A LEGAL ANALYSIS OF THE CHALLENGES IN OBTAINING BANK CREDITS BY NEW SMES IN CAMEROON

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ABSTRACT

Small and medium sized enterprises (SMEs) are increasingly seen as playing important role in the economies of many countries. They enhance economic growth in an economy together with all the benefits that come with such growth. Thus, governments throughout the world focus on the development of the SMEs sector to promote economic growth. SMEs account for 62% of permanent employees and 31% of turnover before tax of all enterprises in Cameroon. New SMEs form the basis from which an economy can expand and stimulate accelerated socio-economic growth and development including job creation. Despite these enormous contributions of SMSs enterprises, the creation and promotion of new SMEs is relatively low due to financial constraints. Therefore, there is the need to examine the challenges in obtaining bank loans by new SMEs. To achieve the said objective, we employed a content analysis approach. In this vein, we made some salient proposals to bridge the gap between theory and practice in enhancing new SMEs in Cameroon.

Keywords: Analysis, Challenges, Bank Credit, SMEs, Cameroon.

INTRODUCTION

Small and medium sized enterprises (SMEs) are increasingly seen as playing important roles in the economies of many countries. They enhance economic growth in an economy together with all the benefits that come with such growth. Thus, governments throughout the world focus on the development of the SMEs sector to promote economic growth.[ii] Historically, the late 80‘s worldwide financial and economic crises resulted to the subsequent privatization and restructuring of state owned enterprises combined with the introduction of market forces resulted to the emergence of new small firms and a decline of old inefficient ones. Moreover, statistics have showed that a key objective for both politicians in developing countries and providers of external aids was the development of the small and medium size enterprise (SMEs) sector.[iii] Hitherto, defining the small firm is somewhat arbitrary as criteria used to classify entities as such include size, number of employees, and sales volume, asset size, type of customer, capital requirements and market share.[iv] The current Cameroonian enterprise surveys, conducted by the National Institute of Statistics (NIS), have demonstrated that about 98% of enterprises are small and medium-sized enterprises (SMEs).[v] It contributes to employment and GDP across different countries worldwide.[vi] Also, SMEs account for 62% of permanent employees and 31% of turnover before tax of all enterprises in Cameroon.[vii]

In achieving the said objective, the Cameroonian Government launched institutional reforms in December 2004, including the establishment of Ministry of Small and Medium-Sized Enterprises, Social Economy, and Handicrafts for the formulation of SMEs‘promotion policies and programmes.[viii]Also, in order to reduce unemployment, poverty and boost economic development, the Cameroon government particularly positions SMEs sector as the key subject on its agenda, since they can serve as a driving force for economic growth.[ix]

However, if the contribution of SMEs is to be sustained, new SMEs will have to be created and promoted. New SMEs form the basis from which an economy can expand and stimulate accelerated socio-economic growth and development including job creation. Mutezo (2005) points out that about 300,000 new jobs must be created annually in Cameroon, if the country is to retain its present unemployment rates, especially taking into consideration the high number of new comers into the labour market.[x] Without the creation of new SMEs, Cameroon is likely to stagnate and decline economically and social problems such as crime and corruption are likely to increase as the country envisaged for emergence by 2035.

Despite these enormous contributions of SMSs enterprises, the creation and promotion of new SMEs is very low and their failure rate is very high thus, continue to suffer from high unemployment with an official unemployment rate estimate of 3.41% in 2017, 3.36% in 2018, 3.32% in 2019 and 3.62% in 2020 respectively.[xi] Cameroon also experiences high levels of poverty and income and income inequality. We strongly opine that financial constraint is the primary egress reason for most new SMEs to survive in Cameroon.

Worthy of note is that, the availability of finance for investment in positive net present value projects vital to the sustainability and viability of new SMEs.[xii] A vast majority of new SMEs in Cameroon depend on internal finances. That is, contribution from the owners, philanthropies, families and friends which is often inadequate for new SMEs to survive and grow. It is increasingly difficult to keep the costs within the constraints of self-financing.[xiii] In this regard, new SMEs need capital or finance from external sources. Atieno, (2009) opines that access to external finance is needed for new SMEs to start and expand their business operations, develop new products, invest in new staff or production facilities. On a similar note, the World Bank Enterprise Survey (2009) for Cameroon shows that 54.0% and 56.5% of SEs and MEs respectively, reported that limited access to finance is a major setback for their business.[xiv] Oliveira and Fortunato, (2006) also observe that financial constraints on firm growth may be relatively more severe for small and young firm than their larger counterpart.[xv]

It is evident from empirical studies that, the two primary sources of external finance for new SMEs are equity and bank credits (loans).[xvi] External equity in the form of venture capital or the stock exchange which is usually not available for new SMEs.[xvii] The lack of external equity makes many new SMEs dependent on bank credit (loans)[xviii] for early stage financing of their business. According to Coleman and Cohn (2000),[xix] loans from commercial banks and micro finance institutions are the most significant sources of credits for SMEs throughout the world[xx] and the most common source of external finances for small businesses.[xxi]

It is worth noting that this paper is limited to Commercial banks because they offer new SMEs a wide range of services (credits) in their own right or through wholly or partially owned subsidiaries. These services cover every aspect of the financial market such as overdraft facilities, long and short term loans, trade bill financing, factoring, leasing, export and import finance, and even government loan guarantee schemes.[xxii] Paradoxically, despite the dependence of new SMEs on bank credit, obtaining such credit is very limited and problematic, especially in developing countries such as Cameroon. It is evident that only 5.2% of new SMEs in Cameroon are able to obtain or accessed bank loans and most applications for bank credit by new SMEs in most cases are rejected.[xxiii] Kenneth (1986) contends that among the most serious constraints to the development of small and medium businesses (SMBs) are the difficulty of accessing credit, and the fiscal policies and practices of most commercial banks effectively discriminate against small businesses[xxiv] as they hesitate to lend to new SMEs. The question is why? There has been little, if any, in-depth legal research into why new SMEs are unwilling to apply for bank loans and why commercial banks are not lining up to grant credit to new SMEs in Cameroon.

We strongly uphold in this paper that applying for bank loans by SMEs is the initial conditions to access it. Apparently, the financing lacuna experienced by new SMEs might be more or less explained by the fact that new SMEs do not apply for bank loans; rather than, the unwillingness on the side of commercial banks to offer loans. Obviously, SMEs might not access bank loans if they do not apply for it. Therefore, the legal challenges in obtaining credits by SMEs might be solved from the angle of appreciating factors constraining them to seek for bank loans on the one hand, and those impeding commercial banks to grant access to loans on the other hand.

Before doing this, the paper took an eagle-eye overview of the banking sector and the legal standards in regulating bank credits in Cameroon

THE LEGAL STANDARDS REGULATING BANK CREDITS IN CAMEROON

The banking industry in Cameroon is governed by a series of enactments whose sources are listed seriatim (conventions, laws, ordinance, presidential decrees, ministerial orders and circulars and court Decisions).These enactments are frequently amended and annulled due to contradictions and difficulties in their interpretation and implementation. Banking regulations vary between jurisdictions. The Ordinance N° 85/002 of 31 August 1985 relating to the establishment of Credit Institutions or Loan Houses is one of the most important Texts regulating the Banking Sector in Cameroon. This Ordinance has been ratified by Law N°. 88/006 of July 1988 and Law N°. 90/019 of August 10, 1990. These laws repeal the old practice whereby only persons of Cameroonian nationality had the privilege to head banking institutions in Cameroon. Ordinance N°. 90/6 of October 26, 1990 on its part exempts banking institutions from the payment of registration fees and stamp duties on all Deeds and Judgments relating to transfer and or resale of immovable property. The main banking regulatory instrument is the COBAC Text of 17 January 1992 harmonizing banking regulations in the six member States of BEAC.

Several laws[xxv] emitted by these financial institutions (commercial banks) and the government directly or indirectly influence the granting of credit to new SMEs in Cameroon. Among these plethora of legislations is Law N°. 2019/021 to lay down certain rules relating to credit activity in the banking and microfinance sectors in Cameroon promulgated on December 24, 2019.This law lays down some rules governing the granting of loans by banking and micro-finance institutions in Cameroon. The law obliges any natural or legal person to provide the reporting institution with information on its financial situation. In this regards, this law in its article 2 clearly sets out the following relating to the granting of bank credits: The terms and conditions for concluding a credit transaction; the obligations of the parties relating thereto; and the liability regime in the event of non-reimbursement. The law also deals with the obligations of the parties to a credit transaction. The lender's obligations are defined in Articles 5 to 8, and the borrower's in Articles 9 to 11. Finally, Titles IV and V provide for the non-reimbursement of the credit and the liability regime.

One of the major contributions is the introduction of several (civil and criminal) credit offenses against the debtor in bad faith. Nevertheless, in addition to the vagueness surrounding the notion of bad faith,[xxvi] which leaves a great deal of room for arbitrariness, the penalty regime seems disproportionate between the banking institution and the borrower client/member.[xxvii] The law attributes a power of sanction to the banking institution[xxviii], which becomes a quasi-jurisdiction. It may impose a credit ban on a borrower that extends to other institutions subject to the law. On the other hand, the law does not expressly protect the client/borrower against fraudulent behavior by certain institutions, although the general law of contractual and tortuous liability retains all its effects concerning the banker. This law also contributes to the penalization of business life, and its rigor may contribute to blunt the tendency of borrowers to apply for credit and consequently to reinforce the over liquidity of credit institutions.[xxix] This is not without repercussions new SMEs ability to access credit from commercial banks.

CHALLENGES IMPEDING NEW SMES TO APPLY FOR BANK LOANS

This section of the paper, analyze the challenges impeding new SMES to apply for bank loans.

Worsening lending policies of banking industry

The Ministry of Finance controls all banking activities especially the terms and conditions for banking services. It also receives applications for licensing and the appointment of General Managers of banks and other financial institutions and passes same to COBAC for approval/rejection. COBAC has up to six months within which to decide on such applications. In conjunction with the National Credit Council, the Governor of the Central Bank rules on the following: - Minimum capital for banks and finance houses; - Conditions for opening up branch offices; - Anti-trust issues and collaboration amongst the institutions. The Central Bank performs the role of a Regional Central Bank as indicated above as well as issues notes. It also acts as clearing house for the banks. However, for its functions of directing monetary policy and acting as lender of last resort, it falls wide off the mark. Cameroon's financial system is the largest in the Economic and Monetary Community of Central Africa (CEMAC) accounting for about half of regional financial assets. The financial sector, characterized by excess liquidity, heavy concentration of loan and deposit activity and a low level of financial innovation is largely dominated by foreign banks. Non-bank financial institutions play a minor role, with the public insurance and pension systems in difficulties, and the publicly owned postal bank and real estate finance institution both struggling with insolvency.[xxx]

In Cameroon, the banking sector has been blamed for making very little contribution to the growth of the economy.[xxxi] The rate of penetration of banking services have been low, while banks have excess liquidity, they rely mainly on short-term deposits, and cover only a few high net worth individuals and corporate who are considered less risky while the greater part of the population and SMEs are left without any form of financial services.[xxxii]Also, according to COBAC legislations, banks' lending to one borrower must not exceed 45% of its funds and total loans to borrowers representing over 15% of the capital fund must not in aggregate exceed the total of net capital.[xxxiii] These high figures in a nutshell simply reiterate the fact that credit lines in the country are available only to a few high nets worth individuals.

Banks in Cameroon, both domestic- and foreign owned have been found to offer loans only to a few high net worth individuals and corporate, with a narrow range of product offering.[xxxiv]

This state of affairs has leaved most Cameroonian without any contact with the financial world.[xxxv]

Multiplicity of Conditions, Procedures, and Required Documents to Fulfill to Obtain Bank Loans in Cameroon

The low rate of credit applications in Cameroon could equally be blamed on the numerous conditions, procedures, and requirements involved in obtaining credit. There exist several conditions to be fulfilled by prospective borrowers in Cameroon. These conditions do not only fluctuate from one financial institution to another, but they equally differ from one type of loan to another. Thus, it is important to Thus, in order to better understand the credit facilities variation amongst financial institutions in Cameroon; this study used a commercial bank. The cases are the Afriland First Bank.

The conditions that must be met to benefit from credit facility from this bank are:[xxxvi]

i. The borrower's salary must be paid in a current account held by such a borrower in the bank;
ii. For employees of the public sector, at least 1 month of service, for employees of the private sector, at least 6 months of service (provide a working certificate, working contract and 3 last pay slips);
iii. You must have been a client of the bank for at least one month before your application. If you are employed in the private sector, you must have been a client for at least 3 months;

iv. If you are applying for an overdraft, join a confirmation to Malaika Insurance Policy Subscription;
v. If you are applying for a long, medium or short term loan, join a confirmation to an AID insurance policy subscription;
vi. For an investment loan, it is offered to start-up enterprises, enterprises that wish to diversify their products and services portfolio but also enterprises that wish to ameliorate their production equipment. It covers investments such as the purchase of new tools and equipment, shops, and many more. Therefore, one must have an established business before demanding for credit from this bank. The following are the required documents to obtain credit at Afriland First Bank of Cameroon:

1. Application form highlighting the loan amount, its purpose and the sources of repayment,
2. Certificate of irrevocable transfer,
3. Certificate of work attendance,

4. Working Certificate, working contract, and 3 last pay cheque
5. Insurance documents
6. Business plan for entrepreneurs
7. Photocopy of the national ID card;
8. Certificate of irrevocable transfer;
9. Attestation of effective presence (for civil servants);
10. Work attestation for private-sector employees.

Complex Procedure and Cost in Obtaining Credit in Cameroon

The procedure for obtaining credit in Cameroon appears to be very complex. These procedures as regards Afriland first Bank, after the documents above are submitted; the personnel of the bank will go through the documents and do some investigations on the client to know if he/she is eligible for the credit before any other actions are taken. This is done by looking at the person's needs, to match the suitable financing solutions according to his/her activities. It should be noted that holders of salary accounts here have an advantage over others in obtaining loans. According to the information we got from the bank, the cost depends on the amount of money involved.[xxxvii]

Lack of financial account

Indeed, the first condition for access to bank credit is the possession of an account with a credit institution. Opening financial accounts at the premises of banking institutions constitutes an incentive for holders to demand for loans. In some situations, banks prefer to deal mainly with customers holding accounts with them. The conditions laid down by the law are, to say the least, a hindering factor for managers or entrepreneurs of new SMEs especially women. According to the World Bank, less than 10% of women in Cameroon have a bank account. Women employees in the formal sector only represent 6% of the active population[xxxviii] against about 12% of men. The requirement to produce pay slips is therefore conditional on the exercise of salaried employment.[xxxix] As a result, lack of financial deposits (32%) causes SMEs not to seek for bank debts. From this perspective, SMEs who are customers to financial institutions lodging their accounts are motivated to request for loans. On the contrary, SMEs lacking financial deposits (32%) shy away from bank loans.

Corruption

The level of corruption seems to play a role in the applications and in the outcomes of the applications for bank loans. According to these authors, small firms chartered in high corrupt countries face a greater probability of rejection for their loan applications (more than 16%) compared to the small firms located in low corrupt economies (about 9%).[xl]

Fear of financial debt by new SMEs

Notwithstanding, bank loans subdue the borrower to specific financial obligations. Failure to honour these obligations might result to financial risk. As a result, owners may loss ownership and assets, and dissolution of business prior to any bankruptcy. Therefore, due to financial risk orchestrated by debt, risk-adverse owners of SMEs fear to apply for bank loans.

However, the Cameroon Government authorities are thinking about new mechanisms to help financial institutions trusting in SMEs and local businesses, while financing their activities and promote economic growth.[xli]

CHALLENGES ENCOUNTERED BY NEW SMES TO ACCESS BANK LOANS

There are many factors that affect new SMEs‘ability to access bank loans to kick start its business. Ironically, Hussaini and Muhammad (2017) show that the volume of credit demanded by SMEs and the interest rate constrained access to credit. SMEs desperately need support to fund investment projects. Therefore, this section of the paper, analyze the various factors which affect new SMEs‘ability to access bank loans to kick start its business.

Lack of reliable business information about the creditworthiness of borrowers

Most SMEs are said to be less transparent with their business information. This is because most SMEs keep their operations private, lack publicly available information such as detailed financial information and have no credit history which providers of external finance can use to assess their creditworthiness and monitor their performance resulting to higher cost of lending to SMEs, which makes it difficult for SMEs to obtain bank loan.[xlii] This is also compounded when providers of external finance have incomplete information about the quality of project by new SMEs seeking for bank loans.

Lack of reliable information about the creditworthiness of borrowers (SMEs) makes banks to be reluctant to grant loans to SMEs. However, to avoid the risk of loan delinquency banks ration credit to SMEs and in some situations prefer to grant short-term debts to them.[xliii]

Due to the fact that financial institutions are unable to supervise the borrowing company all the time and obtain effective information about the borrower‘s willingness to pay back loans, business performance, and where the loans go, there are chances that borrowing company may violate the original commitment they made when signing the loan contract, and engage in high-risk investment or intentionally flight from debt. In other words, as banks cannot completely know and control what indeed the borrowers use loans for and whether they would pay the money back or not, the borrowers are likely to take risks to default on the engagement.[xliv]

To guarantee loan safety and profitability, banks and other financial institutions, for one thing, will implement "credit rationing policy". That is reducing lending to SMEs to avoid such scenario in the future. However, this reaction will boost the transaction costs between banks and enterprises dramatically. Uchida, Udell and Watanaba (2008) suggest that loan officers play a critical role in relationship lending by soft information about SMEs. This information source by commercial bank mitigates the influence of information opacity in lending to SMEs.

We therefore, contend that the borrowers are the holder of credible information about the business performance than the lenders. Besides, being aware of the fact that their borrowing decisions are highly constraint by information disparity, there is likelihood that the borrowers utilize this information effectively when willing to seek for bank loans. Thus, SMEs may disclose the information they have through one way or the other in other to reduce the effect of information asymmetry costs on the borrowing decisions. The essence here is to make banks to have a positive appraisal in their applications. Therefore, for SMEs to apply for bank loans, they are obliged to furnish accurate information to the financial institution.

It is glaring from the above that reliable information plays an important role in decreasing a young firm's ability to obtain bank loans in Cameroon.

Lack of collateral security

SMEs also have the difficulty to come up with satisfying mortgages to the financial institutions to pledge as collateral. Besides, a certain number of guarantees must be presented, land, or real estate ownership for bank loans. Women entrepreneurs are less likely to own this type of asset, given their income. Therefore, financial institutions may not dare to lend any loans to SMEs.

Hongjiang, Wenxu and Chen (2006) find that whether SMEs can provide collateral or guarantee (real assets) is a decisive factor; factors such as firm size, willingness to accept bank‘s clauses, close relationship with bank play an important role.[xlv]

Adair and Fhima (2014) also posits that the demand for bank credit is not determined by endogenous factors, i.e. the activity level and internal available resources of SMEs, but rather by exogenous factors, i.e. the cost of financing and guarantees required by banks. Small firms typically find it difficult to borrow from a commercial bank due to inadequate collateral value of assets and unstable cash flows.[xlvi]

Badulescu (2011) ascertains that although the bank loan remains the favourite mean to support the growth ambitions, the higher level of collateral or lending costs are seen as principal obstacles by the majority of manager in European Union. In addition, Njeru And Ondabu (2014) revealed that the key challenges hindering micro and small enterprises in Kenya from accessing credit facilities to be high cost of repayment, strict collateral requirements, unwillingness of people to act as guarantors, high credit facilities‘ processing fees and short repayment period.

According to Tsambou, Zamo, Ludwick and Tsafack (2015), the principal determinants of the bank credit financing of SMEs concern the availability of financial instruments, the quality of collateral being offered, the size of SME, profitability and social capital. Sincerely, owners of SMEs consider lending conditions; notably, collateral and the rate of interest as the main constrains to their loan seeking decisions. However, the decisions of SMEs to apply for bank loans is mostly impeded by lending conditions such as the demand for collateral and excessive rate of interest.

It should be noted that in 2012, recovering from the financial crisis, which actually started in 2008, access to credit in Cameroon was improved through amendments to the OHADA Uniform Act on Secured Transactions that broadened the range of assets that can be used as collateral (including future assets), extend the security interests to the proceeds of the original asset and introduced the possibility of out-of-court enforcement.[xlvii]

A lack of tangible collateral and/or owners’ equity will almost certainly lead to the decline of a loan application from commercial banks. For commercial banks, lack of collateral is the most important constraint to credit access by new SMEs.

Ethical perception of Commercial Banks

Ethical perception implies the perception of commercial banks as to the ethical behaviour of new
SME owners. The factor consists of four items. Ethics is largely external to a firm.

The results indicate the ethical perception of new SMEs is not an important constraint to credit access by commercial banks. For trade creditors, ethical perception is an important constraint. Howorth and Moro (2006), De la Torre, Peria and Schumkler (2008) suggest that ethics and trust mitigate adverse selection and moral hazard, reduces screening and monitoring costs. However, banks can use other types of hard information such as credit scoring and financial statements for objective and justifiable decisions. In addition, the possession of collateral by banks reduces the moral hazard and adverse selection of lending to new SMEs reducing the importance of ethics. Shane and Cable (2002), ethics is much more important for trade creditors. A large amount of transactions in inter-firm trade is done on trust and ethical perception.

Inefficient legal system

The results indicate that inefficient legal system is not an important constraint to credit access from commercial banks. However, inefficient legal system is an important constraint to the credit access from trade creditors. Beck et al. (2008) suggest that banks adapt to the legal environment in which they operate by offering instruments that allow them to circumvent existing deficiencies in the legal system. De la Torre et al. (2008) find that the pledging of collateral provide greater assurances to banks of repayment, even where contract enforcement processes are relatively imperfect. In this way, banks can compensate for weaknesses in the legal environment. Frank and Maksimovic (2004) however find that the efficiency of the legal environment is critical to the availability of trade credit.

The Organization for Economic Co-operation and Development (2006) shows that market imperfections such as those caused by inefficient legal systems can constrain the ability of firms to access external finance. Firms in countries with more efficient legal systems should therefore obtain more external financing than firms in countries with less efficient legal systems.[xlviii] The World Bank (2003) reveals a relatively inefficient legal system in Cameroon compared to developed countries.

Lack of managerial competency

It is indicated that lack of managerial competency is an important constraint to credit access from both commercial banks. It should be noted that the managerial competency of the owners of new SMEs will positively impact on the availability of debt from commercial banks. Education together with experience in the field of the business increases the chances of loan approval.

Bad macroeconomic environment

It is indicated that a bad macroeconomic environment is an important constraint to credit access from both commercial banks. Kutsuna and Cowling (2003) find that the availability of bank loan deteriorates under recessionary economic conditions. According to Barbosa and Moraes (2004) a depressed economic condition is a characteristic associated with the likelihood of a firm's failure to repay its debt suggesting a reduction in credit approval.

High Crime Zones

Empirical research has revealed that locating an SME in a high crime area is an important constraint to credit access from both commercial banks. Linden and Rockoff (2006) find that crime has a major impact on property values. Collateral located in high crime area is often unacceptable for credit. Furthermore, businesses located in high crime areas have lower access to debt finance than businesses located in low crime areas. Crime and corruption in Cameroon are high and widely believed to restrain investment.

Lack of networking and relationship in business transactions

The results indicate that lack of networking and relationship is an important constraint to credit access from both commercial banks and trade creditors. The lack of networking affects the legitimacy of the new SME. Ebben and Johnson (2006) find that new SMEs get more trade credit from their suppliers when they have long-term business or personal relationships with suppliers, have frequent interactions with suppliers, or are in the same networks with suppliers

CONCLUSION AND THE WAY FORWARD

The results from our findings revealed two fold of ideas firstly, our findings revealed that SMEs are reluctant to apply for bank loans. For example, in a recent study Ayuk, et al., (2016) found that in a survey of 429 SMEs, only 0.5 per cent asked loans from a bank, with the bulk coming from personal and family sources.[xlix] Secondly, that SMEs do not access bank loans because commercial banks are reluctant to grant them loans as seen above. However, Cameroon government authorities are thinking about new mechanisms to help financial institutions trusting in SMEs and local businesses, while financing their activities and promote economic growth.[l]

We recommend that banks should lower their interest rates and also grant loans on the basis of business assets and income as collateral securities. In addition, entrepreneurs operating SMEs should be given some training in form of seminars through trade organizations on how to establish a business plan, and apply for bank loans. Additionally, commercial banks should treat applications file in reasonable time periods prior to the application, and inform applicants about the decisions of the loan committee. Besides, commercial banks should as well streamline the procedure related to the application of bank loans. Moreover, banks should adopt the relationship lending that has succeeded in other countries. From this perspective, SME would provide adequate information to the banks, which would enhance trust between SME owners and banks eliminating the fear of high business risk.

As a result, savings and loan companies should accept other forms of collateral security apart from land collateral security, train operators of SMEs on proper business practices and SMEs should improve their business management skills as well as be transparent in providing business records and information in order to avoid mistrust by commercial banks.

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42. See Article 12 (1):... the non-repayment of credit shall give rise ... to a credit ban imposed by a lending reporting institution. […]
43. See Article 20: Any person who, in bad faith, fails to repay the credit granted to him by a reporting institution shall be punished by imprisonment for a term of six months to

five years and a fine of one hundred thousand to one hundred million CFA francs, or by one of these two penalties only.

44. See google.com/search?q=last accessed 21/03/2022.
45. See Law no. 92/006 of August 14th, 1992 relating to cooperatives and common interest groups; The COBAC law of 1992 harmonizing banking regulations in the six-member states of BEAC and Decree no. 98/300/PM of 9th September 1998 fixing modalities of saving and credit which was modified to law no. 2018-022 of 11 Dec 2018 governing the regulation of loans in banks modified to Law N° 2019/021 of 24 December 2019 to lay down some rules governing credit activities in the banking and microfinance sectors in Cameroon.
46. The labour force is defined as all persons of working age who are available in the labour market whether they are employed (employed labour force) or unemployed. They are generally over 15 years of age.
47. These programmes include the SMEs promotion agency and SMEs Cameroonian bank.
48. Within the context of this study, credits and loans will be used interchangeably.

ENDNOTES

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[xiv]Forbeneh Agha Jude et al., (2018), Obstacles Face By Small And Medium-Sized Enterprises (SMES) In Cameroon To Apply For Bank Loans SSHJ, VOL-2, ISSUE-11, Pp. 636.
[xv]Oliveira, B. & Fortunato, A., (2006), Firm Growth and Liquidity Constraints: A Dynamic Analysis, Small Business Economics, Vol. 27, No. 2/3, pp. 142.
[xvi] Bank loans are transactions whereby a financial institution makes or promises to make available to a customer a sum of money, in return for interest and fees, for a specified period and which the customer must repay.
[xvii]Forbeneh Agha Jude et al / Obstacles Face By Small And Medium-Sized Enterprises (SMES) In Cameroon To Apply For Bank Loans SSHJ 2018, VOL-2, ISSUE-11, Pp. 634.
[xviii] Within the context of this study, credits and loans will be used interchangeably.
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[xxvi]Article 20: Any person who, in bad faith, fails to repay the credit granted to him by a reporting institution shall be punished by imprisonment for a term of six months to five years and a fine of one hundred thousand to one hundred million CFA francs, or by one of these two penalties only.
[xxvii]La nouvelle loi relative au crédit bancaire : entre avancées et questions. http://droitmediasfinance.com/cameroun-la-nouvelle loi-relative-au-credit-bancaire-entre-avancees-et-questions/.
[xxviii]Article 12 (1): ... the non-repayment of credit shall give rise ... to a credit ban imposed by a lending reporting institution. […]
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[xxxvi]Ibid, p.16.
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[xliii]Forbeneh Agha Jude et al / Obstacles Face By Small And Medium-Sized Enterprises (Smes) In Cameroon To Apply For Bank Loans, op. Cit, p.636.
[xliv] Ibid.
[xlv]Ibid, p.637.
[xlvi]Ibid.
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