

# Strategy for Financing Family Farming in the West Region of Cameroon

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**Abstract**— Family farming is a reservoir of jobs in rural areas and contributes a large share to the gross domestic product of countries in sub-Saharan Africa. However, it comes up against many difficulties, including insufficient financial resources to equip itself, increase production and increase the standard of living of populations located in rural areas. The objectives of this article are to identify the sources of financing for smallholder agriculture, present the strategies put in place to mobilize them and explore ways of obtaining the funds necessary to increase yields. Investigations carried out in rural areas of western Cameroon of Cameroon show that funding from the State and donors is scarce and unpredictable. Thus, 65% of peasants use their own resources while 27% resort to borrowing from tontines, leaving 4% of producers to negotiate loans in microfinance institutions. However, 31.5% of the producers hoard their income and 40% place it in tontines while 77% of them have no accounting document, creating confusion about the possibility of profitability of family farming. Adequate financing of family farming will require the establishment of a framework for consultation between producers, donors and the State to enable rural areas to obtain the resources to develop.

**Keywords**— Income, Tontine, Microfinance, Self-finance, Rural area, Development.

## I. INTRODUCTION

1.1 Family farming produces more than 80% of nutrients and actively participates in reducing the proportion of people living in extreme poverty or suffering from chronic hunger [1]. [2] asserts that while 75% of the world's poor population live in rural areas, only 4% of official development assistance goes to agriculture in developing countries (DCs). In sub-Saharan Africa, public expenditure devoted to agro-pastoral production represents only 4% of total expenditure while the tax burden remains relatively heavy in this sector. This phenomenon is mainly due to the "limited access" to the sources of funding for peasant activities which is a sine qua non condition of the well-being of the inhabitants. In Cameroon, the State allocates less than 3% of its budget to finance the Ministry of Agriculture and Rural Development (2010 to 2020 Cameroon finance law) while donors provide support to producers in an unpredictable way which sometimes do consider the agricultural calendar. Agricultural banks are not very

operational and since the liquidation of the National Rural Development Fund (FONADER), the Cameroonian agricultural sector lacks an adapted financing system [3]. As for producers, they use their own funds, loans from tontines (local micro financial institutions or self-help groups) and sales of their crops to finance activities (PADMIR, 2015). About 98% of agricultural households are self-financing and less than 1% of poor households receive production credits. What is the value of this self-financing by farmers for high-yield agricultural production? What financial resources are needed to develop family farming in rural areas in the western region of Cameroon? How do producers mobilize them to finance production? The main objectives of this study are to identify the sources of financing for peasant agriculture; to present the strategies put in place to mobilize them and to explore ways of obtaining the necessary funds to invest in their agro-activities.

1.2 Family farming refers to 'people with or without blood or marriage relationship, living on the same farming

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activity and usually having meals together. These operators usually occur jointly at the running expenses of a single person called the farm manager. It is the control tower for the orientation and coordination of production and is also the authorizing officer of common interest expenditure. The household consists of a head with one or more wives with children and sometimes parents. Sometimes there are uncles, aunts or other people living in the same compound and who participate more or less in agricultural activities but live on resources from agricultural production

1.3 Actors in the agricultural sector, working at very small scales, find it extremely difficult to invest because of the geographic distribution of banks and the amount of credit that can be lent to them[4]. Thus in rural areas of Developing Countries, the constraints weighing on access to credit are one of the main obstacles to the realization of investments that should be used to adopt technologies necessary for large-scale production. Despite their considerable growth, community microfinance and credit programs cover only a small part of rural finance. Lack of access to formal rural credit facilities reaches a rate of 80% in the majority of developing countries [2] This agricultural underfunding is widespread in sub-Saharan Africa where only 8% of peasants negotiate in conventional banks while only 4% of rural people prefer to acquire loans in Micro-Finance institutions [5] Several reasons are given to explain this phenomenon: Bankers mention the risks associated with climatic hazards in agricultural production, the poor condition of transport infrastructure and the uncertainty of the price of agricultural commodities. These uncertainties suggest that the agricultural sector is a high-risk area. Besides, the financial institutions established in rural areas do not have engineers and technicians who liaise between them and producers. These personnel, who would master the agronomic field, should be able to identify projects, monitor production processes, support farmers in sales as well as channel the proceeds to bankers [6]. Thus producers tend to resort to informal institutions.

1.4 Tontines are associations in which the peasants feel comfortable carrying out their financial transaction in the villages. From its inception, they were a system set up to reunite families and solve socio-cultural problems. They have evolved into a powerful body for bringing together forces and ideas that can revolutionize the condition of a member or members of the group because in case of difficulty, the peasants will always go to the tontine to keep their money (Tadjuidje, 1982). It is not only a place for savings, but also a recourse in times of financial crisis for rural populations. The interpersonal bonds that are created in the tontines are particularly strong and oblige the

organization to support each of its members. In these associations, trust is ensured by the relationships that individuals have in relation to each other. The exchanges are codified by the uses, the customs and the rituals which bind them and make them brothers in spite of some differences which could oppose them. The richness of tontines is their specificity because the establishment of standards allows members to entrust the management of their assets on the sole basis of belonging to identical categories (village, work) and the types of relationships they maintain between them[7]. These relationships of trust allow members to know each other better, to debate community issues and allow members to benefit from credit facilities without any need for guarantees and hence total absence of administrative complication as it is the case in conventional financial institutions.

## II. MATERIALS AND METHODS

2.1 The West Cameroon region was chosen to serve as the framework of this study because of the intensity of the agricultural activities that take place there and the ingenuity of the peasants to mobilize their contribution for the financing of agricultural projects through the tontines. This locality extends between the 5th parallel north and the 6th parallel south on the one hand, the 10th and the 11th west meridian on the other hand. The relief is quite rugged as a whole and consists of plains, plateaus and highland areas. The plains have altitudes varying from 500 to 800 m above sea level while the plateaus oscillate between 800 and 1500 m. The highlands vary from 1,500 to 2,500 m in altitude, are made up of mountain ranges which have undergone multiple volcanic eruptions and are very suitable for crop production

2.2 The population of the region is growing rapidly, going from 1,750,000 people in 2007 to 2,500,000 inhabitants in 2018, centered on 08 administrative divisions comprising 40 municipalities. Men are more active in urban centers while women do the opposite in rural areas and spend most of their time in the farms. The population density has an average of 160 inhabitants / km<sup>2</sup> much higher than the density of rural areas. The activity of the population is agriculture, particularly food and market gardening, which represents the main source of income for peasants. The practice of animal breeding is done in small proportions while petty trade, crafts, and civil servants occupy 10% of the inhabitants. The populations extensively raise poultry, goats and sheep, pigs, guinea pigs and rabbits generally of local origin around the homes. Increasingly, improved traditional animal husbandry is progressing in the villages. However, the scattered appearance of modern farms using

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appropriate techniques are springing up in rural areas, but because of the lack of funding they remain small in scale (DREPIA, 2017).

III. METHODOLOGY

3.1 The objectives for this study realised through a survey carried out in three municipalities from three administrative divisions. To collect the data, we randomly selected 83 farmers made up of 51 subsistence farmers and 32 market gardeners from Babadjou, Bafoussam II and Baham and then we surveyed them using questionnaires.

3.2 The information obtained was supplemented by the semi-structured interview 'carried out' with 200 respondents from decentralized State services, representatives of donor organizations, staff working in micro-finance, traditional authorities and leaders of associations carrying out activities in the field of rural development. We also organized three focus group discussions comprising of eight to twelve people made up of producer members of the tontines, peasant clients of micro finance, representatives of financial institutions and members of development committees. The quantitative information collected was analyzed using SPSS 26 software. They made it possible to develop figures and tables allowing the qualitative information to be explained and interpreted.

IV. RESULTS AND DISCUSS

Socio-demographics dynamics of funding strategies for family farming Rural household size

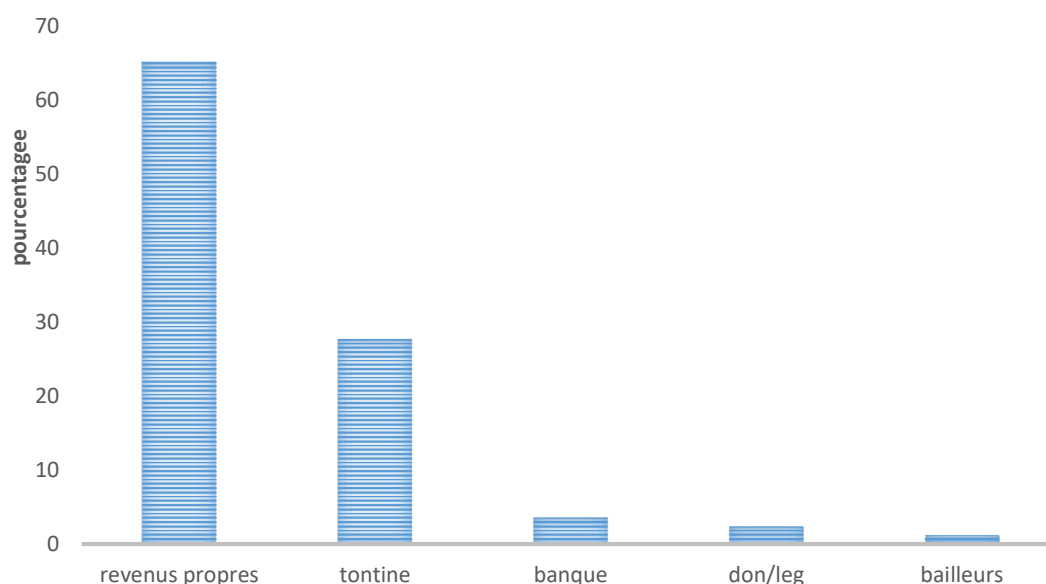


Fig.1: sources de financement de l'agriculture familiale

4-1 The family size in rural areas varies from 1 to more than 10 people per head of household as shown in Table I

Table I: Size of rural households

N	Number members in farm family	relative Frequency	Cummulative frequency
1	1 – 3	19	19
2	4 – 6	24	43
3	7 -10	36	79
4	above 10	21	100
Total		100	-

It emerges from Table I that the heads of families take charge of 7 people with a mode of 7 to 10 members. In addition, less than 79 % of households have at least 10 people. The activity is mainly focused on family farming. To bear a large burden in terms of nutrition and other related expenses, the head of the household is obliged to 'carry out large-scale production by negotiating funding to purchase the inputs.

Source of funding for family farming

4-2 In rural areas, farmers finance agricultural activities with their own income, funds negotiated in tontines, conventional banks and donations as well as donors as shown in figure 1.

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4.3 On average, 65% of farmers use all strategies to have their own resources to finance their agricultural activities. These funds come from the sale of agricultural products, farming activities carried out on other farms for payment (*pambe*), income from petty trading or income from carrying out small trades. During the dry season, the women do the scouring and sow irish potatoes at the stage of multiple sprouts at the rounding point. From the first rains, they emerge and reach maturity after 2 months and are sold on the local market at good price. Others, on the other hand, use a household gardens to maintain the spices and pour in kitchen waste which provide a complex fertilization allowing these plants to reach maturity early. Some families raise local chickens, dwarf goats with high disease resistance and stray pigs around the houses which are the source of savings. Other farmers specialize in the dry season in making mud bricks to be used in building houses and this provide them with funds to finance the countryside. These self-support incomes allow farmers to obtain fertilizers, seeds and small agricultural equipment.

4.4 The farmers sell the surplus of their production of corn, beans, potatoes, yams or potatoes that have escaped self-consumption to finance their agricultural activities. Thus the mobilization of these resources enable them to acquire equipment such as a hoe, a machete or a sprayer. Others, on the other hand, have been able to exploit their social positions to negotiate financial resources during socio-cultural ceremonies: such cultural ceremonies include: twin rites, widowhood rites, funeral ceremonies and

ceremonies of induction into traditional hierarchies. However, these ceremonies are ephemeral and often the share of resources that accrue to each member are derisory and do not finance the desired inputs.

4.5 Thus, 27% of agro-pastoral producers are part of the tontines and negotiate loans within their associations. The funds are collected and then redistributed to members under conditions of solidarity and mutual aid allowing them to benefit from resources to finance agricultural activities. In view of the mediocrity of the equipment used for production, one can wonder if the amounts of these funds mobilized in the tontines can make it possible to finance the fixed assets such as the agricultural machinery to reduce the arduousness of the work and stimulate a large production.

4.6 However, only 4% of the producers benefit from loans from microfinance. As for traditional banks, they rarely carry out activities in rural areas. The loans they grant are short-term and repayment is made at the end of the month preceding the release of funds. This approach contrasts with agricultural production because apart from working capital, it is difficult to use them for fixed assets or to acquire agricultural machinery. In addition, in view of the densities of agricultural inputs, the amounts of credits granted by micro-finances, which vary from 20,000 to 2,000,000 CFA FRS (MC2 de Babadjou) remain insignificant. However, administrative difficulties such as setting up agricultural projects, study fees, signing contracts and the need for guarantees generally discourage producers who prefer tontines with flexible terms.

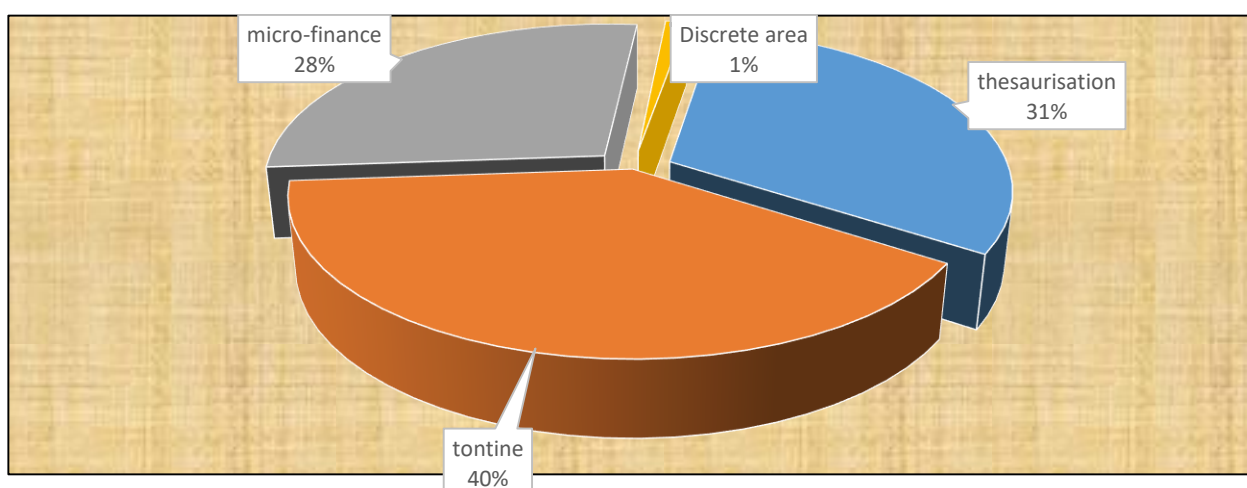


Fig.2: Places of investment of agricultural income

4.7 Gifts and donors are rare. However, 2.4% of the peasants admit having benefited from donations to start the

financing of their activities. These are bags of fertilizer, animal droppings, corn seeds or potatoes from the elites or

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the committee development. As for the donors, they're almost non-existent or only finance large farmers.

**Farm income savings Venues**

4.8 Income from agricultural activities is placed in various places at the discretion of the producers; but in general the peasants save their income at home, in tontines in microfinance and in secret places.

4.9 On average 31% of producers hoard their income. According to them, their resources are at their fingertips and they can use them at any time. However, this attitude drives resources away from the economic circuit because they are not useful for development insofar as they can no longer be lent to other actors. In addition, these peasants complain of theft, fire accidents, confusion of places of hiding and sometimes these resources are destroyed or taken away by rodents.

4.10 However 40% of the peasants invest their income in the tontine. However, these tontine associations do not generally have the agricultural credit component in their activities, although all producers are concerned. Yet in these informal financial institutions, the amount of loans given to an active member is a function of their holdings in the association. By investing significant resources there, the producer obtains a large amount of loans to finance his activities. Sometimes his name appears on the membership list several times, allowing him to benefit from transactions on multiple occasions. Depending on the activities being carried out, he uses aliases to negotiate amounts collected by members to benefit from several bets in the same round. Thus, weekly dues, investment interest of funds, both school and annual banks, association funds, member penalties converted into financial resources are easily negotiated to obtain the funds to finance activities and become a true rural

entrepreneur in a single agricultural campaign. Unfortunately, interest rates are high and sometimes members do not get any resources, members not having contributed "or having deserted from the tontine.

4.11 It amounts to believing that more than 70% of farmers who do not have activities in microfinance, cannot benefit from credit or other forms of financing because donors require the opening of an account in a bank approved for the transfer of funds. The traceability of operations is subsequently required through receipts and disbursements slips, supporting documents provided only from financial institutions that these producers will have difficulty in providing.

4.12 About 28% of farmers save their resources in banks / micro-finance while less than 4% use bank credit to finance their activities. It appears that those in rural areas prefer to borrow resources from tontines because of the flexibility of the conditions for obtaining credit (absence of guarantees), but save in micro-finances. The discouragement comes from the fact that the savings and credit institutions have low interest rates for deposits but charge high fees to savers so that the resources kept in these places do not yield anything in relation to their investment in them, (interview with the farmers of Baham, 2019).

4.13 On average, 1% of the farmers believe that they do not have sufficient income either to secure it in banks / microfinance, or to place it in tontines. These are discreet and prefer to refrain from where their income is invested.

**Management of Agricultural Activities**

4.14 Agricultural productions require huge items that operators must account for in order to optimize their farms. Figure 3 shows the accounting documents kept by farmers to manage their activities.

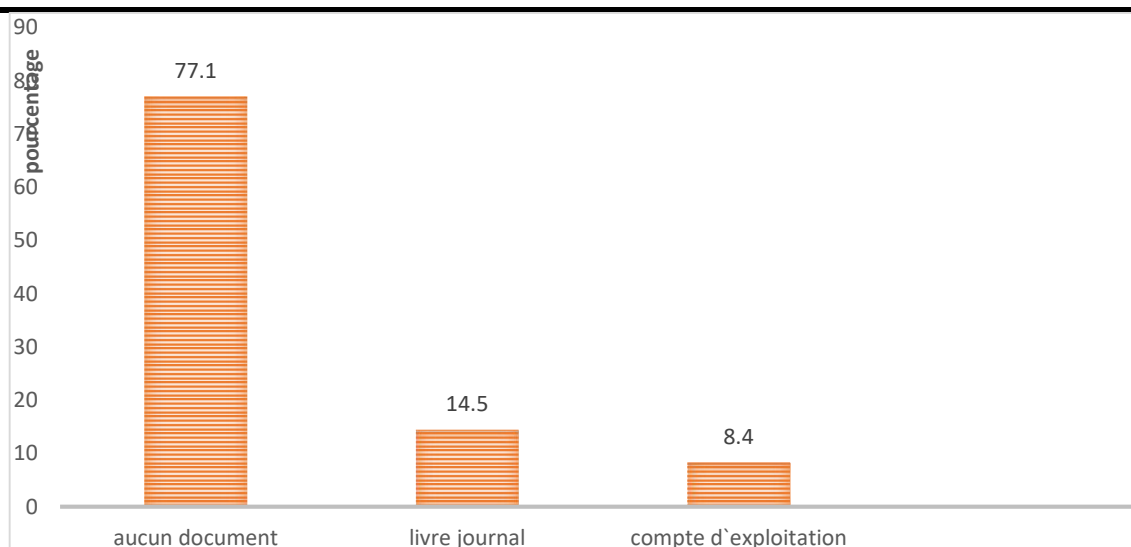


Fig.3: Document account management.

4.15 From the results, 77% of the producers do not have any accounting documents. Purchases are made and the labor is paid without the slightest trace. At the end of the season, no accounting balance can be made. At the very least, they cannot register the correct entry-exit documents in the newspapers that they deem necessary to obtain a record of their activities. At the end of the activity, they have no way of checking. It would be difficult to measure the losses or the profits of the operator to consider new production strategies. However, knowing the balance sheet seems to be a problem insofar as the negative balance sheet leads the producer to discouragement and to abandon the activity when it is the sole occupation of the household.

4.16 Less than 15% of the peasants have diary books allowing chronological recording of the operations enabling them to carry out the actual operating account at the end of the season in which the accounting operations were made. Thanks to simplified calculations and by neglecting depreciation and labor, they manage to simulate a balance sheet of their activity.

4.17 Just 8% of producers draw up operating accounts for their activities. These are people who have been trained in projects after obtaining funding for their microprojects and are followed by donors;

4.18 It is difficult to say with certainty whether agricultural activities are profitable because more than 90% of producers do not carry out any accounts, make sightseeing trips suggesting that the profitability of family farming is uncertain.

4.19 However, in rural areas, the inhabitants are convinced that the peasants who keep track of their production are too rigorous in terms of expenditure and do not assist the needy. Thus, they are marginalized and ridiculed in associations where the achievements of socio-cultural works arise in terms of funding.

#### Use of agricultural income

4.20 Financial resources from the sale of agricultural products are used in different ways by producers as shown in Figure 4

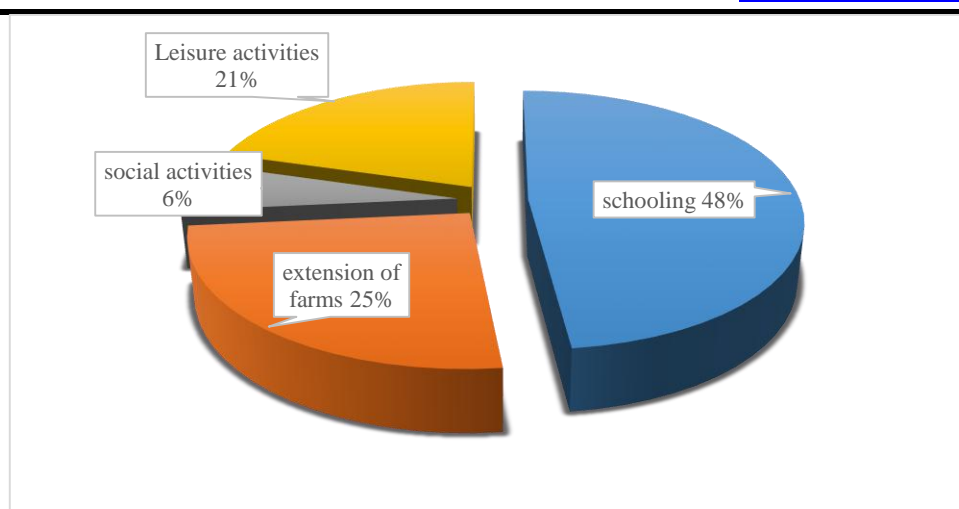


Fig.4: Use of farming income

4.21 Thus 48 % of rural households use their resources for the education of their children at the primary, secondary and university levels. Agricultural production seems to be a means of obtaining financial resources for the education of children. From an early age, parents arrange for children to go as far as possible in school as they believe they are inexhaustible reservoirs of resources. Thus schooling seems to be a way to secure long-term savings.

4.22 In rural areas, 25% of the producers extend their fields to increase their production. Each year, they create new plantations in the villages by attacking the hillsides, by investing in the lowlands or by negotiating spaces unsuitable for production to expand the fields in order to have more. These farmers come together in associations and common initiative groups (CIGs) to benefit from the advantages offered to them by sectors and development programs and non-governmental organizations. In view of the financing conditions, they mobilize quickly to adapt to the conditions of the donors. Some of these organizations consist only of a nuclear family with the father as delegate, while his wife is treasurer, the secretariat going to the cousins and the aunt being the auditor. These producers are found both in associations, cooperatives and CIGs; they do not hesitate to use members' well-maintained plots as collective farms to negotiate with financial organizations in the event of field visits. We find in the villages, peasants who are registered in all the CIGs in contradiction with the laws which govern peasant organizations. Each year, financial support request files are drawn up and submitted to both endogenous and exogenous donors.

4.23 Living a peaceful life, buying luxury items, building beautiful houses only concern 20% of the peasants

in western Cameroon. Thus each year, new houses are built in the villages making it difficult to distinguish their habitat without found in the cities. This infrastructure is constructed with the income obtained from the sales of tomatoes, potatoes and other products besides food and market gardeners. However, 6% of producers claim that they also help to fund social works with the agricultural proceeds. According to them, the well-being of the population encompasses the construction and maintenance of community infrastructure such as rural roads, drinking water supply, social cultural centers.

#### Mobilization of funding from family farming

4.24 These sources of financing for agriculture, limited to producers and a few donors, has been able to trigger a large production of foodstuffs whose income can be used for the development of rural areas. Sometimes corn and potato seeds, sacks of animal droppings, mineral fertilizers and pesticides are distributed to farmers in an unpredictable way and sometimes without respecting the cropping calendar. These contributions, although beneficial, are insufficient to finance agriculture of mass production of raw materials to agro-industries capable of creating added value and jobs in rural areas.

## V. CONCLUSION

5.1 Family farming has enormous assets to be financed in the west region of Cameroon. The state, with an insufficient budget, has not been able to create structures capable of supporting the financing of agriculture for the promotion of the development of rural areas. The conventional banks although absent, are represented by the

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micro finances which lack strategies to reach the peasants and distribute credits adapted agricultural activities. Thus producers engage in own financing and funds collected in the tontines. These sources of funding, both formal and informal, are insufficient to finance family farming capable of feeding an increasingly growing population. To reverse the situation and develop peasant agriculture with high yields, several avenues are being considered both for the State, the donors and the producers themselves.

5.2 To finance family farming in rural areas in west region of Cameroon, the state, banks and producers are called upon. It is up to the state to create an incentive framework by subsidizing and facilitating the establishment at the level of banks and micro-finance funds at low interest rates suitable for financing agricultural production. The proof of access to the field for production would serve as a guarantee to be eligible for this funding. Repayment of credits would be staggered or canceled depending on the nature of the disaster. The state has a commitment on the reforms of the national agricultural advisory system. The technical, commercial and financial supervision of agricultural holdings and the strengthening of the management capacities of organizations (associations, cooperatives, etc.) are essential for the development of a sustainable agricultural credit system.

5.3 Banks and micro-finance institutions must recruit engineers and technicians experienced in agricultural fields, motivated by field work and deployed in areas they control. These institutions must grant funding to producers using their expertise. Their role, in addition to technical support, is to monitor the rational use of credits according to the stages of production and the repayment of maturities according to the periods of harvest or sale in order to 'adapt to' the situation of the farmers they supervise.

5.4 Producers must come together in common initiative groups (CIG), an association to benefit from the resources made available to them to finance their productions. Thus in skillfully combining the resources from tontines and banks to avoid a break in the cash flow which would be a disaster for agricultural production. To achieve this, it would be commendable to reduce their family size by limiting birth rate "and the creation in the tontine of the agricultural bank where" the producer could easily negotiate the loans for investments and working capital. In addition, an accounting "on the situation of the farm would be necessary at the end of each farming season in order to ensure the economic profitability of agricultural activities, a sign of the improvement of living conditions.

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