International Journal of Research in Social Sciences
Vol. 16 Issue 01, January 2026,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

A COMPARATIVE STUDY ON THE LEVEL OF POVERTY BEFORE AND AFTER ACCESS TO MICROCREDIT IN NORTH WEST REGION OF CAMEROON

By

Roland Agwenjang Anyingang (Ph.D)

And
Rene Oru Tabong

Department of Banking and Finance
Faculty of Social and Management Sciences
University of Buea, Cameroon

Abstract

The main thrust of this study was to compare the level of poverty before and after access to microcredit scheme in the North West Region of Cameroon. The research design adopted for this study was the ex-post facto approach or causal comparative design. Stratified random sampling technique was used to select sample of 381 respondents who benefited from microcredit schemes offered by the cooperatives in the study area. A well validated structured questionnaire was used for data collection for the study. Collected data was analyzed using Foster- Greer- Thorbeke (FGT) (1984) formula for headcount poverty index. Findings revealed that the poverty headcount index after access to microcredit scheme was 42% which was smaller than the poverty index of before access microcredit scheme (70%). it therefore means that there exist a significant difference in the level of poverty before and after access to microcredit scheme. With the level of poverty after access the microcredit scheme significant lower than that before access to microcredit scheme. The study therefore recommended that the government of Cameroon should encourage the establishment of microcredit scheme and assist the poor to assess loans with little or no collateral

Key words: Poverty level, access to microcredit scheme, poverty reduction

1. Introduction

It is a known fact that the financial sector in developing countries has failed to serve the need of the poor. In the formal sector, banks and other financial institutions generally require significant collaterals, preference for high income and high loan clients and lengthy bureaucratic application procedures. In the informal sector, money-lenders usually charge excessive interest rates, tend to undermine collaterals, and often allow racist and/or sexist attitudes to guide lending decisions. The failure of the formal and informal financial sectors to provide affordable credit to the poor is one of the main factors that reinforce economic, social and demographic structures that ultimately cause the vicious circle of poverty (Zaman, 2004).

As a partial response to this failure, there has been significant growth in what can be termed "micro-credit scheme" over the past two decades. Micro-credit scheme is therefore, essentially the dispersion of small collateral-free loans to jointly liable borrowers in groups in order to foster income generation and poverty reduction through enhancing self-employment. Micro-credit entities source their funds through donor agencies, participatory financial institutions and through the federal government. The funding by the entities requires tact and skill which involves the enlightenment of the beneficiaries on how well to use the credit facility for easy repayment at the stipulated period. It is common for most micro-credit entities to adopt group solidarity approach. The approach has to do with lending to a group of five or twenty five individuals who are pursuing common economic objectives and micro-enterprises activities. These groups provide joint guarantees of each other’s loan. The essence of the group selection is to encourage members of the group to have confidence in one another so that access to credit by any member of the group depends on the consent of all the members. The group members share in the risks and benefits that are accruable to the loan collected. The elements of collective guarantees, close supervision and pressure from the other members of the group not only facilitate the regular payment of the loan but also play a crucial role in the overall success of the programme (Udoka, 2013).

In Africa, countries such as Nigeria, Ghana, South Africa, Kenya, Gambia, Tanzania, Uganda, Senegal, just to mention a few have embraced the Bangladesh micro-credit scheme model as a tool of poverty alleviation in their various countries. For example in Kenya the services of microcredit scheme were designed to meet social development objectives and often include increasing access to education, improvement in nutrition, sanitation, healthcare, and family planning (Adamu, 2006)

In Cameroon, the origin of micro-credit scheme can be traced back to the 1950s, when the former French Caisse Centrale de Cooperation Economique established the first "Caisses de Crédit Mutuel" in the territories under its control. In the territories under the British rule, the co-operative movement emerged in the early 1960s, mostly with the support of Catholic Missionaries (Tchoumba, 2005). The reason for the establishment of co-operative movement was to serve the citizens since banks in the country served mainly the expatriates, keeping behind majority of the proportion of the local population with no institutionalized financial system. The main assumption was that small producers were poor, not so much because of their inability to get access to commercial banks, but because of their inability to save. As a result, one of the main objectives of the creation of these co-operative societies was to promote the culture of savings among the low-income population (Ngwa, 2008).

At independence, when external financing dominated the economic development of the country, almost all banks were foreign owned. They operated only in the major urban areas and provided credit mainly to foreigners, big traders, entrepreneurs and big time farmers. Efforts to curb the dominance of foreign capital in the economy and to promote rapid industrialization of the country led to the new government's involvement in the ownership and management of the financial system (Ndi, 2002). Although, it was still assumed that low-income people were poor, because they lacked access to credit, they were also skeptical about their ability to repay their loans, especially high interest loans (Atingwa, 2001). Consequently, low-income producers were assumed to be in need of cheap credit. As a result, the early models of micro-credit scheme began with the explicit assumption that interest rate subsidies were necessary. Subsidized interest rates for low-income borrowers `were also advocated for other reasons. For instance, the World Bank in 1975 saw subsidized interest rates as a way to redistribute income in favour of the poor or as a special inducement to farmers to adopt new technology in agriculture. Low interest rates charged on loans were also justified on the grounds that informal lenders such as moneylenders exploited the poor by charging exorbitant rates on loans (Bigombem, 2004).

Although poor repayment rates could be interpreted as a confirmation of the assumption that low-income people were too poor to pay back their loans, it should be noted that most of these special micro-credit scheme were rural only in name. In Cameroon, rich individuals, politicians and mostly civil servants, used their privileged positions to access the available cheap loans. It is argued that rural producers hardly received loans from Fonds Nationale de Development Rural (FONADER) - or the National Fund for Rural Development which was established to provide agricultural credit to farmers. The aimed of FONADER was to see that public savings derived from taxes levied on agricultural commodities towards farmers are appropriately utilized. Its centralized nature and long credit procedures made it impossible to reach the masses of the rural farmers it was founded to serve.

After the economic crisis in the early 1990s government intervention through micro-credit schemes to famers and small and medium scale enterprises was stopped. This gave rise to the formation of more private cooperatives under the umbrella of Cameroon Cooperative Credit Union League (CAMCCUL). These cooperatives were to help their members who are mostly farmers (over 90 per cent) as savings is a very difficult habit within the farming communities. Most often, every income they earn is consumed, making them live well only during harvest period and very poor and vulnerable during off season. This has caused them to be exploited during off season by money lenders who provide their financial needs at skyrocketed interest rate, pledging their next season harvest as security and mode of repayment. This makes them to remain poor and vulnerable with no development despite their hard work; unable to pay school fees for their children education or buy medication (Ndi, 2002).

Despite the effort from the Cameroon government, international bodies, non-governmental organizations and private members to alleviate poverty through various micro-credit schemes, most of the people in the North West and South West Region are still very poor. Most of the people lack basic needs such as; food, good roads, shelter, portable water, good medical services, job opportunities and conducive living environment are lacking or inadequate. The challenges of poverty manifest in low per capita income, low consumption level, poor health services, high death rate, poor educational facilities, hunger, homelessness, mental retardation, injustice, malnutrition, insecurity and short life expectancy, to mention but a few (Fotabong, & Akanga 2005). This situation perpetuate some undesirable consequences which lead to other social vices such as armed robbery, stealing, prostitution, drug peddling, environmental degradation, low educational attainment, rapid population and increase in youth unrest etc. This is because every human wants to live a life devoid of these challenges and when such basic necessities of life are hard to come by, the natural tendency is to engage in illicit activities in other to make ends meet.

The World Bank estimated that about 51 per cent of the population of Cameroon still live below the poverty line estimated by the government at US$0.80 per day. A further 23 per cent of the population was considered to be living in extreme poverty. With this in mine, it is therefore necessary to undertake an assessment of the extent to which micro-credit scheme has impacted on poverty alleviation in North West and South West Regions of Cameroon.

2.Literature review

2.1 The concept of poverty alleviation

Poverty alleviation according to Udoka (2014) is helping the poorest of the poor to achieve a better quality of life. Poverty alleviation also has to do with enabling the largest number of people to get above the poverty line and helping to improve people's lives now, or laying the conditions for future improvements. According to the Millennium Development Goal document of 2012, the primary standard by which poverty is measured is the percentage of the population below the World Bank's poverty line of $1.25/day. This measure is considered static because it says nothing about further poverty reduction over time. A large-scale redistribution effort could, theoretically, help countries meet the goal without really laying the conditions for long-term poverty alleviation (Papanek, & Kyn, 1986).

Poverty is a multi-dimensional phenomenon, which is at best only partially captured in data based on estimates of income or consumption expenditure. The most common definition used in developing countries refers to material consumption, and grounds the definition of a poverty line in terms of expenditure necessary for the fulfillment of a nutritional requirement of a certain minimum calorific intake (Zaman, 2000). While this definition primarily takes minimum food consumption expenditure as a proxy for income, there are clearly factors other than lack of income and productive assets associated with poverty. Thus, besides hunger and malnutrition, there are features such as greater morbidity and higher mortality rates, poor access to basic sanitation or minimal health services, homelessness or inadequate housing, unhealthy or unsafe environment, lack of education, and social and political exclusion. Indeed, poverty in developing countries is a far more comprehensive state of being, which encompasses not just material want but also powerlessness and marginalization (Remeny, 2000).

According to Shabbir, Anwar, Hussain and Iman (2012) poverty is the state at which human beings have little or no material means of surviving. That is, they have little or no food, shelter, clothes, healthcare, education, and other physical means of living and improving one's life. Poverty reduction would therefore be considered to apply to measures that resulted in technically lifted people out of poverty (Umoh & Ibanga, 1997).

IFAD (2001) states that "increasing access to assets is crucial for broad–based growth and poverty reduction. Assets take many forms–human and social (education, health, organizations), natural (land, water and forests), technological (farm production, processing and marketing methods), infrastructural (roads, communications, health and education facilities, housing) and financial (crop sales and off–farm revenue, investment and working capital, 'savings' in the form of livestock and stored commodities). There is strong therefore, complementarity among asset categories. For example, building social capital by strengthening farmers' groups and improving road and communications networks can enhance the financial asset base. Secure land use rights can allow farmers to invest in technology, leading to higher farm productivity and incomes. They may then invest in improved health and nutrition status and their children's education".

2.2.2 The concept of microcredit scheme

The origins of microcredit scheme can be linked to several organizations founded in Bangladesh, especially the Grameen Bank. The Grameen Bank, which is generally considered the first modern microcredit institution, was founded in 1983 by Muhammad Yunus who began the project in a small town called Jobra, using his own money to deliver small loans at low-interest rates to the rural poor (Hulme, 2000). Grameen Bank was followed by organizations such as BRAC in 1972 and ASA in 1978 (Egwuatu, (2008). Micro-credit scheme quickly became a popular tool for economic development, with hundreds of institutions emerging throughout the third world ((Hulme, 2000). Though the Grameen Bank was formed initially as a non-profit organization dependent upon government subsidies, it later became a corporate entity and was renamed Grameen II in 2002 (Godwin, 2008).

Microcredit scheme is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans. As of 2009 an estimated 74 million men and women held microloans that to totaled US$38 billion. Grameen Bank reports that repayment success rates are between 95 and 98 per cent (Ibrahim, 2011).

2.4 Microcredit scheme and poverty reduction

Micro-finance is a very viable strategy for ameliorating the inadequacies of the formal lending system and guaranteeing access to credits for the rural poor through a financial intermediation option that is responsive to their livelihood conditions. It emerged in response to the irrepressible desire of the rural poor to improve their conditions and to meet the basic needs of their households. In the face of limited opportunity for employment in the wage labour market, the bulk of the rural poor survive by creating work and sourcing income for the betterment of themselves and their families where no job existed. Self-employed rural poor population comprises about 60per cent of the labour force of developing countries (Micro-Credit Declaration, 1996).

Despite their large number, the rural poor are the least recognized group of borrowers by formal financial institutions. Studies by Olomola, (2004); Izugbara, (2004); Iheduru, (2002); and Akanji,(2004) indicate that the effort of the rural poor to improve their condition by accessing and utilizing small credits is largely ignored by the formal financial system.

The specific factors constraining the rural poor from accessing small credits from formal institutions include: lack of material and other asset-based collateral; high interest rate on credits; complex procedures for accessing credit (including a formidable amount of paper work that is beyond the capacity of largely illiterate and semi-illiterate borrowers). Others are: the unwillingness of most formal institutions to incur the set-up costs involved in reaching a dispersed (rural) poor clientele due to the risk analysis and lack of familiarity with the rural poor (Aryeetey, 2005). Taken together, these bottlenecks pose a formidable obstacle to the effort of the rural poor to obtain credit for income generating activities. Since they are not recognized as credit-worthy or perceived as a profitable market for credit, the (rural) poor are forced to turn to traditional money lenders, who may charge rates as high as 10per cent per day. Emerging literature supports the argument that the poor can engage in meaningful income generating activities if they have access to subsidized credit and proper guidance on small business management. Duru (2002) contended that the poor possess the capacity to use credit facilities for productive purposes and to gradually incorporate themselves into the financial market, repaying the loans and accumulating savings. These and other arguments counter popular misperceptions about the rural poor. The challenge is not the lack of credit worthiness of the rural poor but the absence of financial intermediation mechanism that is adaptable to their concerns.

Microcredit schemes have been designed to engage the economic potentials of the rural poor towards poverty reduction and sustainable economic empowerment. They provide financial services to the poor, who are traditionally not served by conventional financial institutions. Micro-credit schemes are distinguishable from the formal financial system by three essential features which are: (1) the small size of the loan provided and the savings collected; (2) the absence of asset-based collateral and; (3) simplicity of operations.

Microcredit schemes extend small, low interest loans to the rural poor for self-employment, income generation and poverty alleviation. Development scholars such as Umoh, (1997), Odejide, (1997) view it as a veritable strategy for poverty reduction and sustainable development. As a unique development intervention, micro-credit provides access to flexible, convenient and affordable financial services that empower and equip the poor to make their own choices and create wealth for themselves(Littlefield, Morduch & Hashemi, 2003). Its services can be reached by both the poor and the extremely poor, and it allows the poor to protect, diversify and increase their sources of income (Aryeetey, 2005).

There is evidence in the literature to support the argument that micro-credit schemes have made significant contribution to the global effort to reduce poverty, as enshrined, for instance, in the UN Millennium Development Goals (MDGs). By giving the poor access to small credit, which enables them to take advantage of business opportunities, provide the basic needs of their household and lead a decent life, micro- credit empowers the poor to extricate themselves and their households from the grip of poverty. Zaman (2004) pointed out that micro-credit schemes enable the poor to increase their household income, build assets and reduce their vulnerability to daily life crises. It also bolsters investment in children's education; improve nutrition and utilization of appropriate healthcare services as well as planning for the future. Improved sanitation, child immunization and utilization of modern contraceptives by women have also been associated with micro-credit (Zaman, 2004). Even women's decision making capacity, marital stability, control over resources and personal mobility is shown to have been positively impacted by micro-credit loans (CGAD,2004). Micro-credit schemes simply intermediate and link the poor to financial services, either from donor agencies, the government or the formal financial system.

3. METHODOLOGY

The research design adopted for this study was the ex-post facto approach or causal comparative design. According to Kerlinger (1973), ex-post facto is a systematic empirical enquiry in which the scientist does not have direct control of independent variables because they are inherently not manipulative. In effect, there was no manipulation of the independent variables used in this study. Stratified random sampling technique was used to select sample of 381 respondents who benefited from microcredit schemes offered by the cooperatives. A well validated structured questionnaire was used for data collection for the study. 1.

Foster- Greer- Thorbeke (FGT) (1984) formula for headcount poverty index.

4. Data Analysis and Discussion of findings

Hypothesis one

There is no significant difference in the level of poverty in the study area before and after access to microcredit scheme.

The Foster- Greer- Thorbeke (FGT) formula for headcount poverty index was used to test this hypothesis. In determining the level of poverty, the World Bank (2014) current poverty line of USD 3.25 per person /per day (PPP) was used as a benchmark below which the respondent was considered poor. Also, the USD/CFA exchange rate prevailing at the time of the study was 650 FCFA

$P_0 = \underline{Np}$

N

Where

P_0 = Poverty Headcount index

Np = is the number of poor and

N = total population

a. Poverty level before access to microcredit scheme

Np = 267

N= 381

Thus $Po = \frac{267}{381} = 0.701 = 70.1$per cent

b. Poverty level after access to microcredit scheme

Np = 153

N= 381

Thus $Po = \frac{153}{381} = 0.402 = 40.2$per cent

Decision rule:

Since the poverty headcount index of after access to microcredit scheme (42%) is smaller than the poverty index of before access microcredit scheme (70%); it therefore means that there exist a significant difference in the level of poverty before and after access to microcredit scheme

Discussion of findings

The findings of hypothesis one of this study revealed that there is a significant difference in poverty alleviation in terms of access to health facility before and after benefiting from microcredit scheme. The implication of this result is that most of the beneficiaries of microcredit scheme have been able to access health facilities more than before they benefited from microcredit scheme. Thus, microcredit scheme have significantly alleviate poverty in terms of access to health facilities of the beneficiaries of the scheme. This finding is in agreement with the finding obtained by Todd (2007) who investigated the influence of microcredit on the poverty alleviation in Bangladesh and discovered that that there exist a significant difference in access to health facilities between the beneficiaries of microcredit and the none beneficiaries with the beneficiaries having more access health facilities than the none beneficiaries. The finding of this study is also in line with the finding obtained by Chao- Berhoff (2008) who carried out a study to consider whether microcredit has an impact on, expenditure on health and found out that microcredit had a significant impact on these factors and credit to women in particular was more likely to influence these factors than credit to men.

5. Conclusion and Recommendations

5.2 Conclusion

Based on the findings obtained from the analysis of the hypotheses that directed the study, the following conclusions were made; the beneficiaries of microcredit scheme were able to access health facilities easily than before they benefitted from the scheme. Also, the beneficiaries of microcredit scheme has been able to access education more better than before they benefited from microcredit scheme. The findings of this study also lead us to the conclusion that microcredit scheme has alleviated poverty significantly in terms of increased level of consumption of the beneficiaries is significantly high. A significant difference in poverty alleviation existed between male and females beneficiaries of microcredit scheme in terms of access to health facilities. But no significant difference exist in poverty alleviation between males and females beneficiaries of microcredit scheme in terms of access to education and level of consumption.

5.3 Recommendations

The following recommendations are derived from the study:

1. Government should encourage the establishment of microcredit scheme and assist the poor to assess loans with little or no collateral
2. Assistance should be sought from other NGOs onthe future community projects to reduce the financialstress on poor especially in rural areas.
3. Micro-credit schemes should focus more on women, especially those who reside in rural communities. This recommendation is made on the grounds that women's credit performance in terms of funds management, savings and repayment increases the efficiency of micro-credit schemes and their economic empowerment usually translates into improvement of poor rural households and communities.

References

Akanji, O. O (2004). Micro-finance as a strategy for poverty reduction. *Central Bank of Nigeria Economic and Financial Review,* 39 (4) 1-20

Aryeetey, E. (2005). The role of the financial sector in securing pro-poor growth, in poverty, growth and institutions, *African Economic Research Consortium*, *37*,173-196.

Atingwa, (2001). Scenario planning: A tool for strategic thinking". *Sloan Management Review*, 36(2): 25-40

Bigombem, (2004). Social capital: Its origins and applications in modern sociology, *Annual Review of Sociology*, 24, 1-24.

Egwuatu, B. 2008). Reducing poverty through better credit delivery: The Asian Experience. *Bullion Publication of Central Bank of Nigeria.* 6, 8-14.

Fotabong, H & Akanga, Y. (2005). Impact of credit on women-operated microenterprises in Bamenda. Retrieved June 24, 2012 from www.yeehe//ehnc

Hulme, D. & Mosley, P. (1996), *Finance against poverty.* London: Routledge.

Ndi, M. R. (2002). Initial conditions, social capital and growth in Africa". *Journal of African Economies*, 7 (3), 309-347.

Ngwa, G. (2008). *Microcredit and poverty alleviation*. Bamenda: Ashgate Publishing Limited.

CGAP (2004). *Scaling up poverty reduction: Case studies in micro-finance.* Washington DC: CGAP

Odejide, A. (1997). Breaking the vicious cycle of poverty among women in developing countries: The case of micro-credit.*Nigerian Economic Society*, 367-382.

Olaitan, T. (2005). Informal economy, micro-finance and non-governmental organisations in Malaysia. *Humanomics*, 17 (1/2), 134-140.

Olomola, A. (2004.). *Social capital, micro-finance group performance and poverty implications in Nigeria.* Ibadan: Nigerian Institute of Social and Economic Research

Tchoumba, T (2005), Infections among pygmées in the eastern province of Cameroon. *Medical Microbiology and Immunology*,182(6), 281-4, 1

Udoka, C.O (2014). An assessment of the impact of micro-credit scheme on poverty alleviation in Akwa Ibom State, Nigeria. *International Journal of Advances in Management and Economics*,.*3*(1),*208-216*

Umoh, G. (1997). *Sustainable micro-finance systems and economic development in Nigeria*. Uyo: Dome Associate

Umoh, G.S. & Ibanga, I.O. (1997). An alternative micro-credit delivery model for poverty alleviation in Nigeria . Conference Proceeding. NES. 521-631

Zaman, H. (2000), Assessing the poverty and vulnerability impact of microcredit in Bangladesh: A case study of BRAC. Washington DC: World Bank

Zaman, H. (2004). *Micro-finance in Bangladesh: Growth, achievements and lessons.* Washington DC: The World Bank.