developed it is then reviewed and approved by the board and management is now ready to move on with the implementation.

Implementation and monitoring

The implementation step is the most delicate step in the process because if not properly implemented then the whole strategy developed will not yield its expected result. For this reason the approved policy has to be integrated into the operations of the institution and managers assigned to handle each task thus clear responsibility.

Evaluate the effectiveness of the strategy (results).

This step of the process expect management to constantly monitor the program to ensure that the strategy is correctly implemented and that the expected outcome is being achieved.

Adjusting

Once it is realized that the expected outcomes are not realized, then the final step of the process come in to play which is adjusting the strategy. This step includes reviewing and revising the policies and procedures which requires the whole process again.

3.9 MFIs in Cameroon and risk management strategy

3.9.1 Financial risk management strategy

Credit risk

The risk of loss that occurs due to borrowers late or non-payment of loan obligation is being managed by MFIs in Cameroon by implementing the 5C's of credits as the criteria for granting loans which are Capacity, Capital, Character, Condition and Collateral which is part of the method to evaluate the credit worthiness of the borrower as contained in the lending policy. Also the Credit Union strictly respect of the four eye principle i.e. no single employee can initiate and complete a loan transaction this principle is aimed at managing fraud that is why when the customer fills his/her loan application form it goes to the BODs for approval and then to the manager to sign the disbursement. While respecting the laid down loan approval limit from the branch manager, branch technical committee, credit committee, to the BODs as contained in the loan policy and by-laws. Thus no single person initiates a loan. Another strategy used by MFIs in Cameroon to manage credit risk is the adequate implementation of loan monitoring recovery guidelines enshrined in the loan recovery procedure manual which is to the effect that the loan recovery committee should keep a follow up on the borrower until the loan is fully repaid. To keep check on the loan situation the

Credit Union has a readily available report by the operating software on the health of the loans portfolio for decision making and also carries out a rigorous consultation of the network blacklist during every loans appraisal process for screening of potential bad loan makers. The Credit Union also respect of provision for bad and doubtful debt in line with COBAC rates while providing annual training to personnel's by experts and quarterly experience sharing during quarterly management meeting. (INTERCOOPERATION-Bilingual Edition 2014, 12-15.)

Liquidity risk

The risk of being unable to meet commitments, repayments and withdrawals at the correct time and place is managed by MFIs in Cameroon by implementing the following strategies;

Statutory regulatory bodies like the national council of credit unions, ANEMCAM, MINFI, COBAC prudential norms, loan – liquidity risk regulation

The use operating software to provides timely report on the liquidity situation as per COBAC prudential norm no. 2002/14 for senior management and BODs to take decisions as to relax or slow down on granting, intensifying recovery, to redeem or place fixed deposit investments.

Effectively communicates the organization's broad strategies to all relevant microfinance management staff.

COBAC prudential norm no. 2002/14 stipulates that MFIs are bound to keep a minimum ratio between current assets and their current liabilities i.e. in an effort to control liquidity risk, MFIs are bound to show at any time a liquid ratio of at least 100%. This is the minimum ratio that an MFI current assets can pay off its current liabilities. Any establishment with liquidity ratio less than 100% is undertaking high risk and risk being shut down by the regulatory body-COBAC

To further control or mitigate liquidity risk in MFIs COBAC regulation no 2002/09 states that MFIs shall be bound to respect on a permanent basis a minimum ratio of fixed asset coverage i.e. the equity capital and the fixed assets on the other hand. This is to the effect that financing the purchase of fixed tangible assets should be done from equity and other reserve capital not and not from members savings and deposits. Fixed assets tie down funds.

Also COBAC prudential law no 2002/08 relates to the division of risk. It states that MFIs shall be bound to comply with a minimum ratio between the amount of their equity and the risk they incur on transactions with a single individual i.e. the risk in the transactions such as shares taken in another institution or loan granted to a single individual must not exceed 15% of equity capital

3.9.2 Operational risk management strategy

MFIs in Cameroon manage operational risks by using internal controls which are mechanisms, policies and procedures used to minimize and monitor operational risk. It involves a whole system of financial control. Internal controls are checks and balances built into policies and business procedures for the purposes of protecting the organization against the consequences of errors mismanagement and fraud.

There are many internal control measures in MFIs in Cameroon, some prescribed by the laws and by laws, while others are built into accounting transactions by management while others are developed out of day to day experience for example, every member must be giving a passbook and a cash receipt when he/she pays in money in to the institution and a payment voucher when he/she withdraws money or take a loan.

Internal control in MFIs is woven in to the operating procedure by;

- Subdividing work so that no one person has sole control over any complete transaction and its recording
- Work flow chart is established so that employee acting independently automatically verifies the work of another without necessarily duplicating any work already done
- Timeframes and deadlines given to ensure accuracy and efficiency

In service training of new personnel's and provision of detail procedure manual together with the institution of performance prize motivates personnel's to be more meticulous thereby reducing the chances of errors

The presence of permanent controllers in all branches deters fraudulent intentions and identifies fraudulent operations soonest after their occurrence for corrective actions.

Provision of valuable land certificates as employment guarantee deters or mitigate and facilitates recovery of losses emanating from fraudulent transactions by employees (CamCCUL/brs International Workshop on Operational Risk Management 1st -4th December,2015).

3.9.3 Strategic risk management strategy

MFIs in Cameroon handles strategic risk (Governance risk) by creating a governance structure that comprises of the BODs, senior managers and the operating staff.

The BODs

The BODs are made up of individuals from diverse background (lawyers, teachers, bankers, economist, state administrators, etc.). It is headed by a president. It is the responsibility of the BODs to ensure that the institution achieves it corporate objectives in a profitable and sustain-able manner. The entire responsibility of strategic risk management lies on the BODs which includes the board members;

The BODs through its president represents the credit union in all civil life and can at any time of the year operate checks on issues he considers relevant and also request for documents he considers important for the accomplishment of his vision

The BODs are in charge of developing a corporate vision and broad strategies that are viable and sustainable in light of the economic and business environment in which the institution operates; that is the come up with plans and project to be realized within a period of time and ensure that the institution's strategic planning and implementation processes are subject to the laid down risk management framework.

Every business plan to be carried out by the credit union must be approved by the BODs and they approve business plans that supports the achievement of the institution's vision and broad strategies.

The BODs ensures that adequate levels of financial resources are put in place to support on-going and new strategic initiatives pursued by the institution, meaning that they approve of the amount of funds for a project or loan before it can be disbursed and also take part in the recruitment of every staff of the credit union as a means of ensuring that the organization acquires the appropriate human and physical resources to support the attainment of its corporate strategies and objectives. Thus the BODs have the ultimate power in MFIs in Cameroon and they only delegate these powers to the managers and other relevant personnel of the institution and ensures its implementation to achieve the institution's vision which they ensure by periodically re-evaluate its broad organizational strategies. (Credit Unions Model By-Laws 2012, 17.)

Senior Management

The senior management is recruited or appointed by the BODs to ensure that the operational process needed to support the achievement of the vision and broad strategies are developed and implemented consistently. Thus the manager implement the policies laid down by the BODs and represents the institution vis-à-vis third parties within the limits of the powers delegated to him/her by the BODs.

The senior manager is responsible for drafting a business plan that supports the achievement of the microfinance institution’s vision and broad strategies which is to be submitted to the BODs for approval and also providing the BODs with relevant and up-to-date economic, business and market data as a critical input to the process of developing strategies and initiatives.

The senior manager also have the duty of managing risk which is done by ensuring that appropriate risk management frameworks are developed and implemented to manage all programs and initiatives developed to give effect to strategies developed by the board. And ensuring that the organization’s vision and supporting strategies, programs and initiatives are effectively communicated throughout the organization to give to all staffs a firm understanding of the organization’s culture including its general tolerance for risks in all areas of its operations and role played by relevant risk management practices to measure, monitor and control such risks.

Develops mechanism to provide periodic reports to the board on the program in achieving implementing the organizations broad strategies and objectives. (Credit Unions Model By-Laws 2012, 24.)

Policies and procedure

MFIs in Cameroon work in line with laid down procedure manuals for different operations (lending, accounting, internal control, human resource, recovery, marketing anti money laundry).

MFIs in Cameroon operate on MIS called alpha banking software that provides useful information to senior management and BODs on products and services and business plans for rational decision making.

Finally, MFIs in Cameroon make use of a full and functional internal control department alongside routine internal controls from umbrella organization

4 RESEARCH METHODOLOGY

4.1 Research design

In this research the researcher will be using the inductive approach also known as the bottom up approach which is a specie of argument that moves from specific observation to broader generalization as oppose to the deductive approach (top down approach) which moves from the more general to the particular. Inductive approach is being used in this research because a few MFIs (credit Unions) in Cameroon will be studied to come out with a generalized result that will apply to all the other MFIs (credit Unions) in Cameroon. (Sachdeva 2008, 24).

In order for a smooth sailing through the research the researcher has to choose amongst three different research designs which are exploratory, descriptive and diagnostic, and hypothesis-testing research studies.

With exploratory research studies, the researcher has very little knowledge of the problem and wants to discover ideas and insight thus it is also termed formulative research studies. Exploratory research studies is oppose to descriptive research studies in that with descriptive research studies the researcher must be able to define clearly what is to be measured and find adequate methods of measuring it along with a clear cut population of measuring it. The researcher needs to have a good knowledge of the research problem just like hypothesis-testing research studies also known as experimental studies. With hypothesis-testing research studies, the re-searcher test the hypothesis of causal relationships between variables.

The researcher will be using the descriptive research studies to answer the questions of what are the major risks faced by MFIs in Cameroon, how are they handled, what are the short comings of the existing strategies and what has to be done to improve on it. (Kothari 2004, 31-55).

4.2 Research Method

There exist two major categories of research methods: quantitative and qualitative research methods. Quantitative research also known as survey research is a research method that involves a set of structured questions with predetermined response options to a large number of respondents. In business research this research method at-tempts precise measurement of something usually consumer behavior, knowledge, opinions or attitudes and answers questions related to how much, how often, why, when and who. (Sacdeva 2008, 189; Burns, Veeck, &Bush 2017, 143).
Qualitative research is the type of research method that deals with collecting, analyzing and interpreting data through observation (observing what people do and say)
In this research, the researcher will be using the quantitative research method because the researcher aim at finding results that can be generalized from quantitative study to a larger population which with qualitative research this is a weakness.(Sachdeva 2009, 189)

4.3 Sampling size

MFIs in Cameroon sum up to a total of 210 Credit Unions affiliated to CamCCUL. These Credit Unions are grouped into Chapters depending on their location. There exist 10 chapters that forms the 210 credit unions in Cameroon (Appendix 2). A sample of 30 Credit Unions was taken from the whole population (30 from each chapter) which constitute 14% of the entire population. This size fairly represents all the Credit Union and was considered large enough to provide a general view of the entire population of the Credit Unions in Cameroon thereby serving as a good basis for a valid and reliable results

4.4 Data Collection and data Analysis

There exist two major types of data namely: primary data and secondary data. In this research the researcher uses both the primary data and the secondary data. The primary data is collected by the researcher through questionnaires, surveys and interviews while the secondary data is collected from the internet, books, annual reports and company hand books.

4.5 Data reliability and Validity

The researcher being conscious of the fact of delivering reliable and valid result used data from reliable sources. The data where all from one of the following sources; books from SAMK library, EBooks from FINNA and official websites.
Also the researcher sought opinions from experts in the field of study such as the researcher's supervisor which goes a long way to establish the validity of the study. Couple to the fact that reliability is the consistency of measurement which is part of this research as the dedications and objectives of this research were established be-fore the actual study took place which make the study more reliable and valid. In this research the sample size was a total of 30 credit unions and the results are to be included in the final results.

5 RESEARCH RESULTS

5.1 Interpretation of Findings

The researcher carried out the above study in other to establish the reliability and validity of the respondent data by looking in to the duration of service of the respondent. It is evidence from table 2 above that 27 of the respondents have been working in same MFI for 6 years and above. This is an indication that they have adequate experience and knowledge to provide valid and reliable information.

Table2: Years in Service

Years in service	Frequency	%	Cumulative %
1-5	3	10	10
6-10	13	43.3	53.3
11 -15	10	33.3	86.6

Above 15	4	13.3	99.9
Total	30	100	

Source: Research Data

The researcher during the study established the fact that 40% of the respondents were general manager and 26.7% of the respondents were accountants. In MFIs general managers have a broad knowledge of the entire system and the attend lots of seminars were they get educated on how to manage risk while accountants are the custodians of data of the various transactions that are carried out by MFIs which make these two indispensable. While the remaining 33% of the respondents are made up of loan mangers and presidents of BODs whose response are also valid and reliable because the loan manager gets all the statistics of the current financial status of the institution to be able to know when and how much loan can be granted and also how to go about loan recovery. While the presidents of the BOD is fully informed of the institutions status quo.

Table3: Designation

Position	Frequency	%
General manager	12	40
Accountant	8	26.7
Loan manager	6	20
President of the BODs	4	13.3

Source: Research Data

5.1.1 Financial Risk

The researcher during the study found out that though there exist financial, operational and strategic risks the percentage of each of the risk on a yearly basis varies. From the 30 MFIs studied 66.7% on an average basis was of financial risk, 28.4% was operational risk and 4.7% was of strategic risk. Meaning that the major point of interest when it comes to risk management constitute of credit risk, liquidity risk and transactional risk because this goes a long way to affect the major day to day transaction of the institution. This is evidence in the delinquency rate (delinquency in the Credit Union context is when payment of an outstanding loan balance is breached (not made) when due date for payment is reached. Every MFIs calculate the percentage of this loan delinquency quarterly and yearly to keep track of the liquidity of the establishment which is really significant with an average delinquency rate of 36.9% of the 30 MFIs studied. From the study MFIs have resort to the suspension of loan granting until delinquent loans owed are recovered which also has a great impact on liquidity as legal means are used to recover loans which are quite costly.

Table4: Risk Statistics

Companies	**Most Frequent Risk(yearly)**	**Financial Risk & %**	**Operational Risk & %**	**Strategic Risk & %**	**Delinquency %(yearly)**	**Average %**
1	Financial	80	18	2	50% -60%	55
2	Financial	80	15	5	25% - 46%	35,5
3	Financial	75	20	5	20% - 48%	34
4	Operational	40	50	10	15%- 45%	30
5	Operational	45	50	5	25%- 50%	37,5
6	Financial	60	35	5	20%- 45%	32,5
7	Operational	40	45	15	25% - 57%	41
8	Operational	60	40	0	28% -47%	37,5
9	Financial	80	20	0	23% - 60%	41,5
10	Financial	75	25	0	35% - 46%	40,5
11	Financial	85	15	0	17% 40%	28,5
12	Financial	60	35	5	23%-46%	34,5
13	Financial	70	30	0	20%-50%	35
14	Financial	90	10	0	26%- 46%	36
15	Financial	60	30	10	25%-47%	36
16	Financial	65	25	10	20%.43%	31,5
17	Operational	55	35	10	27%- 40%	33,5

18	Financial	70	25	5	28%- 48%	38
19	Operational	50	45	5	23%.65%	44
20	Operational	55	40	5	30%- 50%	40
21	Operational	50	40	10	25%-45%	35
22	Operational	40	35	25	15%-35%	25
23	Financial	90	10	0	29%-55%	42
24	Financial	75	20	0	28%-47%	37,5
25	Financial	65	30	5	20%-48%	34
26	Financial	70	30	0	23%-67%	45
27	Financial	90	10	0	35%-50%	42,5
28	Financial	75	25	0	25%- 45%	35
29	Financial	80	20	0	23%- 47%	35
30	Financial	70	25	5	24%- 45%	34,5
	Total	2000	853	142		
	Average	66,67	28,43	4,73		36,92

Source: Research Data

The researcher used the pie chart in Figure 3 to show the most frequent risk of MFIs in Cameroon. From the Chart below, the most frequent risk is the financial risk in Blue shade, followed by Operational risk in Red Shade and last in the frequency rate is the strategic risk in green shade

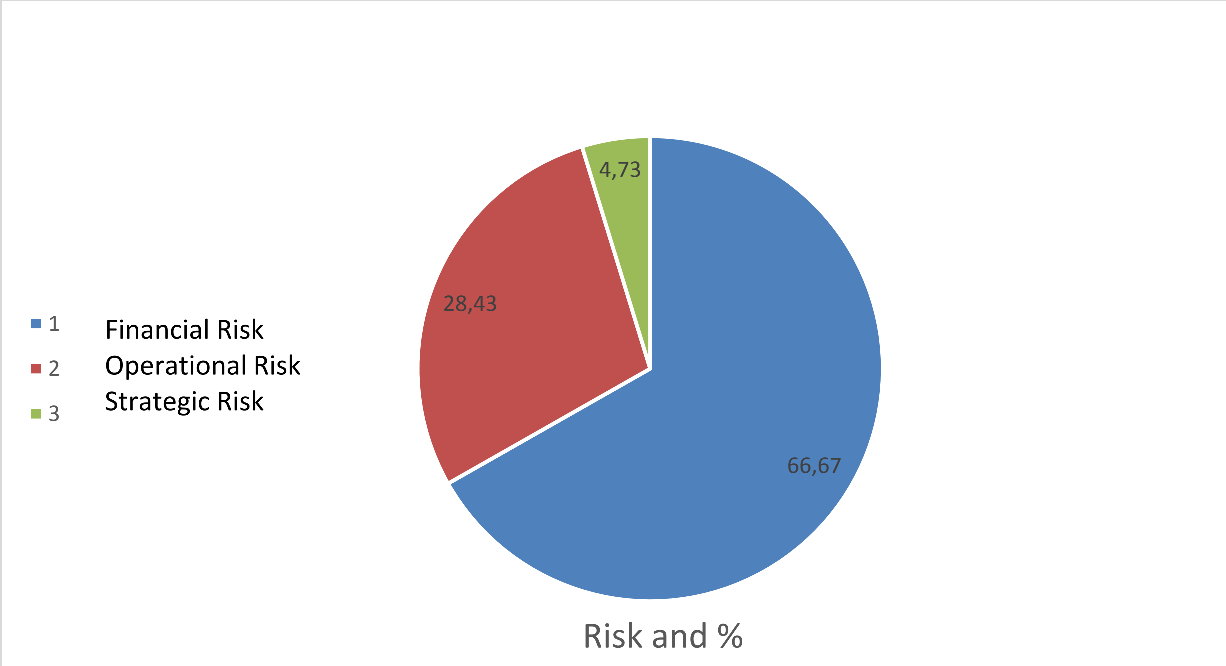


Figure 3: Risks Distribution Chart

Source: Research data

5.1.2 Operational Risk

The researcher during the findings noticed that the second most threatening risk to MFI´s in Cameroon is operational risk which has a percentage of 28, 43% as per Table 4 and figure 3 above. From findings this is due to the poor level of technology which provides loopholes for fraud to be practice. Such as the case with assessing the credibility of a borrower. This is difficult because there exist no software through which a customer's credit worthiness can be asses and as such assessments are based on the judgement of the BODs, the loan committee and the manager which is how well they know the customer and sometimes due to personal relationship they cover the weakness of the borrower which is classified as a fraudulent activity.

5.1.3 Strategic Risk

From the findings the researcher established the fact that strategic risk is the least threatening risk to MFI´s in Cameroon with a percentage of 4, 73% as seen in Table 4 and figure 3 above, but also it is a very important aspect which needs to be handled if every other risk has to be mitigated. This is so because it comes from the weakness in governance and since too much powers is vested on the BODs who are mostly not experts in the financial field there are bound to be risky decisions to be implemented. The credit unions do not have a separate risk management body. Every department (BODs, Loan Recovery team, General Manager,) all handle their respective functions and during meetings they try to solve issues affecting the institutions

The researcher from her findings gathered that risk is inevitable in MFIs in Cameroon and the response to the question of what could be the cause of the different risks was bad market conditions, government policy, fraud, change of employment and income and health problems which cannot be anticipated regardless of the underwriting process and criteria.

The researcher also got the response to the question as to if these risks are efficiently handled and the response was that as at the moment most of the MFIs have stopped granting loans and are using all the laid down procedure to recovered delinquent loans meaning these risks are not efficiently handled. Lots of seminars are held to educate staffs on how to reduce mistakes and fraud

6 SUMMARY AND RECOMMENDATIONS

6.1 Conclusion

From the above analysis and findings, MFIs in Cameroon just like every other financial institutions focuses on reducing risk that affects it sustainability and such risk includes financial risk, operational risk and strategic risk as the all if not properly managed leads to poor liquidity of the institution.

As it has been shown above the institution has some strategies put in place to manage such risk but these strategies still have some loopholes that is why there still exist a significant average annual loan delinquency rate of 36.9%. this is due to the fact that few MFIs implement a comprehensive approach to risk management and since effective risk management starts from the top of the organization which is the BODs then gthe burden is on the BODs to communicate the importance and strategies of risk management to the rest of the staffs but looking at the method of recruiting BODs who are of diverse backgrounds with mostly little or no financial background it therefore is a loophole to risk management for the organization. Couple with the poor collateral assessment method, poor IT system

Despite the past success of MFIs in Cameroon which blinded them from the importance of proactive risk management, MFIs in Cameroon are now bent on developing the risk management in other to improve on the poor liquidity state and also to sustain the institution.

6.2 Limitations

Along the path of this research the researcher experienced some limitations which actually did not tamper with the results of the thesis but rather delay the completion of the thesis and increase the cost. These limitations were: (1) the research is conducted on companies in a foreign country (Cameroon) which make collection of data a bit difficult since the country is a developing country with little or no information online and, (2) the country being a bilingual country (English and French) is currently facing a political crisis and unfortunately there was an internet shut down on the English speaking part of the country for about five months since January 2017. With the case company located in the English part of the country data collection became difficult and slow for the researcher since the required information can only be forwarded to the researcher if the contact person of the case company travels to the French zone were there exist internet connection.

6.3 Recommendation

The current rich and diverse background of the current board is by chance. There are no laid down laws or regulatory bodies to guarantee the quality of members to be elected in to the board which makes the decisions not professional. The state and other regulatory bodies should enact laws that will guarantee that the composition of MFI Board sufficiently and sustainably meets the challenges in governing the MFIs.

The micro finance sector is still gradually evolving to standards. As such, some of procedure manuals and policies put in place are yet to be fully implemented e.g. anti-money laundry policy. This can be developed by introducing rigorous, regular education, control, and sanctions from regulatory bodies (state, COBAC) to force the establishment and implementation policies and operational procedures. Current control are less frequent. E.g. only; COBAC control for the past 5years and only 3 finance control for the past 5years.

Almost all the MFIs in Cameroon do not have a current (updated) webpage which greatly reduce accountability and promotes fraud. This can be developed by the regulatory bodies passing a strict law requiring every credit union to have a webpage and make sure such page is updated at least yearly.

To curb financial risk, the loan committee should be well educated on how to access the actual value of a collateral security and since most of the collateral securities are landed properties it should be made mandatory that amongst every MFI loan committee there should be at least one real estate agent to access the real value of the landed property.

The credit union should have a separate risk management body with members who are specialist in risks management in other to properly handle all the risks that are threatening the establishment since it is evidence that the sustainability of MFIs depends greatly on proper risk management.

During the research the researcher finds the power invested on the BODs as an issue for discussion in the future because despite the weak background knowledge of most of the BODs in financial issues they are at the top of the MFIs in Cameroon making almost all influential and instrumental decisions for the institutions which the manager who has the skill and knowledge together with other staff are bound to implement since they are all recruited by the BODs. To this effect I would suggest a future study on recruitment criteria of BODs of MFI’s in Cameroon and power regulation.

REFERENCES

Alvin, C. B., Ann, V & Ronald, F. B. 2017. Marketing research. 8th ed. Pearson. Referred 27.04 2017.

Armendariz, B. & Morduch, J. 2010. The Economics of Microfinance. 2nd ed. The MIT Press. Cambridge, Massachusetts. London, England. Referred 12.02.2017.

Coogan-Pushner, D. & Bouteille, S. 2012. The Handbook of Credit Risk Management: Originating, assessing, and Managing Credit Exposures Karen, A. H. 2005. Essentials of risk management. John Wiley & Sons, Inc. Referred 07.04.2017.

Etti, B. 2004 Risk Management and Insurance. John Wiley & Sons Inc. Referred 07.04.2017.

George, E. R. 2001. Principles of Risk Management and Insurance. 7th ed. Addison Wesley. Referred 07.04.2017.

Imad, A. M. 2007. Operational Risk Management. Palgrave Macmillan Ltd, Referred 07.04.2017.

John, B. C., Edward, I. A. & Paul, N. 1998. Managing Credit Risk: The Next Great Financial Challenge. Wiley & sons Inc. Referred 07.04.2017.

Kothari, C. R. 2004. Research Methodology. New Age International Pvt. Ltd. Referred 27.04.2017.

Sachdeva, J. K. 2008. Business Research methodology. Global Media. Referred 27.04.2017.

By-Laws of Credit Unions Model Adopted by the general assembly. 2012.

COBAC (Banking Commission for Central African States) (2002) Reglement CEMAC Relatif aux Conditions d’Exercice et de Controle de l’Activitite de la Microfinance, 01/02/CEMAC/UMAC/COBAC, Cameroon: COBAC.

ANEMCAM Annual Report 2008, 2009.

CamCCUL/brs International Workshop on Operational Risk Management 1st -4th December 2015.

INTERCOOPERATION-Bilingual Edition -October, 2014.

Galina, A., Margarita, V. S., Ilya, A. S., Kristina, G. Z. & Dina, K. T. 2015. Risk Management problems of micro financial institutions: International Journal of economics and Financial Issues. Referred 12.02.2017.

https://www.econjournals.com/index.php/ijefi/article/viewFile/1705/pdf

Moses A. O. & Zangue N.J. 2017. Financial Performances of Microfinance Institutions in Cameroon: Case of CamCCUL Ltd: International Journal of Economics and Finance. Referred 12.02.2017.
http://www.ccsenet.org/journal/index.php/ijef/article/view/67360

Website of Business dictionary. Referred 07.04.2017.
http://www.businessdictionary.com/definition/risk-management.html

Website of CamCCUL. Referred 12.02.2017.
http://www.camccul.org/index.php/en/

Website of DigitalCollections. Referred 12.02.2017
http://digitalcollections.sit.edu/cgi/viewcontent.cgi?article=1731&context=isp_collection

Website of MicroSave. Referred 12.02.2017.
http://www.microsave.net/files/pdf/Risk_Management_Booklet.pdf

Website of Rural finance and Investment. Referred 12.02.2017.
http://www.ruralfinanceandinvestment.org/sites/default/files/1126266387218_A_risk_management_framework_for_MFIs.pdf

APPENDICES

APPENDIX 1: QUESTIONNAIRES

Risk Management Questionnaire

To help in the development of risk management in Cameroon I would ask you to take few minutes of your time to answer the following question. This will help in MFIs sustainability and customer satisfaction. Complete the survey and send it back to me.

Instructions: Please mark an ☒ in the box next to the answer of your choice or write in the space provided as the case may be.

Sex

Male ☐ Female ☐

Age

25-35 ☐ 36-45 ☐ Above 45 ☐

Are you attached to any credit union?

Yes ☐ No ☐

If yes, what is the name of the credit union?

____

____

What position do you hold in the credit union?

____

How long have you been part of this credit union?

____

How many members are there in this credit union?

____

Does this credit union has a website?

Yes ☐ No ☐

If yes,

Is the webpage current?

Yes ☐ No ☐

What is the webpage?

____

Are there any risk faced by your institution?

☐ ☐

Yes No

If yes, what are the different risks faced by your institution?

A) Financial risk

Credit risk ☐

Transaction risk ☐

Portfolio risk ☐

Liquidity risk ☐

b) Operational risk

Transaction risk ☐

Fraud risk ☐

c) Strategic risk

Government risk ☐

Reputational risk ☐

External risk ☐

Regulatory risk ☐

Which risk is the most frequent (greatest) risk?

A) Financial risk

Credit risk ☐

Transaction risk ☐

Portfolio risk ☐

Liquidity risk ☐

B) Operational risk

Transaction risk ☐

Fraud risk ☐

C) Strategic risk

Government risk ☐

Reputational risk ☐

External risk ☐

Regulatory risk ☐

On a scale of 100 how will you rate the various risk on a yearly basis?

A) Financial risk

Credit risk ☐

Transaction risk ☐

Portfolio risk ☐

Liquidity risk ☐

B) Operational risk

Transaction risk ☐

Fraud risk ☐

C) Strategic risk

Government risk ☐

Reputational risk ☐

External risk ☐

Regulatory risk ☐

What do you think is the cause of the different risk?

Financial risk

____

Operational risk

____

Strategic risk

____

In your opinion, are these risk efficiently handled?

Yes ☐ No ☐

Does your credit union has a separate risk management body?

Yes ☐ No ☐

What has been done so far to reduce these existing risks by your institution?

____

____

____

____

____

What kind of audit system does you institution use? And how many times does the institution gets audited on a yearly basis?

What is the loan delinquency rate or ratio on a yearly basis?

APPENDIX 2: List and contacts of Credit Unions

BAMENDA CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Guzang	P. O. Box 27, Batibo	(237) 77 38 64 74
2	Batibo	P. O. Box 22, Batibo	(237) 77 85 24 07
3	BafutN	P. O. Box 2069, Bafut	(237) 77 78 75 69
4	Andek	N/A	N/A
5	Njah Etu	N/A	N/A
6	Mbengwi Central	N/A	N/A
7	Bamenda Police	P. O. Box 392, Bamenda	(237) 33 36 29 67
8	Bambili	P. O. Box 1, Bambili	(237) 33 36 36 34
9	Awing Central	P. O. Box 445, Bamenda	(237) 75 07 45 86
10	Azire	P. O. Box, 253, Bamenda	(237) 33 36 16 35
11	Njindom	P. O. Box 36, Njindom	(237) 77 68 42 58
12	Ntarinkon	P. O. Box 756, Bamenda	(237) 33 36 25 90
13	Bali Central	P. O. Box 104, Bali	(237) 77 06 87 79
14	Ntambeng	P. O. Box 346, Bamenda	(237) 77 83 17 07
15	Tadkon	P. O. Box 221, Bamenda	
16	Bambui	P. O. Box 5134, Nkwen	(237) 33 12 03 14
17	Bayelle	P. O. Box 5129, Bamenda	(237) 33 02 78 50
18	Mitanyen	P. O. Box 205, Bamenda	(237) 33 36 24 37
19	CCAST/AGRIC	P. O. Box 80, Bamenda	(237) 77 62 28 65
20	Ngoketunjia	P. O. Box 25, Bamunka	(237) 77 99 01 62
21	Akum Zone	P. O. Box 38, Bamenda	(237) 75 82 89 80
22	Nsanimunwi	P. O. Box 2097, Bafut	(237) 75 10 49 70
23	Nkwen	P. O. Box 520, Bamenda	(237) 33 02 59 13

24	Santa Central	P. O. Box 36, Santa	(237) 77 83 96 71
25	Aningdoh	N/A	(237) 77 65 67 51
26	Business Women	P. O. Box 794, Bamenda	(237) 77 82 95 88
27	Acha Tugi	P. O. Box 4, Mbengwi	99 38 82 92
28	Mbatu	N/A	N/A
29	Oshie	N/A	N/A
30	Ngwo	N/A	N/A
31	Chomba	N/A	N/A
32	Widikum	N/A	N/A
33	Ashong	N/A	N/A
34	Agyati	P. O. Box 2059, Bafut	(237) 77 76 67 51
35	Tinguh	P. O. Box 343, Bamenda	(237) 77 55 47 43
36	Bafung	P. O. Box 518, Bamenda	(237) 99 54 78 55
37	CRTV		33 36 27 29
38	Tikar	P. O. Box 5151	33 12 03 03
39	Bangolan	N/A	N/A
40	Mba mba	N/A	N/A
41	Alou	N/A	(237) 77 51 68 22
42	Teze	Inactive	N/A
43	Papiakum		
44	Medumba		
45	People for Health		
46	Besi Awum		
47	CARMEL		
48	Wum Area		

KUMBA CHAPTER

NO.	**NAME OF CREDIT UNION**	**POST BOX**	**OFFICE TELEPHONE**
1	Self Reliance	P. O. Box 574 Kumba	N/A
2	Bai Estate	P. O. Box 09 Kumba	(237) 77 77 45 29
3	Ndian Estate	N/A	N/A
4	Lobe Estate	N/A	(237) 75 03 07 72
5	Nyandong	N/A	N/A
6	Ngumuanya	N/A	N/A

7	Kumba Town	P. O. Box 334 Kumba	(237) 33 35 49 07
8	Kumba Central	P. O. Box 296 Kumba	(237) 33 35 41 12
9	Agric Workers	P. O. Box 62 Kumba	(237) 33 35 45 59
10	Mukonje	N/A	(237) 74 80 03 70
11	Bangem	P. O. Box 16 Bangem	N/A
12	Mbonge CDC	P. O. Box 2 Bangem	N/A
13	Tombel Central	N/A	(237) 77 35 10 13
14	Baseng Farmers	N/A	N/A
15	Etam		

FAKO CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Mutengene	P. O. Box, 380	(237) 77 33 41 85 / 33 35 13 04
2	Tiko Central	N/A	(237) 77 59 07 14
3	Tiko Banana	P. O. Box, 282, Tiko	(237) 33 35 13 51
4	Buea Police	P. O. Box 386, Buea	(237) 33 32 28 51
5	Tole Tea	P. O. Box 431, Buea	(237) 33 00 99 87
6	Limbe Urban Council	P. O. Box 61, Limbe	(237) 33 32 29 67
7	Penda Mboko	N/A	(237) 77 58 01 97
8	Sonel Workers	P. O. Box 28, Limbe	(237) 33 33 30 36
9	Buea P & T	P. O. Box 483, Buea	N/A
10	Metes	N/A	N/A
11	Tiko Progressive	P. O. Box 459, Tiko	(237) 33 35 13 53
12	Missellele	N/A	N/A
13	Ekona Town	P. O. Box 76 Muyuka	(237) 77 85 44 22
14	Muyuka Town	N/A	(237) 77 61 77 08
15	Victoria Customs	P. O. Box 826, Limbe	(237) 33 33 27 79

16	Tiko United	N/A	N/A
17	Ekona Engineering	P. O. Box 04, Buea	(237) 33 02 70 79
18	National Ports Authority	P. O. Box 383, Limbe	(237) 33 33 27 42
19	CDC Headoffice		(237) 74 22 42 19
20	Bota Engineering	P. O. Box 618, Limbe	(237) 33 04 30 93
21	Meanja Central	N/A	N/A
22	Victoria town	P. O. Box 637, Limbe	N/A
23	Bomaka		

BAFUSSAM CHAPTER

NO.	**NAME OF CREDIT UNION**	**POST BOX**	**OFFICE TELEPHONE**
1	Koula	N/A	N/A
2	Djuttitsa	B. P. 210, Dschang	(237) 75 15 19 65 / 99 66 48 62
3	Bazou	N/A	N/A
4	Baneghang	N/A	N/A
5	SOCEC PROB	B. P. 1009, Bafoussam	(237) 77 20 70 83 / 99 76 68 87
6	Nkong-Ngam	N/A	N/A
7	Atta	N/A	N/A
8	Bankim Ville	N/A	N/A
9	COPECME Dschang	N/A	N/A
10	Bafoussam Town	B. P. 36, Bafoussam	(237) 33 44 20 58
11	Mbouda Centre	B. P. 254, Bafoussam	77 58 32 60
12	SOCEC-BA	B. P. 58, Banja	(237) 99 61 47 71
13	SCECEAN B'te	B. P. 22, Bangangte	(237) 33 48 41 21
14	Bamougoum	N/A	N/A
15	Bapi	N/A	N/A
16	Batsengla	B. P. 272, Dschang	(237) 99 57 05 78
17	SCECOC	B. P. 123, Bafoussam	(237) 33 44 45 50
18	SCECUDS	B. P. 96, Dschang	(237) 33 45 19 88
19	Bankim Jeunes	N/A	N/A
20	SOCECMA	N/A	N/A
21	Bantoum	Inactive	N/A
22	Foumbot Town	Inactive	N/A

FUNDONG CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Mbingo	N/A	N/A
2	Ashing	N/A	N/A
3	Fundong	P. O. Box 52, Fundong	(237) 77 48 56 46
4	Njinikom	P. O. Box 29, Njinikom	(237) 77 88 71 08
5	Aghem	P. O. Box 29, Njinikom	(237) 79 68 48 45
6	Mmen	P. O. Box 67 Fundong	(237) 77 06 95 20 / 77 68 64 47
7	Mbessa	P. O. Box 48, Njinikom	N/A

DOUALA CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Wackenhut Yaounde	B. P. 1387, Yaounde	(237) 22 01 52 61
2	Nkongsamba	B. P. 664, Nkongsamba	(237) 33 49 37 80
3	Manjo	B. P. 03, Manjo	(237) 77 62 68 99 / 77 62 16 35
4	SOCAPALM Tillo	N/A	N/A
5	Pecten	B. P. 2273, Douala	(237) 33 42 66 99
6	FIMAC Ebolowa	N/A	N/A
7	CECPROM Douala	B. P. 8485, Douala	(237) 33 43 00 42 / 33 43 67 88
8	HEVECAM	B. P. 174 Kribi	N/A
9	SOCAPALM Dibombari	B. P. 691, Douala	(237) 99 73 62 57
10	SOCAPALM Eseka	B. P. 77, Eseka	(237) 77 39 12 72
11	CDC Kompina	N/A	N/A
12	CECPROM Mature	B. P. 14600, Yaounde	(237) 22 22 04 12
13	CEC-PROM Lekie	N/A	N/A
14	MUPECI	N/A	N/A
15	FIMAC Ntui	N/A	N/A
16	COGAP / CIC	N/A	N/A
17	FIMAC Edea (Maritime)	N/A	N/A
18	WACKENHUT Douala	B. P. 3798, Douala	N/A
19	Penja	N/A	N/A
21	FIMAC Mengong	N/A	N/A
21	Loum ville	N/A	N/A
22	SOCAPALM Mbongo	B. P. 691, Douala	(237) 75 06 06 36

23	FIMAC Nkam (Yabassi)	B. P. 97, Yabassi	(237) 77 39 92 76
24	SOCAPALM Mbambou	N/A	N/A
25	SAFACAM	N/A	N/A
26	MUDEF	B. P. 4571, Yaounde	(237) 22 01 12 37
27	FOURMILIERE	B. P. 728, Sangmelima	(237) 99 95 12 73 / 99 95 96 99
28	GECEC Lomie	Inactive	N/A
29	CECPES (C4ED) YAOUNDE		
30	CPC Mbalmayo		
31	Interprofessional		
32	COFED		
33	SOCAPALM Edea		
34	Ebolowa Farmers (EBUFCCU)		

MAROUA CHAPTER

NO.	**NAME OF CREDIT UNION**	**POST BOX**	**OFFICE TELEPHONE**
1	Koza	N/A	N/A
2	Doukoula	N/A	N/A
3	Gawel	N/A	N/A
4	Ngong	B. P. 1008, Garoua	(237) 75 74 21 95
5	Kaele	N/A	N/A
6	Mokolo	N/A	N/A
7	Pouss	N/A	N/A
8	Maroua Ville	B. P. 196, Maroua	(237) 99 54 82 84
9	Maroua Femmes	B. P. 196, Maroua	(237) 77 22 04 30
10	Porhi	N/A	N/A
11	Poli	N/A	N/A
12	Tourou	N/A	N/A
13	Vada-Vat-Di	N/A	N/A
14	Wina	N/A	N/A
15	Yagoua Ville	N/A	N/A
16	Mbere	N/A	N/A
17	Mogode	N/A	N/A
18	Mayo-Louti	N/A	N/A
19	Mora	N/A	N/A
20	Djerem	A cote Commissariat	77 99 06 86
21	COOPENMORN	B. P. 1578, Garoua	(237) 22 27 32 32
22	Paderme	Inactive	N/A

23	Plateau	Chambre de Commerce	74 57 98 58
24	NGACCU	B.P. 84, Ngaoundere	77 90 78 14
25	GATOCCU	N/A	N/A
26	Guider		
26	SCECA		

KUMBO CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Jakiri	P. O. Box 19, Jakiri	(237) 77 72 75 09
2	Nkor	N/A	N/A
3	Djottin	C/o P. O. Box 14, Kumbo	N/A
4	Meluf	N/A	N/A
5	Kimbo Police	P. O. Box 70, Kumbo	(237) 33 48 15 24
6	Manchok Oku	P. O. Box 71, Kumbo	N/A
7	Kitiwum	N/A	N/A
8	Tatum (Liywantse)	N/A	N/A
9	Mbve	P. O. Box 60, Kumbo	(237) 77 18 10 09
10	Shisong	P. O. Box 11, Kumbo	(237) 98 83 58 89 / 79 83 58 87
11	B.B.H.	P. O. Box 9, Kumbo	(237) 33 48 12 62
12	Kikaikelaki	N/A	N/A
13	Lip	N/A	N/A
14	Mbiame	N/A	N/A
15	Mboh-Nso	N/A	N/A
16	Jikejem Area		

NKAMBE CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Ntundip	N/A	(237) 77 80 19 41
2	Nkambe Town	P. O. Box 93, Nkambe	(237) 33 36 11 69
3	Misaje	N/A	N/A
4	Ndu Tea	P. O. Box 36, Ndu	(237) 7796 46 09
5	Dumbo Ranch	N/A	N/A
6	Ako Town	N/A	N/A
7	Ntaba	P. O. Box 28, Ndu	N/A
8	Sabongari	N/A	N/A
9	Fonfuka		

MAMFE CHAPTER

NO.	NAME OF CREDIT UNION	POST BOX	OFFICE TELEPHONE
1	Agric Workers	P. O. Box 103, mamfe	N/A
2	Mfuni	N/A	N/A
3	Manyu Police	N/A	N/A
4	Menji	P. O. Box 10, Menji	(237) 96 02 65 50
5	Bassui	N/A	N/A
6	Okoyong	N/A	N/A
7	Mamfe PWD	P. O. Box 323, Mamfe	(237) 33 34 10 07
8	Otu Ejagham	N/A	N/A
9	Bakebe	N/A	N/A
10	Mbeme		