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Economic Analysis of Fish Traders Access to Formal Finance in Cameroon

Mvodo Meyo Elise Stephanie[1,•], Fogne Mafongang Eden Herna[2,α], Ndam Lawrence Monah[3,∂], Joe Assoua Eyong[4,♦]

[1]*Lecturer, Department of Agricultural Economics and Agribusiness, University of Buea, Cameroon*
[2]*Graduate, Department of Agricultural Economics and Agribusiness, University of Buea, Cameroon*
[3]*Lecturer, Department of Agronomic and Applied Molecular Sciences, University of Buea, Cameroon*
[4]*Instructor, Department of Agricultural Economics and Agribusiness, University of Buea, Cameroon*

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Abstract

One of the major constraints to fish trading is limited access to formal credit. The main goal of this research was to carry out an economic analysis of fish traders' access to formal finance in Cameroon. This research makes use of primary data on total weekly income of traders, availability of surety, interest rate charged, loan payback period, experience, market information, and fish traders' access to formal credit collected with the use of a questionnaire. The Logit model was used for analysis and the logistic regression done using STATA. Descriptive statistics and econometric estimation revealed that, educational level, total weekly income of traders, availability of surety, interest rate charged, loan payback period and experience are significant determinants of fish traders' access to formal finance. This study therefore, recommends that government should intervene through the use of its specialized tools in creating agricultural banks with low interest rate and adequate loan payback period so as to improve financing of agricultural activities.

1. Introduction

Finance relates to monetary products and services used as transaction enablers for the development of business firms or living conditions. These products are cash, loans/credit and stocks/bonds. Formal finance deals with commercial banks, micro financial institutions, development banks, central banks and stock markets exchange. It is through the formal finance that the government employs direct monetary control on the money using the instruments that include bank credit, government papers, government debt/bonds and commercial papers. In Cameroon, commercial banks are the most important formal finance institutions. There exist also micro financial institutions which are dominant within the financial market. The decision to grant a loan application by bankers depends on factors such as security (customer's worthiness and loan's security), life insurance, and liquidity of the asset being presented as collateral. Bankers prefer collateral to be an asset which is easier to convert into cash within a short period of time. Most banks usually grant short term loans lasting less than two years. However, long term loans (five years) can also be granted on special terms purpose of the loan. Loans on risky ventures are hardly granted or when granted they carry a high rate of interest.

For Small and Medium Enterprises (SMEs), there are two external financing that are mostly important for financing the businesses. The first is the equity financing which is provided in the form of venture capital to new small businesses (Shkodra and Shkodra, 2018). However, due to lack of equity financing, the small businesses

• **E-mail:** mvodostephanie@gmail.com & **ORCID:** https://orcid.org/0000-0003-2950-6008
α **E-mail:** edenherna@gmail.com & **ORCID:** https://orcid.org/0000-0002-6359-151X
∂ **E-mail:** nlmonah77@gmail.com & **ORCID:** https://orcid.org/0000-0002-5201-3538
♦ **E-mail:** assoua.joe@gmail.com & **ORCID:** https://orcid.org/0000-0002-9318-5686

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