

Microfinance and Financing of Agricultural Entrepreneurship: An Opportunity for Venture Capital in Africa

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ABSTRACT: *This study is part of the debate on the MFIs financing adequacy of agricultural entrepreneur. It aims to highlight the determinants of the self-exclusion of agricultural entrepreneurs to funding through MFIs. Because, if some agricultural entrepreneurs apply and obtain credit from MFIs, many of them do not borrow from MFIs despite their extreme lack of funds. Based on insights of Attali and Yann (2007), this study also assesses these entrepreneurs' propensity to adhere to venture capital financing. The study is based on data collected in Cameroon from March to April 2017 on a sample of 150 agricultural entrepreneurs. Econometric estimates reveal, in accordance with Hugon's homo-africanus theory (1993) that: first, membership of tontines, bankruptcies of MFIs and the lack of material guarantees contribute significantly to the self exclusion of agricultural entrepreneurs from borrowing to MFIs. Second, the analysis reveals a strong propensity of agricultural entrepreneur's adhesion to venture capital financing. These results indicate that MIFs must try for self appropriation of venture capital because, it can be used either as a complement or as an alternative to rural credit for agriculture. Moreover, venture capital is acknowledged as a palliative to two main problems deal with ordinary loans in African context: the lack of material guarantees and information asymmetry.*

KEYWORDS -Agricultural entrepreneur, microfinance, venture capital, MFIs

JEL:G15, G23, L26, O16, O35

I. Introduction

Many studies on the development of agriculture have shown that financial capital is a very important constraint. The analyzes of Hugon (1993) showed that Sub-Saharan Africa is experiencing economic underdevelopment linked to financial underdevelopment; this in the absence of a structured financial market adapted to rural areas. In developed countries, recourse to borrowing has been at the origin of exceptional progress in agriculture over the past hundred years, as well as scientific and technical innovation. This is the case, for example, of France, which was at the origin of local agricultural credit funds (Bachelier, 2007). On the other hand, in developing countries, the greatest number of farmers remain excluded from the bank system; while in developed countries, agricultural banks very early played a major role in the modernization of agriculture (Bachelier, 2007). Microfinance at its advent in Cameroon in 1990 was planned as a major solution for the development of the rural localities, because it has the great advantage of proximity which is often based on a mutualist approach. However, unlike the experience of Bangladesh where microfinance has contributed significantly to the development of the rural world and the banking of farmers, it has not had a significant impact in the financing of agriculture in Africa and in Cameroon particularly despite all the efforts¹ made by the government (DGTCFM, 2011). Despite all the efforts of local governments, access to financial services remains limited in Cameroon. Available data shows that less than 5% of the total population has a bank account or uses credit banking services (DGTCFM, 2011). Only 14.9% of bank credit was granted to agriculture in 2015 (FinancialAfrik, 2016) while this sector employs more than 70% of the rural population, contributes more than 75% of the GDP of the primary sector and currently provides 55% of total exports by value in Cameroon (INS, 2015). We also note that in Cameroon, the growth rate of the agricultural sector in the GDP is 3.7%, this level of agricultural growth remains below to the forecasts of the Rural Sector Development Strategy (SDSR) implemented since 2006 according to which the average annual growth rate of agricultural production would be 12% from 2012. In view of the above statistics, it appears that Microfinance has not yet contributed substantially to the development of agriculture and to the improvement of the poverty level of peasant farmers in Cameroon. However, according to Nzongang et al. (2010), Microfinance Institutions (MFIs) can be efficient in both dimensions simultaneously, i.e they can be profitable by lending to poor populations. Then, what explains the low rate of credit allocation to agricultural entrepreneurs in Cameroon by MFIs? Faced with this question, most

¹Indeed, the Ministry of Agriculture and Rural Development (MINADER) has launched since 1994 three support projects for the development of the Microfinance sector (DGTCFM, 2011).

researchers have focused on the explanatory factors of the supply of loan but very little focused on the explanatory factors of the demand for credit from MFIs. From the literature, it emerges that: the high cost of services, the low geographical proximity between farmers and MFIs, the mediocrity of practices and the limits of farmers, the absence of banking technology, guarantees and collateral, the exogenous risks and the lack of collaboration between farmers (Jessop, et al., 2012; Samba and Balamona, 2013; Ngo Nonga, Ngwem Mbog, Bikomem, 2015; Ayuk, 2015) are the determinants of the low financing of agricultural entrepreneurs. For Moulende (2003), almost generalized poverty and precariousness also exclude rural people from institutional funding. In this study, we examine the determinants of the self-exclusion of agricultural entrepreneurs from financing through MFIs because, if some of them ask for and obtain loan, many are among them who do not ask for it despite their financing needs. The primary concern is whether there is a form of rationality in not having recourse to local financial institutions when the need for financing is acutely expressed. Obviously, after Roesch, Betty, and Mounkama (2002), highlighting a financing approach adapted to agricultural entrepreneurs constitutes the second major concern in our analyses. To this end, venture capital, which is a less restrictive mode of financing for the applicant for funds, will be subject to an analysis of suitability with agricultural entrepreneurship.

The remainder of the paper is structured as follows. In the second section, we present the theoretical bases of our analysis. Section 3 presents the methodology. The results as well as the discussions are presented in section 4. Section 5 serves as a conclusion.

II. Theoretical framework

2.1. Microfinance and the granting of funds to agricultural entrepreneurs: an insufficient supply

Despite the strong contribution of the agricultural sector to the GDP of developing countries, the supply of financial services available to farmers is still largely limited (Solène, 2008). Indeed, despite a 36% growth per year in the number of the poorest clients (Daley-Harris, 2006), it is clear that the microfinance offer is mainly concentrated in urban and peri-urban areas. This leads to a very heterogeneous share of the loan portfolio intended for the financing of agricultural activities. In the WAEMU (West African Economic and Monetary Union) countries, a study on the financing of the rural world carried out in 2020 shows that only 14% of the global supply of credit goes to the agricultural sector. A striking feature is that 92% of this supply came from the commercial sector, far ahead of development banks (5%) and microfinance institutions (3%) whose offer was mainly focused on short-term credit (Lesaffre, 2020). In India, agriculture represents only 8% of loans granted by the microfinance sector dominated by the Self-Help Groups model, the rest is distributed between livestock (14%) and consumption, and trade (78 %) (Solene, 2008). In Cameroon, only 14% of bank credit (banks and MFIs) was granted to agriculture in 2016, while this sector contributes more than 22% to the country's GDP and employs more than 70% of working people. Thus, despite the relatively general, heterogeneous data available and relating only to certain geographical areas, the observation is that agriculture remains insufficiently financed or that the supply more often responds only imperfectly to the needs of agricultural producers. These low rates of agricultural financing by MFIs result from the self-exclusion of agricultural entrepreneurs from the financing offered by MFIs.

2.2. The self-exclusion of agricultural entrepreneurs from MFIs Credit applying: an African rationality understanding approach

According to Moulende (2003), the thesis of peasant rationality was initially defined by Schultz (1964) in the sense of peasant economic efficiency; This consideration of peasant rationality in fact constitutes the new rural economy according to which the differences in the economic performance of peasants in relation to expectations are not the result of a lack of rationality, but rather the consequence of the conditions of integration into the Market. While Schultz (1964) stated the rationality thesis of an economically efficient peasant, other economists noted that high risk aversion limited this economic efficiency, which then translated into low investment in production, and a predilection for consumption. Some authors, including Hugon (1993), speak then of different forms of rationality, that of "homo oeconomicus" referring to occidental societies, and that of "homo africanus" which is based on less commercial logics. We will therefore focus on the thesis of homo africanus to establish our first research hypothesis.

Indeed, according to Hugon (1993), the behavior of African peasants does not generally lead to the results expected by orthodox economics. Consumers often respond less to price incentives than to standards. He also mobilized the theory of individual choices in a situation of imperfect and asymmetrical information and the theory of property rights and explicit or implicit contracts to explain that African agents, peasants or informal producers, have logics of risk minimization. He adds that in an uncertain universe, peasants do not have sequential dynamic optimization. They choose the short term allowing them the largest number of future options. Therefore, there is a strong preference for liquidity, for maintaining a range of options available with respect to the irreversibility of the physical investment decision and the choice of monetary and financial assets at the expense of physical assets. The weight of everyday life leads to a very strong preference for the present,

hence the usurious interest rates (tontines). Jessop et al. (2012), converge on Hugon's thesis (1993) by establishing that farmers want to be able to deal with service providers close to them. Many have no relationship with a bank or MFI because there are none nearby. Traveling to a distant establishment is certainly inconvenient, but it is also costly and sometimes dangerous. Taylor (1983), Ndjanyou et al. (2002) also agrees by establishing that the existence of informal financial markets allows an efficient allocation of resources as well as an increase in investment. For these authors, this informal finance remains very useful, particularly in agricultural financing. All this leads us to establish our first research hypothesis which is as follows:

H1a: The low geographical proximity favors the self-exclusion of agricultural entrepreneurs to the demand of MFIs loan.

H1b: Tontine financing favors the self-exclusion of agricultural entrepreneurs to the demand of MFIs' credit.

H1c: The recurrent bankruptcy of MFIs favors the self-exclusion of agricultural entrepreneurs to the demand of MFIs loan.

H1d: The lack of guarantees favors the self-exclusion of agricultural entrepreneurs to the demand of MFIs loan.

2.3. Venture capital as a potential solution to financing agricultural entrepreneurship in Africa

"Venture capital" can be defined as any sum not guaranteed by assets and invested in a company which presents an element of risk for the investor (Bertonèche and Vickery, 1987). Venture capital is defined as a way for investors to complement and support entrepreneurial potential with financing and managerial skills, in order to exploit market opportunities and thus obtain long-term capital gain (Dufresne, 2002; Sweeting and Wong, 1997). According to Chatti (2010), the concept of venture capital consists of taking minority and temporary stakes in the capital of emerging or very young, unlisted companies with high growth potential, during their very first years of existence. Amit, Brander and Zott (1997, 1998) built a theoretical model demonstrating that the "reason of being" of venture capital firms is their ability to reduce the costs associated with information asymmetry. This would explain why venture capital companies are strongly present in sectors where the high level of uncertainty, the complexity of the markets and a high degree of technicality lead to an asymmetry of information that can pose a particular problem. In most developing countries, farmers carry out technologically rudimentary activities on small and scattered plots, without access to irrigation, fertilizers or any other means of boost productivity. According to Jessop et al. (2012), most farmers are not professionals. Financial institutions are also hampered by the asymmetry of information: as the farmers have only a low level of education and little knowledge of the financial workings, they have difficulties in establishing their borrowing profile and monitoring the loan. Once the money has been disbursed. The high level of poverty in rural areas also means that agricultural loans are easily diverted for consumption purposes, the professional sphere merging with the private sphere (Jessop et al, 2012).

Venture capital professionals, through their investments, provide the company with funds and expertise in the management of activities, but even more so, the credibility it needs vis-à-vis the stakeholders. In addition, the entry of the investor into the capital of the company helps to discipline the management team of the project. However, it should also be noted that the guarantees required by MFIs for rural loans are binding. Most of entrepreneurs face the problem of the guarantees to be presented to financial institutions for a loan application. For Aithnard (2008), venture capital, whose avowed aim is to finance risky projects, constitutes one of the most complete and best adapted responses to the needs of agricultural entrepreneurs. In effect, the originality of venture capital lies in the fact that it brings to a project, presenting a significant growth potential, not only own funds but also assistance in the management at the time when the activity of the company and the risk associated with it are so great that the conventional banker cannot undertake to finance it. According to Bekolo (2009) venture capital is an effective solution to fragility, risk aversion, the primacy of personal goals, technical and managerial shortcomings of farmers, problems of information asymmetry, credit rationing SMEs suffer.

Through the study of an example of venture capital funds experimented in rural areas in Bolivia in 2005, Regamey (2005) presents venture capital as an alternative or complementary tool to microfinance. She concludes that private equity is effective for financing the poor because it is less constraining and more flexible than loans. All these analyzes lead us to the second hypothesis of this study, namely:

H2: The constraints deal with venture capital have no inhibiting effect on the agricultural entrepreneur's propensity to adhere to this type of financing

III. Methodology

3.1. Data

The data used for analyzes come from surveys conducted by questionnaire with agricultural entrepreneurs in Cameroonian territory over the period from February to March 2017. Cameroon is a central Africa country with too much agricultural potential. In total, 150 questionnaires were administered. At the end of the analysis, we retained 96 questionnaires deemed valid for the econometric estimates given some missing data in the questionnaires received.

3.2. Selection of variables

This study includes two dependent variables, associated respectively with two econometric models: the credit demand from MFIs (Self-exclusion of MFIs Credit applying) and the intention to participate in a venture capital program. The explanatory variables as well as these dependent variables are described in Table 1.

Table 1: description and measurement of variables

Model	Variables		Measures	E S / A	
Model 1	Dependent	<i>Self_Ex</i>	<i>Request for credit from MFIs</i>	1 if has already had to apply for credit and 0 if not	N / A
		<i>DISTN</i>	<i>Distance</i>	1 if absence of MFIs in the locality and 0 if not	-
	Explanatory variables	<i>GARNTI</i>	<i>Lack of Guarantees</i>	1 if lack of guarantee and 0 if not	-
		<i>FAIL.MFIS</i>	<i>Recurrent bankruptcies of MFIs</i>	1 if afraid of being a victim of MFIs bankruptcy and 0 if not	-
		<i>FEAR.D</i>	<i>Fear of going into debt</i>	1 if afraid of going into debt and losing guarantees and 0 if not	-
		<i>FI_TONT</i>	<i>Tontine financing</i>	1 if satisfied with the tontines and 0 if not	-
		<i>T_I</i>	<i>High interest rate</i>	1 if finds high interest rates and 0 if not.	-
Model 2	dependent	<i>Int_Part</i>	<i>Intention to belong to a CR program</i>	1 if the entrepreneur agrees to join a CR program and 0 if not	N / A
		Explanatory variables	<i>PTGE_PFI</i>	<i>profit sharing</i>	1 if agree and 0 if disagree
	<i>T_COMPT</i>		<i>Bookkeeping</i>	1 if agree and 0 if disagree	/
	<i>INGCE_I</i>		<i>power sharing</i>	1 if agree and 0 if disagree	/
	<i>OV-CB</i>		<i>Bank account opening</i>	1 if agree and 0 if disagree	/
	<i>PTGE_OP</i>	<i>Sharing opportunities</i>	1 if agree and 0 if disagree	/	

Source : authors

From table 1 constructed from a literature review, it is observable on the one hand that the self-exclusion of agricultural entrepreneurs from an application for credit from MFIs can be explained by several factors which are: remoteness, tontine funding, lack of collateral, fear of going into debt and the bankruptcy of MFIs. The remoteness here represents the geographical distance between the location of the MFIs and that of residence of the agricultural producer. Tontine funding here represents a source of informal funding which consists of members of a community meeting once or twice a week and contributing money from which one of them will benefit, each in turn. As for the fear of going into debt, it represents the distrust of agricultural entrepreneurs with regard to credit institutions which are sometimes ruthless vis-à-vis defaulting customers; This is because several entrepreneurs have lost their building and homes because of the mortgages they had placed when applying for credit. The bankruptcy of MFIs represents the recurrent closures of MFIS which by the way generally take away all the savings of the peasants affiliated there. In the end, the lack of guarantees represents the non-holding of valuable property likely to be pledged or mortgaged to an MFI when applying for credit. The bankruptcy of MFIS represents the recurrent closures of MFIS which by the way generally take away all the savings of the peasants affiliated there. In the end, the lack of guarantees represents the non-holding of valuable property likely to be pledged or mortgaged to an MFIs when applying for credit. The bankruptcy of MFIS represents the recurrent closures of MFIS which by the way generally take away all the savings of the peasants affiliated there. In the end, the lack of guarantees represents the non-holding of valuable property likely to be pledged or mortgaged to an MFIs when applying for credit.

On the other hand, the propensity to subscribe to venture capital financing can be affected by a set of constraints which are: profit sharing, the keeping of formal accounts, the sharing of opportunities, the opening of a bank account and power sharing. Profit and opportunity sharing means that in a capital investment contract, the investor is entitled to the profits and capital gains that would result from the activity, up to the amount he has invested. Power sharing means the venture capitalist's interference in the day-to-day management of the agricultural entrepreneur's projects and therefore in decision-making. Finally, the opening of the account refers to the domiciliation in a bank or MFI account of the yield resulting from the project.

3.3. Econometric specifications

The logistic model is used when there are dichotomous variables when the individual has the choice between two options (0 or 1). Thus, in our study, he has the choice to apply for credit or not, he has the choice to adhere to venture capital financing or not. It is therefore a matter of modeling a discrete choice problem. It is then possible for us to reduce the predictions of the model to the interval 0-1, which is not the case when we

proceed by linear regression. With discrete choice models (probit or logit), we seek to explain a variable Y which takes the values 0 and 1 from a vector of explanatory variables X. We also know that the values of Y are determined by a variable non-observable (latent variable) Y* which is linked to the vector X by a linear relation of the type:

$$Y=1 \text{ if } Y^*>0$$

$$Y = 0 \text{ otherwise}$$

When we assume that μ follows a logistic distribution, we obtain the logit and:

We obtain: $P(Y=1) = \text{Aut_Ex}$ or $\text{Int_Part} = \frac{e^{XB}}{1+e^{XB}}$

The theoretical model estimated at the level of micro agricultural structures is as follows:

$$\text{Self_Ex} = \begin{matrix} X\beta + \mu \text{ if } \text{Self_Ex} > 0 \\ 0 \text{ if not} \end{matrix}$$

$$\text{Int_Part} = \begin{matrix} X\beta + \mu \text{ if } \text{Int_Part} > 0 \\ 0 \text{ if not} \end{matrix}$$

IV. Results and Discussions

From table 2, we see that out of 31 women questioned, 6 have already had to apply for credit, that is a percentage of 19.35%. On the other hand, we note that 20.4% of men had to apply for credit, which is slightly above the proportion of women. Male entrepreneurs therefore tend to ask for more credit for their activity than female entrepreneurs. And this could be due to the strong entrepreneurial capacity found in men. The analysis of the demand for credit according to the level of study reveals that 78.1% of the farmers questioned have a level of study that goes beyond primary school, this is explained by the commitment of the public authorities. in the education of the people. Nevertheless, the category of respondents having reached the higher level is nil. This suggests that higher education graduates in Cameroon are not interested in agriculture. By observing the demand for intra-category credit, people with a high level of education seek to borrow in order to improve the financing of their activity.

Table 2: sample characteristics (self-exclusion of entrepreneur according to gender and level of study)

		Demand of loan from a MFIS		
		No	Yes	Total
level of study	primary	20	1	21
	secondary	60	15	75
Total		80	16	96
sex	Man	49	10	59
	Women	31	6	37
Total		80	16	96

We will check below whether the tontine financing, the bankruptcy of the MFIs, the geographical proximity between the entrepreneur and the MFI, the fear of going into debt and the guarantees required by the MFIs can justify self-exclusion from agricultural entrepreneurs applying for credit from MFIs. The related econometric estimates are presented in Table 3.

Table 3: estimation of the determinants of self-exclusion from MFIs credit applying

Modell

Logistic regression	Number of obs. = 95
LR chi2(5) = 17.60	
Prob > chi2 = 0.0035***	
Log likelihood = -34.272682	Pseudo R ² = 0.2043

<i>Self_Ex</i>	Coeff.	Standard.	Err. Z	P> z	[95% Conf. Range]	
FI_TONT	-1.112161	.7337261**	-1.52	0.013	-.3259158	2.550238
FAIL.MFIs	-1.740716	.6401581***	-2.72	0.007	-2.995403	-.4860294
DIST		-.0511063	1.2452	0.04	0.967	-2.491654 2.389441
FEAR.D	-1.140419	.6962419	-1.64	0.101	-2.505028	.2241903
GARNTI	-6637361	.8344645**	0.80	0.0426	-.9717843	2.299256
CONS.	1.032853	1.64796	-0.63	0.531	-4.262795	2.197088

***: significant at the 1% level; ** Significant at the 5% threshold and *: Significant at the 10% threshold

From the estimates presented in Table 3, it appears that tontine financing (FI_TONT) has a significant and negative influence, at the 5% threshold, on the demand for credit by farmers from MFIs (DEM_CRE). This means that the more the agricultural entrepreneur belongs to many tontines, the lower the probability that he will apply for credit from the MFIs. These results is confirmation hypothesis H_{1a} and support the work of Sahad and Mourad (2015), for whom tontines reduce the propensity to apply for credit on the formal finance market. The guarantee (GARNTI), whether tangible or intangible, has a negative and significant influence at the 5% threshold on the demand for credit by agricultural micro-enterprises. This confirm the hypothesis H_{1d}. In other words, farmers do not have the material guarantees often required by MFIs and this encourages their self-exclusion from applying for credit. Our results are in line with those of Foko (1994), Jessop et al (2012) and Sahad and Mourad (2015). Regarding the failure of MFISs (FAIL.MFIS), the results show that there is a significant negative influence at the 1% level. This confirms hypothesis H_{1c} and means that MFIs bankruptcy echo dissuades the farmers to save more in the MFIs and consequently, to ask for credit since the first condition for obtaining credit in an MFIs is the holding of a savings account. With regard to the remoteness factor (DISTN) and fear of going into debt (FEAR.D), both negatively influence farmers' demand for credit. Indeed, the farther the farmer is from the MFIs, the more he does not ask for credit. This can be explained by the fact that farmers are rational and arbitrate between transaction costs related to demand and loan repayment. Jessop et al. (2012) came to the same conclusion. As for the fear of asking for credit, following homo-africanus theory, Foko (1994) showed that the experience lived by the peasants in relation to the specialised institution set up by the Cameroonian government to distribute agricultural credits was catastrophic and by consequent has create an peasants' aversion to the credit demand. The foregoing results find a foundation in the homo-africanus theory. Indeed, Hugon (1993) demonstrates that the behavior of African economic actors who move away from the orthodox rationality prescribed by classical economic theories does not constitute irrationality, but on the contrary, takes on a form of rationality qualified as homo-africanus. The foregoing results find a foundation in the homo-africanus theory. According to homo-africanus African consumers often respond less to price incentives than to standards. African agents, peasants or informal producers, follow risk minimization logics. They have a strong preference for liquidity, for maintaining a range of available options over the irreversibility of the physical investment decision and choosing monetary and financial assets at the expense of physical assets. The weight of daily life leads to a very strong preference for the present, hence the usurious interest rates accepted in tontines. Faced with this self-exclusion by rationality of African agricultural entrepreneurs, we tested following Attali and Yann(2007), their intention to participate in the venture capital financing program, theoretically seen as a solution for financing agriculture in Africa. The resulting estimates are presented in Table 4 below.

Table 4: estimation of constraints that influence agricultural entrepreneur intention to participate in venture capital financing program

Model2

Logistic regression		Number of obs. =95				
LR chi2(6) =39.14						
Prob>chi2=0.0000***						
Log likelihood = -12.39691		NicknameR2=0.6122				
<i>Int-Part</i>	Coef.	Std. Err	z	P>z	[95% Conf.	Range]
INGCE_I	-1.032062	1.562811	-0.66	0.509	4.095115	2.030991
T_COMPT	1.332437	1.890109	0.70	0.481	-2.372108	5.036983
PTGE_OPP	.9190968	1.696264	0.54	0.588	-2.405519	4.243712
OV-CB	2.061653	1.462877	1.41	0.159	-.8055333	4.92884
PTGE_PRFI	1.155279	1.403167	0.82	0.410	-1.594878	3.905435
_CONS.	-2.686107	1.86645	-1.44	0.150	-6.344281	.9720664

***: significant at the 1% level; ** Significant at the 5% threshold and *: Significant at the 10% threshold

On reading Table 4 above, it appears that the propensity of farmers to be financed by venture capital (Int_Part) is negatively influenced by the first constraint, which is the interference of the venture capitalist in decision-making (coef= -1.032062) although the link is not significant. With regard to the other constraints, namely, keeping formal accounts (T_COMPT), opening a bank account (OV-CB), 50% sharing of profits (PTGE_PRFI), sharing of future opportunities (PTGE_OPP), the models show us that it positively influences but does not have a significant effect on the propensity of entrepreneurs to want to benefit from venture capital financing.

Taken together, these results indicate that given the benefits of venture capital financing, agricultural entrepreneurs are ready to respect the various constraints that go with it except for the involvement of the venture capitalist in the decision-making process which certainly has a negative influence, but is not significant (0.509). These results are consistent with those of Bekolo and Behina (2009) who carried out a survey of innovative SMEs in Cameroon in 2009 and came to the conclusion that 75% of them were in favor of receiving financing of the type capital risk.

V. Conclusions and managerial implications

The rural world and more particularly farmers still suffer from huge unmet financing needs. Many reasons are given, in particular the extremely rationed supply of MFIs due to the supposed low profitability of agricultural activities and exogenous risk related. However, if several agricultural entrepreneurs apply for credit from MFIs, there is a large majority who need financing and do not apply for it at all. Hence, answer to the following questions had been essential: what are the factors that explain the low demand for credit by agricultural entrepreneurs? What financing strategy is adapted to their needs given the specificity of the agricultural sector? The objective of this work was to identify and analyze the determinants of the self-exclusion of agricultural entrepreneurs when applying for credit from MFIs and to measure their adherence to a type of financing that seems to be adapted to their needs: venture capital. Two logit models were specified and estimated from the data collected by questionnaire. The results of the econometric analyzes reveal that the self-exclusion of agricultural entrepreneurs from the credit application is due to several factors, in particular: the use of tontines, the lack of guarantee, the remoteness, the echo of the bankruptcy of the MFIs and the fear of going into debt. With regard to venture capital financing, we came to the conclusion that 83.3% of agricultural entrepreneurs are in favor and that the constraints imposed do not significantly influence their willingness to adhere to this method of financing. In view of these results, we propose to the MFIs following Attali and Yann (2007), to appropriate venture capital which can be used either as a complement or as an alternative to rural credit for agriculture in order to better play their primary role, which is to boost the development of the rural sector. This method of financing has the advantage of solving two main problems inherent in ordinary loans, namely: the lack of guarantee by farmers and the information asymmetry between MFIs and entrepreneurs. Thus, in concrete terms, the MFIs must equip themselves with a body specializing in the financing of agriculture. This body will be made up of engineers and agricultural experts who will be accompanied by financial experts for the evaluation of the various agricultural projects. The agricultural experts will take care of the coaching and follow-up of the agricultural producers financed by the MFIs under venture capital funds. However, it should be noted that the public authorities must support MFIs in this direction, in particular by granting them subsidies and capital grants.

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