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Par
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## Commercialization of Microfinance in Cameroon: How Can Microfinance Institutions Manage Their Dual Social and Commercial Goals?

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*To my dad and mom*

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# RESUME

Au fil des ans, le succès retentissant de la microfinance a conduit son expansion rapide avec un nombre croissant d'institutions de microfinance (IMF). Cette expansion a été suivie d'un phénomène de commercialisation qui a mis l'accent sur la performance financière des IMFs. De plus, la rareté croissante des subventions s'est traduit par la volonté des IMFs de réduire leur dépendance vis-à-vis des subventions, et donc de fonctionner sur de nouveaux modèles économiques (Battilana et al., 2012; D'Espallier et al., 2017). Les IMFs qui auparavant se concentraient uniquement sur la mission sociale, se retrouvent désormais à adopter des activités commerciales pour soutenir leur mission sociale. Nous assistons aujourd'hui à un nombre croissant d'IMF ressemblant à des organisations hybrides qui incarnent et tentent d'intégrer des objectifs parfois contradictoires (Thorntorn et al., 2012; Jay, 2013). D'un côté, il y a l'aspect social de la microfinance qui se caractérise par la flexibilité, moins de formalité et une relation individuelle plus intime avec les clients. L'aspect commercial, d'autre part, se caractérise davantage par des pratiques standard qui permettent la prévisibilité, l'efficacité et la cohérence. Cette nature hybride des IMFs remet en question l'équilibre fragile entre l'aspect social et commercial de leur mission. L'importance croissante de la logique commerciale de rentabilité par rapport à la logique sociale établie de lutte contre la pauvreté conduit les IMFs à jongler entre leurs objectifs sociaux et financiers afin d'éviter la dérive de mission. Pour cette raison, la littérature sur la microfinance a souvent associé la commercialisation à la dérive de mission. Les critiques ont même souligné le fait que les institutions de microfinance ont déviées de leur mission sociale vers des priorités à but lucratif plus typiques (Battilana et al., 2012). Ainsi, dans un contexte où la recherche de bénéfices semble avoir une position de plus en plus centrale dans le fonctionnement des institutions de microfinance, les IMFs rencontrent des difficultés lorsqu'elles tentent de se conformer à la fois à leurs prescriptions commerciales et sociales. Cela soulève la question de savoir comment ces IMFs peuvent atteindre leurs objectifs tant sociaux

et que commerciaux (Raaijmakers et al., 2015) afin d'éviter de prioriser les objectifs commerciaux et ainsi de dévier de la mission sociale de la microfinance.

**La thèse examine comment les IMFs opérant dans des environnements aux ressources limitées abordent ce phénomène de commercialisation afin d'atteindre leurs deux objectifs sociaux et commerciaux.** Avant d'explorer ce phénomène, nous devons tout d'abord comprendre le contexte dans lequel les IMFs opèrent. Le fait est que le contexte dans lequel les IMFs opèrent affecte la réalisation de leurs objectifs (Kuchler, 2011; Hudak, 2012). Par conséquent, ma recherche qualitative exploratoire n'attire pas seulement l'attention sur les pratiques de gestion de double mission des IMFs mais aussi sur les caractéristiques du secteur de la microfinance camerounaise, et les défis au sein de ce secteur.

Le Cameroun a été choisi comme contexte de cette étude. Selon les dernières estimations, environ 30% de la population vit encore dans la pauvreté (Banque mondiale, 2019). La microfinance est vue comme une réponse à la réduction de la pauvreté, où les IMFs doivent offrir aux pauvres des opportunités de s'engager dans des activités génératrices de revenus, pour permettre à ces derniers de sortir de la pauvreté. L'absence de subventions ou de soutien gouvernemental et le durcissement de la réglementation limitent la capacité des IMFs à réaliser efficacement leur mission d'inclusion financière. Ces contraintes à la fois au niveau des ressources et de la réglementation ont conduit à une adoption accrue des activités commerciales par les IMFs dans le secteur de la microfinance camerounaise (Singhe et Louche, 2020), ce qui met en péril la mission sociale. Ainsi, il devient fondamental de comprendre comment les IMFs, dans ce contexte de commercialisation accrue, sont capables de gérer leurs objectifs tant sociaux que commerciaux afin d'éviter la dérive de mission. Ceci pourrait apporter de nouvelles perspectives qui enrichiront la littérature existante sur la commercialisation de la microfinance.

Cette thèse s'appuie sur **le concept de bricolage** comme perspective théorique pour analyser comment les IMFs surmontent les défis associés au double objectif social et commercial. Le bricolage peut se définir comme l'utilisation de façon habile des ressources sous la main (acteurs, technologies, structures…) ou « moyens du bord », face à des problèmes ou opportunités nouvelles (Lévi-Strauss, 1962 ; Baker et Nelson, 2005). Le bricolage s'inscrit dans une perspective de résolution de problème inattendus et spécifiques (Baker and Nelson, 2005). Comme la plupart des entrepreneurs, les IMFs sont confrontées à des contraintes de ressources compte tenu de leur mission sociale et cela peut être encore plus pertinent pour les IMFs opérant dans des environnements défavorables, comme les IMF dans les économies en développement. Ces IMFs doivent donc faire avec les moyens du bord vu ces contraintes de ressources, favorisant la méthode du bricolage (DiDomenico et al., 2010 ; Ladstaetter et al., 2018). Bien que plusieurs études récentes montrent un intérêt croissant pour le bricolage dans la littérature de l'entrepreneuriat social (Gundry et al. 2011; Desa et Basu, 2013; Bacq et al. 2015; Janssen et al., 2018), cette perspective n'a pas encore été mobilisée dans la littérature sur la microfinance. Cette recherche vise donc à approfondir le concept de bricolage en étudiant comment les pratiques de bricolage peuvent aider les IMFs à naviguer dans leurs environnements pluralistes.

Pour répondre à mes objectifs de recherche, une approche abductive, exploratoire et qualitative basée principalement sur des entretiens semi-directives a été choisie. En raison du peu ou du manque d'études antérieures sur la gestion de la double mission dans les IMFs camerounaises, il était clair que l'étude qualitative exploratoire était la stratégie de recherche la plus appropriée pour cette étude. Le processus de collecte de données s'est déroulé entre septembre 2017 et janvier 2018 et a fourni des informations sur les IMFs et le secteur de la microfinance au

Cameroun à partir de trois sources de données: (a) entretiens semi-directives avec 35 praticiens de la microfinance ; (b) entretiens semi-directives avec six régulateurs du ministère des finances ; (c) données d'archives fournies par les personnes interrogées et à partir de sources en ligne. La sélection des IMFs et des personnes interrogées a été effectuée par échantillonnage ciblé. Plus précisément, les personnes interrogées des IMFs ont été sélectionnées de manière hétérogène à différents niveaux de la hiérarchie de l'emploi impliquant les cadres supérieurs, les cadres intermédiaires et les employés. Les entretiens ont duré entre 20 minutes et 170 minutes, et les données ont été principalement analysées à l'aide d'une approche thématique (Miles et Huberman, 1994; Boyatzis, 1998). En outre, le chercheur a pris note de certaines observations faites lors de la visite des IMFs, et couplé à la documentation fournie par les IMFs telles que des brochures et des informations de leurs sites Web, a servi de base à l'analyse des données. Notre protocole d'entretien avec les IMFs a principalement consisté à demander aux répondants de discuter de leur parcours, de leur expérience en microfinance, de l'histoire de l'IMF, de leurs valeurs, des défis auxquels ils sont confrontés dans leurs activités quotidiennes et de la manière dont ils y font face. Nous voulions comprendre comment ils arrivent à faire coexister les deux logiques sociale et commerciale étant donné leur nature conflictuelle. Les entretiens avec les régulateurs ont été conçus pour recueillir leurs perceptions concernant l'histoire et les réglementations régissant le secteur de la microfinance. Le but était de se faire une idée de l'état du secteur camerounais de la microfinance et d'écouter les voix des praticiens de la microfinance sur la réglementation de la microfinance. Comme recommandé par Miles et Huberman (1994), nous avons transcrit chacun des entretiens immédiatement après leur réalisation. Cela nous a permis de faire une analyse préliminaire des données et ainsi d'adapter le guide d'entretien en affinant nos questions, et en incluant des thèmes particuliers émergeant au fur et à mesure que nous progressions dans le processus de collecte des données. Ces données collectées ont fait l’objet d’une analyse thématique avec l’aide de Word et Excel.

**Dans la première partie des résultats** de cette thèse (chapitre 4), je donne un compte rendu détaillé de l'évolution du secteur de la microfinance camerounaise au fil des années, en mettant en évidence les principales caractéristiques du secteur. Elle présente, en quatre phases, l'évolution du secteur de la microfinance au Cameroun ainsi que les évolutions réglementaires majeures qui ont progressivement changé l'image de la microfinance au Cameroun. L'étude offre également un aperçu des perceptions des praticiens à l'égard des défis auxquels ils sont confrontés en ce qui concerne la réalisation de leur mission d'inclusion financière. Les résultats révèlent que les IMFs opèrent dans un contexte caractérisé par un certain nombre de défis, tels que des ressources limitées pour répondre aux besoins de la clientèle la plus pauvre; la nature risquée de la clientèle cible qui entrave considérablement la capacité des IMFs à réaliser efficacement leur mission sociale; l'intensité de la concurrence qui pousse les IMFs à se concentrer sur l'objectif de rentabilité; un environnement extérieur incertain qui accentue encore le risque de la clientèle cible; et des contraintes réglementaires couplées à une supervision insuffisante du secteur qui peuvent favoriser un processus de commercialisation et conduire ainsi les IMFs à déviée de leur mission sociale. Ces défis constituent des obstacles lorsque les IMF tentent d'atteindre leurs objectifs commerciaux et sociaux.

Dans ce contexte, les IMFs ont refusé d'être contraint par leurs difficultés et se sont plutôt engagées dans le bricolage afin de créer de la valeur sociale et économique. Ainsi, **la deuxième partie des résultats** de cette thèse (chapitre 5) porte sur les pratiques de bricolage utilisées par les IMFs pour gérer leur double objectif, et les aboutissements qui en résultent de ces pratiques de bricolage. L'étude identifie huit principales pratiques de bricolage que les IMFs utilisent pour faire avancer la réalisation de leur double mission. Cela comprend le dépassement des procédures, la création de valeur sociale, le renouvellement, l'atténuation des risques, la persuasion, le bricolage réseau, le répertoire d'expériences, et le bricolage des ressources. Les résultats suggèrent l'utilisation de ces pratiques de bricolage par les IMFs pour mobiliser des ressources, renforcer leur légitimité et accroître leur *outreach*, dans un contexte caractérisé par des contraintes de ressources. Ces trois aboutissements du bricolage se renforcent mutuellement pour faciliter la réalisation du double objectif des IMFs.

Cette thèse présente des **intérêts à la fois théoriques et pratiques**. D'un point de vue théorique, la principale contribution de cette étude est à la littérature sur la microfinance. Cette étude contribue à la littérature sur la microfinance en mettant en lumière la manière dont les IMFs dans les environnements à ressources limitées gèrent leurs objectifs sociaux et commerciaux concurrents. Il met en évidence le rôle essentiel du bricolage pour permettre aux IMFs de gérer leur double objectif. Plus spécifiquement, l'étude explore les pratiques de bricolage utilisées par les IMFs dans le processus de gestion de double mission. Ces pratiques de bricolage à travers les avantages organisationnels qu'elles génèrent pour l'IMF en termes d'acquisition de ressources, de légitimité et de *outreach* accru, permettent aux IMFs de faire avancer leurs deux objectifs sociaux et commerciaux. Dans l'ensemble, je propose un modèle de gestion de la double mission où la mobilisation des ressources, la légitimité et un *outreach* accrue se renforcent mutuellement pour consolider la réalisation des objectifs sociaux et commerciaux. Il existe quelques recherches académiques qui décrivent les pratiques de gestion de la double mission des IMFs, sans toutefois les lier au concept de bricolage, alors que ce cadre théorique est particulièrement adapté aux IMFs, notamment aux IMFs des économies en développement. Lier à la fois la littérature sur la microfinance et le bricolage apporte de nouvelles perspectives dans la compréhension du fonctionnement des IMFs de manière plus générale, mais aussi dans la compréhension de la manière dont les IMFs gèrent leurs objectifs doubles. Aussi, la compréhension de l'environnement dans lequel les IMFs opèrent est fondamentale si nous voulons analyser les stratégies qu'elles emploient en réponse aux exigences de la performance sociale d'une part et de la performance financière d'autre part. En mettant en lumière l'histoire et l'évolution du secteur de la microfinance camerounaise au fil des ans et les défis auxquels sont confrontées les IMFs du secteur, cette thèse permet de mieux comprendre le secteur de la microfinance camerounaise.

La principale contribution en ce qui concerne la littérature sur le bricolage est son application dans un nouveau contexte: le contexte de la microfinance. Cette étude permet d'identifier des pratiques de bricolage spécifiques au contexte de la microfinance. Le concept de bricolage est encore une théorie émergente dans le domaine de l'entrepreneuriat et il est important de transposer une telle théorie dans des contextes divers afin que nous puissions mieux la comprendre, et ainsi faire avancer le domaine de l'entrepreneuriat. Cette étude étend ainsi la théorie du bricolage en mettant en évidence d'autres types de pratiques de bricolage spécifiques au contexte de la microfinance. Je mets en lumière les caractéristiques distinctives du bricolage dans les IMFs, notamment: le dépassement des procédures, la création des produits spécialisés, et l'atténuation des risques, en utilisant les ressources disponibles. Ainsi, la présente étude fournit des informations sur le bricolage tel que pratiqué par les IMFs.

D'un point de vue pratique, cette recherche a plusieurs implications pour les praticiens de la microfinance en ce qui concerne l'avancement de leurs deux objectifs sociaux et commerciaux. Par exemple, l'étude souligne l'importance des ressources externes pour les IMFs. En effet, mon étude suggère que les ressources acquises grâce à des partenariats externes ont joué un grand rôle pour permettre aux IMFs de réaliser leurs missions sociales et commerciales. De plus, la recherche contribue à la compréhension des questions de réglementation et de supervision, liées à la microfinance dans le contexte du Cameroun. Plus précisément, l'étude est pertinente pour les régulateurs car elle souligne l'importance des organismes de réglementation dans la mise en œuvre des règles et réglementations qui garantiront la stabilité du secteur de la microfinance sans compromettre la mission d'inclusion financière. En outre, cette étude a des implications pour les organismes publics qui peuvent avoir à intervenir pour soutenir les IMFs afin qu'elles puissent facilement mener à bien leur mission sociale.

**Pour conclure**, la gestion d'objectifs conflictuels est une tâche difficile et malgré les stratégies qui peuvent être mises en œuvre pour atteindre un certain équilibre, il subsiste un risque de dérive de mission dans les IMFs. Cela souligne l'importance de la recherche qui fournira plus d'informations sur la façon dont les IMFs peuvent maintenir leur mission sociale et commerciale dans une tension productive (Battilana et Lee, 2014), afin d'augmenter leurs chances d'éviter la dérive de mission. Sur la base d'une étude qualitative exploratoire menée auprès d'institutions de microfinance, nous avons exploré comment les IMFs au Cameroun tentent d'équilibrer leurs objectifs sociaux et commerciaux afin d'éviter la dérive de mission. Dans l'ensemble, cette étude étend la littérature sur la gestion de double mission dans les IMFs car elle adopte une perspective de bricolage pour améliorer la compréhension des stratégies employées par les IMFs à ressources limitées pour atteindre leurs objectifs sociaux et commerciaux concurrents.

**Mots clés:** Commercialisation, Microfinance, Régulation, Double-objectif, Bricolage, Cameroun

# TABLE OF CONTENTS

# LIST OF TABLES

# LIST OF FIGURES

# LIST OF ACRONYMS

| | |
|---|---|
| ANEMCAM | National association of microfinance institutions in Cameroon |
| CEMAC | Economic Community of Central African States |
| CEO | Chief executive officer |
| COBAC | Central African banking commission |
| CSR | Corporate social responsibility |
| MFI | Microfinance institution |
| MINFI | Ministry of finance |
| NGO | Non-government organisation |
| OHADA | Organization for the Harmonization of Corporate Law in Africa |
| PLC | Public limited company |
| SME | Small and medium-sized enterprise |
| SSA | Sub-Saharan Africa |
| ST | Short term |
| VSE | Very small enterprise |
| WOM | Word of mouth recommendation |

# CHAPTER 1 – INTRODUCTION

This introductory chapter provides an overview of the thesis by outlining the research problem, including background information and the rationale for the research. I then present the research objectives and questions, discuss the main contributions of the study and present the structure of the thesis.

## 1.1 Research Problem

The microfinance sector is extremely important in developing countries, as microfinance is a tool to alleviate poverty and promote financial inclusion. Therefore, microfinance is the subject of many research studies. Initially, microfinance was considered a not-for-profit endeavour undertaken mainly by non-governmental organisations (NGOs) and relied on donations and subsidies for financing (Battilana and Dorado, 2010). However, as the idea of becoming financially sustainable and simultaneously serving the poor became popular, more NGOs started adopting commercial practices or transforming themselves into regulated for-profit institutions. Microfinance has since evolved from traditional microcredit services to include a wider range of services and products offered by a range of institutions, such as NGOs, cooperatives, credit unions, commercial banks and regulated financial institutions. This evolution of the microfinance sector has been met with a commercialisation trend characterised by the adoption of a market approach to microfinance. Therefore, questions surrounding the commercialisation of microfinance have been at the centre of scholarly research over the past decades (Khan, 2008; Ashta and Hudon, 2012; Kent and Dacin, 2013; D'Espallier et al., 2017; Beisland et al., 2017). Indeed, the increased commercialisation of the microfinance industry has been met with concerns and suspicions regarding mission drift (Mersland and Strom; 2010; Hermes et al., 2011; Battilana et al., 2012; Beisland et al., 2017). The concern is that institutions drift away from the core objective of serving the poor on the fringes of society because they rush to become financially self-sustainable too quickly (Augsburg & Fouillet, 2010). In addition, the entry of commercial banks into the microfinance market may increase the level of competition for traditional microfinance institutions (MFIs) and reduce lending to the core poor, even if it improves financial sustainability (Hermes & Lensink, 2007).

MFIs whose primary focus was their social mission find themselves adopting commercial activities to survive. In this regard, MFIs can be considered hybrid organisations that embody and try to integrate sometimes conflicting goals (Thornton et al., 2012; Jay, 2013). The hybrid nature of MFIs poses a crucial management challenge in terms of balancing the social and commercial aspects of their mission. Indeed, the increasing importance of the commercial logic of profitability vis-à-vis the established social logic of poverty alleviation results in MFIs juggling their social and financial objectives to avoid mission drift. Therefore, in a context where profit making seems to be achieving an increasingly central position in the functioning of MFIs, MFIs experience challenges as they try to comply both with their commercial and social prescriptions. This begs the question of how these MFIs can attend to their equally important social and commercial goals (Raaijmakers et al., 2015) so as to avoid prioritising the commercial goals and thus drifting from the social mission of microfinance. Therefore, because it is important for MFIs to achieve their dual mission and because of the plethora of resource challenges they are exposed to, it is relevant to explore how MFIs achieve both their social and commercial missions.

Many studies have examined how hybrid organisations such as MFIs deal with their conflicting institutional logics (Battilana and Dorado, 2010; Battilana and Lee, 2014; Battilana, 2018). Indeed, the increasing commercialisation of microfinance has led to a surge in research on understanding the risks of MFIs' mission drift and MFIs' management of dual missions. While this research has been important in revealing the structures and strategies that hybrid organisations such as MFIs adopt to manage different institutional logics, much of it is based on in-depth case studies in particular country contexts, and it is unclear the extent to which these findings can be generalised to hybrids working in other country contexts (Conforth, 2014). More specifically, the literature reviewed reveals that most of the research has essentially focused on Latin America and Asia. Little research has focused on African countries, such as Cameroon. I believe there is a need to understand the evidence from Sub-Saharan Africa (SSA), where commercial microfinance is gaining more and more magnitude (MIX and CGAP, 2011). Studying the commercialisation phenomenon in other regions will allow us to reach reliable conclusions that can be generalised to the whole microfinance industry (Hishigsuren, 2007). This points to the relevance of studies that examine the management of dual logics in other country contexts so as to complement or provide new insights into the extant literature.

Cameroon was chosen as the context for this study. An estimated 30% of the country's population live in poverty (World Bank, 2019). Microfinance emerged as an answer to poverty reduction, where MFIs are expected to provide the poor with opportunities to engage in income-generating activities and lift the poor out of poverty. The lack of subsidies or governmental support and the tightening of regulations limits the ability of MFIs to effectively achieve their mission of financial inclusion. These resource limitations and regulatory constraints have led to the increased adoption of commercial activities by MFIs in the Cameroonian microfinance sector (Singhe and Louche, 2020), which puts the social mission at risk. Therefore, it is critical to understand how in this context of increased commercialisation MFIs are able to manage their competing social and commercial goals so as to avoid mission drift. In addition, the few studies that examine how MFIs deal with their competing goals have not quite addressed how they mobilise the resources necessary to achieve their dual mission in the face of severe resource constraints. The microfinance context in developing countries, such as Cameroon, provides an ideal setting to study how organisations manage competing objectives while dealing with resource constraints. To the best of our knowledge, there are no studies focusing on the dual-mission management strategies of MFIs in Cameroon. Understanding how MFIs in Cameroon manage their competing social and commercial goals might bring new insights that can add to previous conversations on the commercialisation of microfinance.

The objective of this thesis is to fill these gaps by studying how Cameroonian MFIs operating in resource-constrained environments manage their competing social and commercial goals. The thesis does this by first describing the microfinance sector in Cameroon to gain an understanding of the environment in which the MFIs operate. This includes identifying the main characteristics of the sector and the main challenges faced by the MFIs in the sector. The thesis also examines the strategies employed by the MFIs to respond to their dual goals and the resulting outcomes of these strategies.

Like most entrepreneurs, MFIs face resource constraints given their social mission, and this may be even more pertinent for MFIs operating in penurious environments, such as MFIs in developing economies. Bricolage has been identified as one of the leading theories to analyse the process through which entrepreneurs identify and utilise resources (Kang, 2017). For the purpose of this thesis, I chose to adopt bricolage to examine the dual-mission management process within MFIs. Bricolage implies creativity and entrepreneurial behaviour (Baker and Nelson, 2005). The rationale for this choice is primarily that it focuses on entrepreneurial behaviour in resource-constrained environments, which accords with the focus of the current study being MFIs' practices in dealing with their dual goals in penurious environments. In addition, the literature review reveals that an increasing number of studies are adopting the bricolage perspective to examine social enterprises, highlighting the relevance of this theory to study social enterprises (DiDomenico et al., 2010; Ladstaetter et al., 2018). MFIs are commonly associated with social enterprises in the literature (e.g. Mair et al., 2015), as they embed a social mission in addition to their financial objectives. However, there is still limited research that applies the concept in microfinance. This research aims to deepen the bricolage concept by studying how bricolage practices can help MFIs navigate their pluralistic environments. In addition, bricolage is an emerging concept within the field of entrepreneurship that is likely to be particularly relevant in the microfinance context, particularly in developing economies where the lack of resources is of general concern and where the uncertain external environment in terms of civil wars and conflicts, for instance (Kwong et al., 2019; Cheung et al., 2019), may imply improvising solutions to quickly adapt to the changing environment (DiDomenico et al., 2010). Indeed, despite the fact that bricolage has been examined in resource-constrained firms in the developed world (Baker and Nelson, 2005; De Klerk, 2015), empirical evidence of bricolage in developing contexts is still limited (Linna, 2013; Holt and Littlewood, 2016). This suggests more needs to be learned about bricolage in developing economies.

## 1.2 Research questions and aims

The overall aim of this research is to understand how MFIs functioning in a resource-constrained environment in Cameroon balance their dual social and commercial goals. To address the overall research aim, three research questions were formulated:

1. What are the different evolutionary phases of the Cameroonian microfinance sector?
2. What are the challenges faced by MFIs in Cameroon as they attempt to achieve their dual mission?
3. How do MFIs in Cameroon overcome their challenges to create social value while maintaining financial sustainability?

To answer the research questions, I conducted exploratory qualitative research. Due to the lack of literature on dual-mission management in Cameroonian MFIs, it was clear that the exploratory qualitative study research design was most appropriate for this study. I conducted semi-structured interviews with six regulators and 35 microfinance practitioners from 28 MFIs in Cameroon. The selection of MFIs and interviewees was accomplished through purposive sampling. Specifically, the interviewees from the MFIs were selected heterogeneously across different levels of employment hierarchy from top management to middle management to employees. The interviews lasted 20–170 minutes, and the data was mostly analysed using a thematic approach (Miles and Huberman, 1994; Boyatzis, 1998). In addition, secondary data in the form of website information and documents, were analysed to complement the findings from the interviews.

## 1.3 Research contributions

The findings of this thesis showed that MFIs in Cameroon face challenges as they attempt to achieve their dual mission. To overcome the challenges that threatened the achievement of their dual social and commercial goals, the MFIs engaged in bricolage. The study identified eight main bricolage practices that allow the MFIs to mobilise resources, acquire legitimacy and increase their outreach. These three outcomes supported the achievement of both social and economic goals.

This study makes several theoretical and practical contributions. From a theoretical viewpoint, the main contribution of this study is to the microfinance literature. It contributes by developing a model that sheds light on how MFIs in resource-constrained environments deal with their competing social and commercial goals. The study points to the critical role of bricolage in enabling MFIs to manage their dual goals. More specifically, it explores the bricolage practices employed by the MFIs in the dual-mission management process. Through the organisational benefits they generate for MFIs in terms of resource acquisition, legitimacy and increased outreach, these bricolage practices enable the MFIs to advance their dual social and commercial goals. In this regard, the study findings allow us to understand how companies can better align profit generation and societal impact (Santos et al., 2015). In addition, understanding the environment in which MFIs operate is fundamental if we want to analyse the strategies they employ as a response to the demands of social performance on one hand and the demands of financial performance on the other. By discussing the history and evolution of the Cameroonian microfinance sector over the years and the challenges faced by MFIs, this study provides a better understanding of the Cameroonian microfinance sector. The thesis also contributes to the bricolage literature, mainly by extending the bricolage theory to a new context, microfinance, and thereby highlighting other types of bricolage practices specific to that context.

In practical terms, this research has several implications for microfinance practitioners with regard to advancing their dual social and commercial goals. For instance, the study points to the importance of external resources for MFIs. Indeed, it suggests that resources acquired through external partnerships have played a significant role in enabling MFIs to achieve their social and commercial missions. The research also facilitates understanding of the regulatory and supervisory issues relating to microfinance in the context of Cameroon. Specifically, the study is relevant to regulators, as it points to the importance of regulatory bodies in implementing rules and regulations that will ensure the stability of the microfinance sector without jeopardising the mission of financial inclusion. In addition, this study has implications for public bodies that may have to step in to support MFIs so they may more easily carry out their social mission.

## 1.4 Structure of the thesis

This thesis is organised into seven chapters. Chapter 1 introduces the background to the study, the research problem, the research aim and questions and the main contributions of the thesis.

Chapter 2 discusses the theoretical foundation of the thesis. The first section provides an overview of the concept of microfinance, including its definition, the evolution of microfinance towards commercialisation and the implications of this commercialisation process for the mission of MFIs. The second section focuses on discussing regulation in microfinance, with regulation being a major determinant in MFIs achieving their dual missions. The third section discusses the bricolage theory, as I draw upon this perspective to understand how MFIs operating in a resource-constrained environment manage their dual social and commercial goals.

Chapter 3 details the methodology of the study. It explains how the research was conducted, that is, the research approach, the data sources and collection methods, the sampling techniques and the method used to analyse the data. This chapter also addresses quality and ethical considerations that have been taken into account throughout the study.

Chapter 4 provides an understanding of the empirical context, which is the microfinance sector in Cameroon. First, it provides general information on Cameroon, including information on the geography, the economy and the poverty situation. It then discusses the evolution of the Cameroonian microfinance sector over the years, highlighting its main characteristics. Finally, it presents the challenges faced by MFIs in Cameroon.

Chapter 5 comprises a presentation and analysis of the findings related to dual-mission management in MFIs in Cameroon. This includes a discussion of the bricolage practices employed by the MFIs to deal with their competing social and commercial goals and the outcomes of these bricolage practices. In addition, I focus on the dual-mission management process of two MFIs through case vignettes.

Chapter 6 comprises a discussion of the findings. Key insights that emerged are discussed in relation to the extant literature.

Chapter 7 concludes the thesis. Theoretical and practical contributions of the study and its limitations are discussed, and suggestions for future research are given.

# CHAPTER 2 – LITERATURE REVIEW

This chapter reviews the relevant literature pertaining to understanding how MFIs in Cameroon overcome their challenges to create both social and economic value. First, the chapter provides a general overview of the concept of microfinance, including a definition and a discussion of the evolution of the microfinance sector towards commercialisation and of the dual mission of microfinance. Second, the chapter discusses the regulation of microfinance and the potential implications for MFIs in terms of achieving their dual goals. Third, it reviews the bricolage literature and argues the suitability of the bricolage concept as a theoretical perspective to examine how MFIs deal with their competing social and commercial goals. Indeed, the literature suggests that bricolage is a key element that informs how social enterprises, such as MFIs, achieve dual social and financial goals.

## 2.1 Microfinance: an overview

### *2.1.1 Defining microfinance*

Microfinance originates from the fact that poor people around the world were excluded from the traditional banking system (Brau and Woller, 2004). According to the most recent estimates, in 2015, 10% of the world's population or 734 million people lived on less than 1.9 dollars a day (World Bank, 2020). These poor people face difficulties getting credit, mainly due to the absence of the guarantees required to back up their loans. The fact is that commercial banks look out for borrowers with stable revenue who will be able to pay back loans within the agreed terms. Microfinance acts as a tool for local development by providing the poor with small loans; this microfinancing enables them to create microenterprises and thus escape poverty (Van Rooyen et al., 2012). It also aims to promote empowerment, especially among women, who are considered more vulnerable, while enhancing social capital in poor communities (Banerjee and Jackson, 2017). Moreover, microfinance—particularly microcredit—has the potential to smooth consumption, reduce the vulnerability of the poor and subsequently lead to an increase in their income (Das and Bhowal, 2013). In fact, microcredit services provided by MFIs are not only used for the creation of microenterprises but also for consumption, healthcare and child education (Ayayi and Noel, 2008). The logic behind microfinance is that by giving credit to the poor, they can set up businesses and pay back the loan with the revenues from those businesses and at the same time use part of the revenue to improve their standard of living. To help solve the problem of the limited collateral of poor clients, the Grameen Bank established group lending that allows the bank to lend to a group of people with the members acting as guarantors for each other. This lending techniques enables poor clients with no collateral to access loans.

Various complementary definitions of microfinance have been provided throughout the years. These definitions offer a broad view of what microfinance is all about and of the nature of the financial services provided by MFIs. According to Ledgerwood (1999, p.1), microfinance refers to 'the provision of financial services to low income clients, including the self-employed'. The aim of microfinance is not just to provide capital to the poor on an individual level but also to act on an institutional level by creating institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector (Otero, 1999). These financial services may include savings, loans, payment services, transfers and insurance. Brandsma and Burjojee (2004) note that these services are generally characterised by:

- A focus on entrepreneurial poor – providing services to low-income clients, women and men, who lack access to other financial institutions;
- Client-appropriate lending – simple and convenient access to small, short-term and repeat loans with the use of collateral substitutes to motivate repayment. This includes informal appraisal of borrowers and investments, with simple cash flow and project appraisal for larger and longer-term loans;

- The provision of secure, voluntary savings services that facilitate small deposits, convenient collections and ready access to funds.

In addition to these financial services, MFIs also provide social intermediation services, such as group formation, developing self-confidence and training group members in financial literacy and management capabilities (Ledgerwood, 1999). According to Ledgerwood, enterprise development and social services can improve the ability of low-income earners to operate microenterprises either directly or indirectly. Indeed, microfinance is not just about providing financial services to the poor but also about ensuring the poor participate in productive activities that will boost their standard of living (Hammill et al., 2008). Lifting the poor from poverty through financial and social inclusion is the ultimate *raison d'être* of microfinance (Milana and Ashta, 2020).

The growing problems associated with financial exclusion have prompted an increase in microfinance initiatives in the developing and developed worlds (Cabraal et al., 2006). Generally, these microfinance initiatives are carried out through MFIs whose main role is to fulfil the original mission of microfinance. These institutions can be referred to as financial institutions that target poor and low-income people as their main market niche, with regulatory status ranging from formal to semi-formal to informal (CGAP, 2006). To achieve their objective of financial inclusion, MFIs emphasise social relationships and close proximity to clients through participation and solidarity, as well as customised services (Lapenu et al., 2004).

Due to the potential of microfinance, much research has been conducted over the years to examine its social impact, despite the difficulty inherent in assessing that impact. Many studies provide evidence of the positive impact of microfinance (e.g. Khandker, 2005; Banerjee et al., 2009). For example, Banerjee et al. (2009) examined the effect of microcredit on the profitability of small businesses, investment and household consumption. They found that in areas where microfinance became available, there were 32% more new businesses than in the control area. In addition, clients reported significantly higher monthly business profits, and there were shifts in the composition of consumption[1]. The literature also shows that most MFIs have a significant impact on poverty reduction (Khalily, 2004; Imai et al., 2010). However, some studies have found that microfinance fails to have a significant social impact, particularly when it comes to empowering women (Morduch, 1999; Banerjee et al., 2009; Fouillet et al., 2013; Banerjee and Jackson, 2017). Women have usually been the main target of MFIs because studies have shown that women are more reliable partners in terms of lower loan delinquency, and they make the most use of microcredit to contribute significantly to household well-being (Armendariz de Aghion and Morduch, 2005; Khavul, 2010). Therefore, some researchers agree that women's empowerment can be used as an indicator to assess the social impact of microfinance (e.g. Goetz and Gupta, 1996; Hashemi et al., 1996). The fact is that United Nations Development Programme reports show that women in developing economies generally form the majority of the poorest of the poor (Armendariz and Szafarz, 2009). Armendariz and Morduch (2005) argue that institutions pursuing social objectives may have stronger development impact by focusing their resources on women. According to the authors, microfinance is seen as a road to gender empowerment. Nevertheless, there have been mixed opinions regarding the impact of microfinance on women's empowerment. Sometimes, the evidence is inconclusive. On one hand, some studies have found a positive impact of microfinance on women's empowerment (e.g. Hashemi et al., 1996; Mayoux, 2006). Gender activists argue that microfinance can increase women's bargaining power within the household. Indeed, Lakwo (2006) reported that women taking part in microcredit programmes are more empowered than before. The study demonstrated that microcredit enabled women to create their own microenterprises and thus contribute greatly to household income. On the other hand, other studies on microfinance have shown that access to microcredit does not necessarily empower

[1] Cited in Khavul (2010).

women and can in some cases disempower them (Morduch, 1999; Banerjee et al., 2009). This is of utmost relevance considering the fact that microfinance is seen by many as one of the most significant tools to achieve the United Nation's Millennium Development goals. Indeed, the attention to development strategies in the late 20th century can be considered one of the determinants in the growing popularity of microfinance (Augsburg and Fouillet, 2010). There are reasons that may partially explain the fact that microfinance may not actually empower women. According to Fouillet et al. (2013), the decision-making process that is a key aspect in women's empowerment is effective only if the microcredit services are accompanied by the participation of women in a group. They authors further argue that microcredit may put an additional burden on women because, for example, the loan is usually controlled by the husband who coerces his wife to use it to enhance household income rather than to set up her own business. This is in line with the conclusions of Goetz and Gupta (1996) and Banerjee and Jackson (2017) regarding the fact that a significant portion of women's loans are controlled by their husbands or male family members, thereby limiting women's empowerment. Again, Roodman (2013) points out that while microcredit can give women more economic power, in some cases it has burdened them with fear of default and loss of face in a public group setting.

Microfinance was initially considered a not-for-profit endeavour undertaken mainly by NGOs and reliant on donations and subsidies for financing (Battilana and Dorado, 2010). However, as the idea of the possibility to be both financially sustainable and serve the poor became popular, more and more NGOs started adopting commercial practices or transforming themselves into regulated for-profit institutions. In addition, commercial banks began to penetrate the microfinance market. This marked the beginning of the commercialisation of the microfinance industry.

### *2.1.2 Commercialisation of microfinance*

The commercialisation process can be traced back to 1992 when we witnessed the transformation of BancoSol in Bolivia. BancoSol was the first donor-based microfinance NGO to transform itself into a fully-fledged bank listed on the capital markets. The progressive transformation of BancoSol over the years led to controversy regarding mission drift and the strategic focus of the organisation (Sriram, 2010). This commercialisation trend was criticised by Muhammad Yunus during the Peace Nobel prize awards in December 2006, where he argued that the entry of new actors into the microfinance sector negatively changes the nature of microfinance services (Yunus, 2011).

Commercialisation of the microfinance industry can be seen as the increased provision of microfinance by MFIs that adopt a for-profit orientation (Charitonenko and De Silva, 2002). In other words, the commercialisation process can be defined as the increasing presence of MFIs that adopt a commercial approach to their activities. This usually involves MFIs focusing their resources on wealthier clients capable of generating higher profits for the MFIs to the detriment of poorer clients. Commercialisation also entails the movement of subsidised operations out of the heavily donor-dependent sector into one in which MFIs are financially self-sufficient and sustained and are a part of the regular (or formal) financial system (Ledgerwood and White, 2006). Kent and Dacin (2013) observed that over time, the microfinance field's foundational poverty alleviation principles have been increasingly displaced by the commercial banking logic considered as the vocabulary of legitimacy in the field. This was mainly due to attempts among microfinance practitioners to demonstrate their efficacy in alleviating poverty by appealing to financial indicators (Kent and Dacin, 2013).

The fact is that the commercialisation of the microfinance sector has been accompanied by certain aspects, notably profitability, competition and regulation (Christen, 2001). Commercialisation has also been accompanied by access to commercial sources of finance, particularly commercial investors attracted by the profit potential of the microfinance sector. Indeed, adopting commercial approaches can attract more commercial funds, leading to long-term financial sustainability and thus an increased number of loans to the poor (Hermes et al., 2011). However, Otero (1999) argues that the risk with the entrance of commercial investors into the microfinance market is to be able to maintain investors' focus on microenterprise to prevent the MFI from moving to a loan level that is beyond the realms of microfinance. The funds from local or international investors may be invested in the MFI directly or through an intermediary (Oliva-Beltran, 2008).

In terms of benefits, the commercialisation of microfinance may allow MFIs to achieve financial sustainability and increase their outreach. The question of financial sustainability has been the subject of many discussions in the microfinance literature, mainly because the goal of microfinance is to provide financial services to poor people, which entails high monitoring costs and risks in terms of loan arrears. By commercialising, MFIs are able to target wealthier clients who generally request larger loans. Dealing with larger loans rather than many small loans reduces the transaction costs incurred by MFIs and makes them more sustainable. The fact is that most MFIs face resource constraints due to the nature of their target clientele. As such, in order to survive MFIs either have to rely heavily on government and donors' subsidies or adopt a commercial approach to microfinance. However, as pointed out earlier, donors' subsidies become more and more unreliable and will probably not be sufficient to finance the growth of MFIs (Ashta and Hudon, 2012), making the second option quite probable. In this context, an MFI's ability to get access to capital becomes fundamental in order to meet the continual demand for loans by new and existing clients (Ledgerwood & White, 2006).

Access to capital is one of the main constraints in the growth of MFIs, and through commercialisation MFIs are able to get funds not only from donors but from commercial sources, such as savings or private investment capital. This enables MFIs to meet the demand of the microfinance sector for portfolio capital, which is considered to be much higher than the offer. Indeed, some authors have argued that increased funding may enable MFIs to achieve greater outreach and more product diversity (e.g. Charitonenko and De Silva, 2002).

Another thing driving MFIs towards commercialisation is the potential to increase outreach by providing a wide range of products and services, particularly savings. Generally, as MFIs strive for financial sustainability they come up with better products and services adapted to the needs of clients (Zeller and Meyer, 2002). Although microcredit remains the dominant microfinance instrument, MFIs today propose a wide range of other products and services, such as micro-insurance, deposits, money transfers, pension products, microleasing, and even non-financial services in terms of business development and education. The diversification of their products and services is linked to the fact that they wish to expand the scope of their activities by targeting a broader client base. In addition, the operating costs of MFIs are mostly composed of fixed costs, and the diversification of their activities may enable MFIs to lower their costs through a better coverage ratio (Dardour and Ouvrard, 2015). This in turn will enable increasing the impact of MFIs on clients' quality of life. Indeed, the needs of clients are constantly evolving, and it becomes imperative to adapt the products and services to the clients in order to win their loyalty. Further, given the fact that microenterprises are one of the target clients of MFIs, there is a need to provide non-financial services, such as business advice, to this segment. In order for MFIs to offer these services in an effective manner, they need to have reached a certain level of financial sustainability.

Nevertheless, there is a view that extending MFIs' services to include the less poor or the non-poor will come at the expense of the very poor because MFIs will not be able to achieve enough depth to reach those who need the services most desperately (Brau and Woller, 2004). In her study on commercialisation in Latin America, Christen (2001) concludes that the commercialisation process did not result in much product diversification, as the newly regulated

MFIs and the commercial banks did not offer a full range of financial services to the poorer families but instead focused on providing credit to microenterprises.

Indeed, the growing trend towards commercialisation has brought with it questionable practices that seem to conflict with the goals of microfinance. The question that surrounds the commercialisation process concerns the feasibility of introducing the profit motive in the microfinance industry. The worry is that this commercial mission may be followed by a drift from the core social mission of microfinance (Beisland et al., 2017; Hishigsuren, 2007; Otero, 1999). Generally, mission drift is observed when an MFI transforms itself from an NGO into a commercial MFI, coupled with an increase in its average loan size (Armendariz and Szafarz, 2009). In the process of scaling up and in an effort to secure financial sustainability, MFIs may be inclined to shift their attention from riskier and poorer clients to less poor clients (Hishigsuren, 2007). Hishigsuren argues that MFIs' drift from their core mission may be involuntary and instead is a result of the challenges posed by the scaling-up process. Accordingly, mission drift entails MFIs migrating away from their original mission, which is poverty alleviation and financial inclusion, in favour of generating profits for investors by serving higher-income clients or by maintaining high interest rates on client loans (Frank, 2008). Armendariz and Szafarz (2009, p.2) define mission drift as the 'phenomenon whereby an MFI will increase its average loan sizes by positioning itself in a segment of wealthier clients for reasons other than progressive lending and cross-subsidization'. They note that 'progressive lending which is the idea of maturing existing clients and cross-subsidisation considered as the process of reaching out to unbanked wealthier clients in order to finance a larger number of poor clients cannot be considered as mission drift'. This is to say that a microfinance institution can be considered to have drifted from its mission only if it migrated from low-income clients to higher-income clients. Concerns over mission drift calls for a review of the literature on dual-mission management in microfinance.

### *2.1.3 Dual missions and microfinance*

Social ventures couple logics from conventional business and social welfare (Battilana and Dorado, 2010; Mair et al., 2015; Mersland et al., 2019). In the literature, concerns have been raised that social enterprises, such as MFIs, may experience mission drift because they increasingly focus on profit-making to the detriment of their social mission (Conforth, 2014; Ebrahim et al., 2014; Ramus and Vaccaro, 2017). According to Battilana and Dorado (2010), MFIs drift from their social mission because they want to ensure financial performance by hiring staff with banking experience. Indeed, conflicts between institutional logics can lead to organisational paralysis (Pache and Santos, 2010). Therefore, balancing social and financial goals is of vital importance to social ventures not only to avoid mission drift but also to fulfil the promise of positive societal impact (Siebold et al., 2018). For this reason, the management of their dual goals has emerged as a key issue in research on social enterprises. The literature identifies two main ways social enterprise responds to competing demands—integration and separation. Through integration, social enterprises try to find a synergy between their conflicting demands. Efforts are made to identify relationships and exploit synergies between the two logics (Pratt and Foreman, 2000). Indeed, organisations that embed multiple logics can benefit from the complementarities of those logics in such a way that the logics may reinforce each other and the performance in one logic can actually enhance the ability of the organisations to perform in the others (Kraatz and Block, 2008; Greenwood et al., 2010; Greenwood et al., 2011). For instance, Ramus et al. (2015) showed how collaboration shaped by formalised practices enabled organisational members in one of the work integration social enterprise (WISE) studied to understand how the different logics can reinforce each other, thus successfully blending the two logics through a coherent set of prescriptions and values for organisational functioning. Battilana and Dorado (2010) demonstrated how an MFI used hiring and socialising practices to create a novel form of hybrid that combines both the social and commercial logics. Some organisations may decide to selectively pick and choose activities drawn from each logic as a way to secure legitimacy from a wide range of stakeholders, a strategy Pache and Santos (2013) termed 'selective coupling'. These authors showed how four work integration enterprises in France purposefully combined elements from the commercial and social welfare logic through selective coupling. This suggests that an organisation operating in a pluralistic environment has the possibility to constitute itself by choosing its identity and commitments from the menu of choices presented by its would-be constituencies and by society at large (Kraatz and Block, 2008).

However, separation strategies involve dealing with competing demands one by one by separating them from each other (Jay, 2013; Battilana et al., 2015; Siegner et al., 2018). Separation may be achieved through compromise, as the organisations attempt to achieve partial conformity in order to at least partly accommodate all institutional demands (Oliver, 1991; Battilana and Lee, 2014). Other organisations may separate the deployment of their conflicting goals through compartmentalisation (Binder, 2007; Kraatz and Block, 2008; Pratt and Foreman, 2000). An organisation may compartmentalise by sequentially attending to different institutional claims and/or by creating separate units and initiatives that demonstrate its commitment to the values and beliefs of particular constituencies (Kraatz and Block, 2008). In support of this claim, the multiple case study by Costanzo et al. (2014) found that in order to better attend to the demands of each stakeholder group, two social firms opted for a compartmentalising approach by preserving multiplicity in their pursued missions without exploiting any synergy among their dual goals. Similar to compartmentalisation, structural differentiation of operations has been identified as another way to separate inconsistent goals (Santos et al., 2015). Here, two sets of activities are decoupled into compartmentalised subunits to negate their tensions (Battilana et al., 2012; Mason and Doherty, 2016; Davies and Doherty, 2019). Structural differentiation will allow the hybrids to develop an internal capacity to perform both the commercial and social operations with the highest level of expertise (Santos et al., 2015).

The literature also points to acceptance strategies as an alternative to integration and separation strategies, where the social enterprise accepts the existence of the tensions and chooses to live with them rather than resolve them (Siegner et al., 2018). Keeping the tensions in place to avoid the risk of mission drift opens the opportunity for developing creative strategies (Lewis, 2000; Conforth, 2014; Ramus and Vaccaro, 2014; Siegner et al., 2018).

The literature suggests that the likely use of a specific response pattern depends on a number of factors. When examining the antecedents that determine the use of different response strategies, Pache and Santos (2010) argued that the way organisational actors experience, assess and interpret the conflicting institutional expectations will influence the way the organisations respond to the competing demands. In their study on the Alberta health care system, Reay and Hinings (2009) showed how the physicians and the regional health authorities (RHA), respectively representing the logic of business-like healthcare and medical professionalism, engaged in collaborative work efforts to manage the rivalry between the two logics. Kodeih (2016) showed how some French business schools, in response to a new logic of international education, developed an organisational identity that combined the national and international logics, allowing them to create degree programmes that embedded both logics. These studies point to the importance of identity in enabling organisations and the actors within to make sense of institutional change and be able to deal with complexity (Battilana and Dorado, 2010; Bertels and Lawrence, 2016; Lawrence and Suddaby, 2006). Indeed, developing an integrated organisational identity may help maintain incompatible logics in productive tension in the face of competing demands (Battilana and Dorado, 2010; Besharov and Smith, 2014; Kodeih, 2016; Kraatz and Block, 2008).

As the discussion above demonstrates, a good number of studies have tried to come up with a repertoire of responses that organisations may use in the face of institutional pressure and the possible antecedents to their response patterns. Despite all these studies, we still have limited knowledge of how organisations will respond to multiple institutional referents with conflicting demands that are equally important (Raaijmakers et al., 2015). Microfinance organisations provide an interesting setting to fill this gap in the literature. MFIs as a hybrid organisation type have received little attention in management research, as the majority of studies on organisational hybridity focus on social enterprises more generally (Battilana and Lee, 2014; Battilana et al., 2012; Ebrahim et al., 2014).

Scholars understand MFIs as hybrid organisations that incorporate a dual mission to serve the poor and remain financially sustainable (Battilana and Dorado, 2010; Mersland, 2011). The hybrid nature of MFIs poses management challenges for microfinance practitioners. The main challenge is that of balancing their social and commercial missions to avoid mission drift. Indeed, mission drift is a prevalent concern for microfinance practitioners, as MFIs combine a commercial mission and a social mission at their core. Mission drift occurs when the pursuit of profits causes an MFI to start prioritising the commercial mission over the social mission (Battilana and Dorado, 2010; Conforth, 2014; Ebrahim et al., 2014). As they attempt to fulfil their dual objectives, MFIs may over time prioritise profit-seeking over the social mission by charging higher prices, offering additional products or services that are meant to generate profits rather than actually help beneficiaries or by shifting to market segments that can afford to pay for their goods or services rather than focusing on those who most need them (Ebrahim et al., 2014). Because of the importance of their social mission in their market offering, MFIs need to find ways to successfully pursue economic and social goals and thus avoid mission drift (Santos, 2012; Doherty et al., 2014). A number of studies have examined how MFIs may manage their tensions to reduce the risk of mission drift (Battilana and Dorado, 2010; Canales, 2014). In such a context, there is no straightforward answer about how MFIs will respond, as they may experience tensions differently, thus leading to a heterogeneity of approaches to competing logics (Pache and Santos, 2010). An MFI may decide to have a hiring policy that prioritises young graduates with no experience to socialise them to a hybrid organisational identity (Battilana and Dorado, 2010). In addition, in a context of dual logics some MFIs may decide to conform to one of the two logics, while others will choose to defy the logics and adopt a hybrid form that combines elements of both (Mair et al., 2015). By choosing to integrate their dual logics in a hybrid form, MFIs will implement governance mechanisms that will limit mission drift. Boards will be composed of a mixture of members representing both logics (Pache and Santos, 2010; Mair et al., 2015).

Although there is growing research on dual-mission management in MFIs, as the extant literature demonstrates, there remains significant scope for further enquiry. Much of the empirical research on hybrids, such as MFIs, is based on in-depth case studies in particular country contexts, and it is unclear the extent to which these findings can be generalised to hybrids working in other country contexts (Conforth, 2014). Specifically, the limited research on how MFIs manage the tensions that arise from their competing social and commercial goals has essentially focused on countries in Latin America (e.g. Battilana and Dorado, 2010; Canales, 2014) and Asia (e.g. Mair and Marti, 2009; Siti-Nabiha et al., 2018; Sarma, 2019); as far we know, there is no such study focusing on the Cameroonian context. Therefore, there remains a need for more microfinance research in Africa, given that the continent is still considered one of the poorest regions in the world. Indeed, according to a recent World Bank report (2018), the poverty level in Africa is still high compared to Latin America and Asia, where poverty statistics have dropped. Due to the high population growth rate, the number of poor people in Africa increased from 278 million in 1990 to 413 million in 2015, with most of the world's poor living in SSA. Of the world's 28 poorest countries, 27 are in SSA, all with a poverty rate above 30%. Problems caused by conflict, weak institutions and a lack of resilience have been identified as major barriers to poverty reduction in SSA (Beegle et al., 2016; World bank, 2018). The fact that the Sub-Saharan African context is characterised by a paucity of resources and a lack of institutional support (Langevang et al., 2016) makes it difficult for MFIs that require crucial resources to operate effectively. For this reason, unmet demands for financial services are still greater in SSA compared to other regions (Cull et al., 2009; Demirguc-Kunt et al., 2015; Demirguc-Kunt et al., 2018). Therefore, in light of this context, it is relevant to understand how MFIs operating in resource-constrained environments such as SSA may achieve financial inclusion while maintaining their viability. By examining MFIs' dual logics management in other country contexts, such as Cameroon, I add new insights to the extant literature.

### *2.1.4 Concluding remarks*

It is commonly thought that MFIs whose main objective is social welfare will likely adopt a non-profit form of legal status and reinvest their profits to improve social performance rather than simply distribute it to shareholders (Fisher and Sririam, 2002; Roberts, 2013), while MFIs that follow a commercial logic will choose a for-profit form and use the profits to reward shareholders for the capital invested (Pache and Santos, 2013). However, some studies have shown that it may be possible to adopt a for-profit status and still fulfil the primary objective of microfinance, which is poverty reduction. Like other hybrid organisations characterised by multiples missions, MFIs are faced with a dual mission of poverty reduction and financial sustainability (Dardour & Ouvrard, 2015; Battilana & Dorado, 2010). One can consider the two missions as being intertwined in the sense that its only when an MFI is financially sustainable that it can achieve greater outreach and thus poverty alleviation. Indeed, MFIs can achieve both profit and substantial outreach to poorer populations and stay true to their initial social mission, even when aggressively pursuing commercial goals (Cull et al., 2007). In addition, financial stability will enable MFIs to obtain better resources necessary to increase the outreach of their services (Im and Sun, 2015). However, this entails a high degree of professionalism, strong commitment to responsible services, responsible regulators and more effort to promote the financial literacy of clients (Kohn, 2013).

Still, some studies have shown that MFIs that pursue both a social and a profit maximisation objective may not be able to maintain the balance between their commercial and social mission because at some point in time one mission will take precedence over the other (e.g. Im and Sun, 2015). Yunus (2011) has argued that the pressure for enhanced profitability generally supersedes the social and environmental objectives of MFIs. That is, when an institution with a social mission moves towards a commercial mission, the commercial mission will take over and the social mission will get lost (Yunus, 2008)[2]. This may suggest that, depending on the mission that takes priority, each MFI will achieve different outreach. Again, if the dominant objective is the social welfare mission, the MFI will focus on social performance instead of pursuing profit maximisation to meet the needs of the different stakeholders. So, they will not aim at high levels of profitability but instead try to increase their outreach level once they obtain more resources (Im and Sun, 2015). However, if an MFI is essentially based on the commercial mission, it would emphasise financial performance in order to meet shareholders' expectations. Therefore, it will be more inclined to focus its resources on wealthier clients rather than the poorest, as the wealthier clients are better targets to achieve greater profitability (Armendariz de Aghion and Morduch, 2005).

The fact is that over the years, a new logic has emerged in the microfinance sector that has promoted the generation of revenue so as to support the social mission. This phenomenon, termed the commercialisation of the microfinance sector, has brought with it suspicions

[2] In World Microfinance Forum Geneva (2008).

regarding mission drift. The challenge now is how MFIs deal with the pressure to generate profits without drifting from their social mission. This may even be more challenging in a context where the regulations governing the microfinance sector are a major determinant in achieving the financial inclusion mission. Therefore, the next section will review the literature on the regulation of microfinance.

## 2.2 Regulation of microfinance: implications for balancing dual goals

### *2.2.1 Defining regulation*

Chavez and Gonzalez-Vega (1994, p. 55) define regulation as 'a set of enforceable rules that restrict or direct the actions of market participants, altering as a result the outcomes of those actions'. More specifically, Bédécarrats and Marconi (2009) define the regulation of microfinance as the rules and mechanisms that govern the functioning of microfinance institutions'. These definitions suggest there is a consensus that regulation predetermines in some manner the behaviour and decisions of the organisations subject to it, and this may affect the expected outcome later on.

Generally, regulation goes hand in hand with supervision. Supervision can basically be defined as a process carried out by the regulatory authorities to ensure organisations comply with the existing rules. Its main goal is to evaluate institutions, ensure they correctly quantify their capital needs according to their existing risks and intervene in their daily activities only when necessary (Trujillo-Tejada et al., 2015). Supervision also includes the execution of sanctions and corrective actions if regulations have been violated (Braun and Hannig, 2006).

In the literature, a distinction is made between prudential and non-prudential regulation, with the former being more stringent than the latter. Prudential regulation involves verification by regulatory authorities that institutions comply with mandatory standards, such as minimum capital levels and adequacy, liquidity management ratios and asset quality standards as measures for financial soundness (Gallardo et al., 2005). Prudential regulation deals with the risks that may emerge as a result of the intermediation functions of a financial institution, particularly deposit-taking institutions. Risks here include the fact that the failure of a financial institution may affect the financial system of a country through the failure of other financial institutions. In addition, uncertainty may arise in depositors' minds, pushing them to quickly turn their deposits into cash. Prudential regulation is therefore 'aimed specifically at protecting the financial system as a whole as well as protecting the safety of small deposits in individual institutions' (Christen et al., 2003, p. 3). Non-prudential regulation has a complementary role in making sure financial institutions adopt appropriate business practices. It focuses on transparency and consumer protection through, for instance, a clear definition of interest rates and audited financial statements. Indeed, non-prudential regulation is directed towards guiding the 'business behaviour' of MFIs, with objectives related to efficiency and equity (Rosengard, 2011)[3]. It usually relies on disclosure and non-banking authorities (Machiavello, 2012).

There seems to be a consensus that there should be a clear differentiation between the regulations to which credit-only MFIs and deposit-taking MFIs are subject. Indeed, there is an agreement that credit-only MFIs should not be supervised on an ongoing basis due to the limited level of risks they pose to individual clients and the industry as whole (Kirkpatrick and Maimbo, 2002). As such, deposit-taking MFIs should be subjected to both non-prudential and prudential regulation and supervision, while credit-only institutions should comply only with non-prudential regulation. This has led to different approaches to regulating microfinance, with the predominant use of the 'tiered approach' by regulators where tiers are defined based on the products and services an institution offers (Ledgerwood and White, 2006). As an MFI reaches

[3] Cited in Trujillo-Tejada et al. (2015).

each threshold, it can offer more services and may have fewer or more restrictive regulations (Ledgerwood and White, 2006).

### *2.2.2 Rationale for regulation*

The financial sector occupies a central position in a country's economy, and thus the economic growth and development of a country greatly depends on the development of its financial sector. Therefore, it is of fundamental importance to have a strong regulatory and supervisory framework to avoid or reduce the financial sector's vulnerability to systemic financial crises. The regulator also needs to act as a representative of the depositors whose deposits are subject to risk due to moral hazard and adverse selection in the relationship between financial institutions and depositors. The fact is that the numerous bank depositors do not have the incentives to monitor banks optimally because of free-rider problems and lack of expertise (Brownbridge and Kirkpatrick, 2000). Therefore, without proper regulation financial institutions would be inclined to assume excessively risky positions because expected returns to shareholders increase with increased risk, while their maximum losses remain limited to their equity (Jansson and Wenner, 1997).

Specifically, when regulation is warranted in microfinance it requires coherent prudential guidelines that will allow the growth of the microfinance sector while protecting the interests of small savers and supporting the integrity of the financial sector as a whole (Berenbach and Churchill, 1999). As such, the microfinance regulatory framework of a country can be oriented toward protection or promotion or both. Protection rules may be considered those intended to preserve the financial sustainability of MFIs, to preserve the stability of the financial system as a whole or to protect consumers, while promotion rules are those intended to ease the development of MFIs or to favour the commercialisation of microfinance products (Trujillo-Tejada et al., 2015).

In reviewing the existing literature, I note six reasons that may justify regulation of the microfinance sector:

1. Access to other sources of funding

Regulation is the only way MFIs can get access to other sources of capital, notably savings, necessary to fund their expansion. In addition, increasing the capital of MFIs through savings increases their leverage opportunities. Thus, regulation not only gives MFIs access to savings but also increases the amount of money MFIs can borrow from commercial sources, such as banks.

2. Wider range of products and services

Regulating microfinance will go a long way in widening the range of services offered by MFIs. Acquiring the status of regulated financial institutions will allow MFIs to offer a range of services and products to meet the various needs of their clients (Hishigsuren, 2006). For instance, the poor population get access to saving facilities they otherwise would not have had. Indeed, satisfying the needs of customers is of utmost importance given the increasingly competitive nature of the microfinance sector due to recent commercialisation trends. It therefore becomes fundamental to gain customer loyalty.

3. Credibility and legitimacy

Regulation grants credibility to the microfinance sector and thus increases the confidence of clients and investors. It provides customers with some independent quality assurance of the services being purchased (Chiumya, 2006). Indeed, a regulated MFI is perceived as more secure and trustworthy than a non-regulated one; consumers feel more secure about their deposits and investors are more attracted to regulated MFIs that demonstrate better accountability through proper and systematic reporting (Arun and Murinde, 2011). According to Wiesner and Quien (2010), when microfinance investment vehicles (MIVs) are looking for fundable MFIs they look for regulated MFIs[4]. Thus, regulation can have a positive and beneficial effect by offering a guarantee that all financial institutions will behave according to certain standards, preventing firms from adopting short-term time horizons and behaviour that results in short-term gains because they are not distinguishable from bad firms (Chiumya, 2006).

4. Control opportunistic behaviours

Allowing MFIs to collect savings has some risks for the savers and the financial sector as whole. The actors involved may have different objectives. The interest of savers in saving with a financial institution and the interest of the institution in collecting savings probably differ and may not be compatible (Anku-Tsede, 2014). Therefore, there is a need to control opportunistic behaviours that arise as a result of asymmetry of information associated with financial transactions carried out between MFIs and clients. For instance, savers are not in the best position to assess the credibility of financial institutions, including the quality of their services. Nor are MFIs completely certain when evaluating the creditworthiness of borrowers. For this reason, the state uses regulation to try to control opportunistic behaviours in principal–agent relationships. The fact is that the effects of opportunistic behaviour by one actor may endanger the financial system of a country by affecting the commercial banks (who lend to MFIs) and the public confidence (Arun, 2005).

5. Improved governance

It can also be argued that regulation of microfinance as an external control mechanism is necessary to ensure the effective governance of MFIs. Hatarska (2005, p.1628) defines corporate governance in the context of microfinance as 'the mechanisms through which donors, equity investors and other providers of funds assure themselves that their funds will be used in accordance with the intended purposes'. The objective of regulation is therefore to ensure that

[4] Cited in Bakker et al. (2014).

the funds provided to MFIs (agent) by the providers of capital (principal) are managed and used in the best interests of the principal. MFIs are rendered accountable and need to meet higher standards of control and reporting, thereby improving MFI business and operations. Moreover, offering savings products as a result of being regulated is expected to improve MFIs' governance because having savings products heightens the board's and management's motivation to meet clients' needs (Hishigsuren, 2006).

6. Increased transparency

Regarding MFI accountability, another argument for regulation relates to the lack of transparency demonstrated by MFIs, especially vis-à-vis interest rates. Indeed, MFIs sometimes employ creative practices to hide the effective cost of loans to borrowers. Therefore, there is a need for regulation that will mandate microcredit organisations to explicitly state the effective interest rate calculated using a standard and prescribed approach and to describe all the loan terms simply (Karnani, 2011).

Despite the numerous benefits of regulation, the advocates of the no-regulation approach are of the view that the cost of designing and implementing regulations exceeds the benefit of leaving the industry without a regulatory regime (Kirkpatrick and Maimbo, 2002). In general, MFIs tend to focus on meeting the regulatory requirements rather than cater to the needs of the clients. It is also argued that the operations of most MFIs are too small to pose a threat to the overall stability of the financial system (Kirkpatrick and Maimbo, 2002), and therefore they need not be subject to stringent regulations like banks. However, as pointed out earlier, a consensus seems to have emerged regarding the need to at least subject deposit-taking institutions to prudential regulations. This means that there is a need to adapt regulation to the specificities of the microfinance sector. Applying a broad regulation to all MFIs may repress the innovation and flexibility possible with the informality that characterises MFIs (Van Greuning et al., 1998). The danger is that regulations designed for the risk profile of commercial banks may box MFIs into practices that require replicating traditional banking practices, causing them to lose their ability to reach their target market (Berenbach and Churchill, 1999).

### *2.2.3 Regulating the microfinance sector: key considerations*

The literature on the regulation of microfinance points to key elements that need to be considered when designing microfinance regulations. The fact is that the development of a new regulatory framework for microfinance should be accompanied by complementary modifications of business laws and administrative rules that need to be adapted to microfinance methodologies, where loan transactions and the legal status of borrowers differ markedly from those in conventional commercial banking and finance (Gallardo et al., 2005). Indeed, the fact that MFIs employ methods and adopt specific governance and ownership structures to cater to their specific clientele distinguishes them from normal commercial banks in relevant ways from a regulatory and supervisory standpoint (Schmidt, 2000). There are certain kinds of risks that are particularly relevant to MFIs that regulation needs to carefully consider. From the literature, I note risks related to ownership and governance, liquidity, portfolio and management.

- Generally, in order to be allowed to take deposits from the public regulated MFIs are usually required to adopt the status of a private company with shareholders. This ownership status carries the risk of MFIs moving up market to satisfy the requirements of shareholders and regulators.
- Management risks relate mainly to fraudulent behaviour and the competencies of the managers with regard to microfinance methodologies. The regulators need to consider the quality of proposed managers and board members and their capacity to administer and govern a regulated microfinance institution (Berenbach and Churchill, 1999). This contributes to avoiding issues relating to bad governance and mismanagement practices.

In addition, to effectively operate as regulated deposit-taking institutions, managers usually need to have some form of banking experience.

- Portfolio risks are inherent to MFIs due to the nature of their loan portfolios, which are more volatile because they are mainly composed of unsecured loans or loans backed by unconventional collateral that may be difficult to enforce legally. The loan portfolio is the largest asset of an MFI; it is the main source of its revenue but also its greatest source of risk. Therefore, there is a need to track delinquency problems effectively to avoid rapid deterioration of the global portfolio of an MFI, which may later result in liquidity problems. In addition, because the borrowers' main incentive to pay back a loan is the expectation of receiving subsequent loans, delinquency may have contagious effects (Braun and Hannig, 2006). Indeed, if borrowers think that MFIs would not be able to fund their future loan demands due to liquidity shortages they would likely forgo paying their current loan and thus further accentuate the liquidity problem.

Due to all the risks discussed above and the fact that MFIs differ from traditional banks in their risk profile, it becomes important to highlight certain points that need to be considered when developing an appropriate regulatory framework for MFIs. Regulatory frameworks not sensitive to the realities of microfinance may prove unbearably heavy for new regulated MFIs. There are certain key areas of a regulatory framework that may have detrimental effects on the ability of MFIs to effectively serve the poor. According to Cristen (1995), these areas are mainly related to prudential controls (loan documentation, provisioning and capital adequacy), protective controls (interest rate ceilings) and structural controls (entry requirements and limits on the activities of financial institutions)[5].

[5] Cited in Jansson and Wenner (1997).

- Minimum capital requirement is usually used by regulators as a tool to control the number and type of market entrants (Berenbach and Churchill, 1999). The regulators want to ensure that the financial institutions operating in the sector are able to absorb losses or avoid undertaking very risky practices that may put the main stakeholders in jeopardy. Indeed, the regulators can either choose to decrease the minimum capital level to encourage market competition or instead use it as a barrier by increasing the level when they believe there is an adequate number of financial intermediaries (Berenbach and Churchill, 1999). Schmidt (2000) argues that if the required equity commitment is sizeable for the creation of MFIs, the sponsors must have a considerable amount of capital available for such investment, whereas the number of organisations that can fulfil these criteria is already extremely limited. Thus, increasing the minimum capital requirement for the emerging MFIs will certainly not make it any easier to find qualified sponsors for the creation of MFIs that are so urgently needed to support microenterprise development, employment and growth. In addition, the increase in capital requirements makes it difficult, if not impossible, to establish and operate the new type of formal, regulated and commercially oriented MFI that has emerged in recent years and that seems capable of combining outreach and sustainability in an unprecedented way (Schmidt, 2000).
- Regulators usually impose limits on the amount of unsecured loans in an MFI's portfolio to avoid a massive negative effect in case of delinquency problems. In addition, the unsecured loans present in the MFI's portfolio must be provisioned. High loan loss provisions are not appropriate for MFIs, which mostly have uncollateralised loan portfolios, as the requirement may render microlending impractical. The accumulated charge (as a result of the provision expense) for current loans would result in the massive under-representation of the MFI's real net worth (CGAP, 2012). This may thus penalise

MFIs that have to include additional provisions in their expense statements. However, CGAP (2012) further points out that because microlending is typically not backed by adequate collateral, the provisioning schedule for delinquent microloans should be more aggressive than the schedule for delinquent secured bank loans.

- In addition to limits on unsecured lending, there is also a limit on loan sizes. Limits on maximum loan sizes or the size of the borrowers' businesses restrict the ability of MFIs to offer adequate loan products to clients with growth potential and their ability to service some of the larger loan requests coming from new savings clients (Braun and Hannig, 2006).
- MFIs are usually subject to higher reserve requirements to guard against liquidity risk. Indeed, liquidity risk in MFIs is higher than in normal financial institutions because of the strong contagion effect of repayment problems in the microfinance market (Meagher, 2002). Therefore, MFIs are required to hold a certain amount of deposits as reserves. However, if set too high, the reserve requirements can come at a cost because the available resources are held as idle funds instead of being invested in earning assets (Braun and Hannig, 2006). The reserve obligations earn little or no interest, thereby affecting the profitability of MFIs because the money could be used elsewhere (Lhériau, 2005).
- Loan documentation requirements for MFIs need to be differentiated from those for banks because, as opposed to banks, MFIs handle small loans with short terms to maturity. Indeed, Rhyne (2002) argues that some of the best practices of microfinance conflict with standard banking regulations to which most regulated MFIs are subject, notably increased loan documentation requirements not suitable for informal business and the non-recognition of standard forms of guarantee used in microfinance, such as group guarantees or non-standard collateral. Therefore, requiring specific loan

documentation may entail extra costs for MFIs, thereby restricting their operations. Meagher (2002) even points out that a strong rationale for documentation requirements does not exist, as creditors would normally have an incentive to use the types of documents that best ensure repayment.

- Interest rate ceilings set too low may not allow MFIs to operate sustainably. Indeed, interest rate ceilings may prevent regulated MFIs from pricing loan products at levels compatible with sustainability (Cuevas, 1996). This may lead to credit rationing, with MFIs targeting those who are better off and capable of borrowing larger amounts. As such, rules restricting interest rates may be detrimental to the borrowers they aim to protect, as they suppress the supply of formal credit and push borrowers into a less transparent and often much more abusive informal credit market (Meagher, 2002).
- Regarding capital adequacy, consensus has emerged that capital adequacy requirements need to be higher for MFIs than for banks due to the unique risk profile of MFIs.

Microfinance has the potential of offering financial services to people who have been excluded from the traditional banking sector due to its unique methodology that allows catering to poor clients while at the same time being sustainable. However, in developing countries where microfinance is most popular, most central banks lack both a clear understanding of microfinance methodologies and the staff to supervise them (Gallardo, 2005). Indeed, Brownbridge and Kirkpatrick (2000) point out that one of the weaknesses in the prudential systems of developing countries is the lack of the requisite personnel to carry out effective supervision. The authors also talk of the weak enforcement of prudential regulations by regulators, which can be attributed to regulatory forbearance or regulatory capture. This usually results in microfinance regulatory frameworks that are clearly not adapted for the microfinance sector, thus hampering the evolution of the sector.

### *2.2.4 Impact of regulation in microfinance*

Regulation is the place where is defined a dominant vision of what microfinance should be and through which vector this vision is diffused and imposed to the actors of the sector (Bédécarrats and Marconi, 2009). As such, it has commonly been considered as one of the factors that influences the practices of MFIs. There are a certain number of empirical studies that examine the impact of regulation in microfinance, particularly related to the profitability and outreach of MFIs.

Using data from the MIXMARKET database, Hatarska and Nadolnyak (2007) tried to determine whether the performance of MFIs is enhanced by a regulatory environment by exploring the differences in performance between regulated and unregulated MFIs. They found that regulatory status has no direct impact on MFI performance in terms of operational self-sufficiency and outreach. This is in line with the findings of Mersland and Øystein Strøm (2009) regarding the impact of regulation on the performance of MFIs. However, Hatarska and Nadolnyak (2007) found that MFIs with a higher proportion of savings reach more borrowers, thereby suggesting an indirect effect of regulation on outreach if regulation is the only way for MFIs to have access to savings.

Okoye and Siwale (2017) found that the Nigerian and Zambian regulatory provisions relating to the boards of MFIs had a positive impact on the governance of MFIs, with the MFIs interviewed having established boards and board committees. However, the authors also point out that regulatory provisions with regard to board membership and diversity may not be beneficial to MFIs, thus limiting the effectiveness of those provisions.

In their study on the relationship between external governance mechanisms and the dual mission of African MFIs, Halouani and Boujelbene (2015) tested the hypothesis that regulation promotes the financial performance of MFIs but neglects the social needs of borrowers. Surprisingly, they found that in Kenya, despite the fact that their MFIs adopt mostly commercial legal forms, regulation had a positive and significant impact on the number of active borrowers and on the percentage of female borrowers. They also found that control by an external audit, which is usually required for regulated MFIs, had a negative and significant impact on the financial performance of MFIs but a positive impact on the social performance[6]. This makes sense given the fact that an external audit entails costs that directly affect the profitability of the institution. This is in line with Bakker et al. (2014) and Hartarska (2004), who found that regulation significantly predicts sustainability in a negative way. However, external audits also control the opportunistic behaviours that MFIs may have towards their clients. The presence of a regulatory system that protects investors against expropriation attempts may have a disciplinary role in the behaviour of managers by limiting their opportunistic actions (Halouani and Boujelbène, 2015). Similarly, Bassem (2009) found that external governance mechanisms, particularly auditing and regulation, improve the financial sustainability of Euro-Mediterranean MFIs.

Cull et al. (2011) investigated the impact of prudential regulation on the profitability and financial sustainability of MFIs. They found that regulation does not affect profitability but that the regulated MFIs were characterised by larger average loan sizes and less lending to women, suggesting a reduction in outreach to segments of the population that are costlier to serve. Therefore, regulated MFIs may have to curtail outreach to maintain profitability.

In their study on the influence of regulation on the ability of microfinance to contribute to development in Bolivia, Bedecarrats and Marconi (2010) demonstrate that regulation in Bolivia adopted a dominant commercial approach that promoted profit-oriented institutions and

[6] External audits negatively affected the sustainability of MFIs in Cameroon, Kenya and Mali but had a positive impact on the percentage of female borrowers for MFIs in Kenya, Mali and Senegal, on the number of active MFI borrowers in Kenya; and on the inclusion of the poor in MFIs in Cameroon.

prioritised the stability and profitability of the microfinance sector. This resulted not only in MFIs targeting less risky clients with qualified collateral but also in a regulatory framework that was inadequate for the specialised nature of the microfinance sector. This is in line with Halouani and Boujelbène, (2013) who found that MFIs that were sustainable and regulated demonstrated mission drift through higher average loan sizes. Thus, regulation tends to influence the development of MFIs into self-sustaining and commercial MFIs or to reinforce commercial-based practices without taking into account the social dimension of the activities.

Based on data from six MFIs in five different countries, Hattel (2006)[7] states there has been an increase in outreach (in terms of number of loan and savings clients) after the transformation of MFIs. She argues that the increase in outreach may be attributed to an increase in products and services, which in most cases can only be offered by regulated institutions. Thus, as a result of being regulated, MFIs have the ability to offer additional products and are forced to operate efficiently to satisfy new stakeholders, and this may result in increased market share and outreach (Hattel, 2006).

Relating to Cameroon, Akanga (2016) examines the effects of microfinance regulations on the governance of MFIs in that country. The study findings reveal that Central African Banking Commission (COBAC) regulations have broken down the governance within Cameroonian MFIs, thus turning them into hybrid organisations with managers striving to meet their shareholders' demands. In his study on the accountability practices of MFIs in Cameroon, Akanga (2017) found that the COBAC regulations have forced MFI managers to adopt accountability practices that help them achieve the goals of satisfying their employers. Notably, the MFIs engage in manipulative accountability practices that give them the ability to focus on short-term outputs and efficiency criteria, which generates enough dividends for their

[7] In Ledgerwood and White (2006).

shareholders, over long-range goals concerning social development and change by concentrating their activities in urban areas with the aim of targeting rich investors to make huge profits for their shareholders (Akanga, 2017).

Regulation may also affect outreach through the indirect effect of competition. By becoming regulated, MFIs compete directly with other formal financial institutions, particularly banks, and thus tend to move up market in order to be profitable. For instance, Hishigsuren (2006) points out that FINCA Uganda faced fierce competition not only from similar MFIs but also from formal financial institutions that were starting to reach out to the traditional client base of MFIs.

### *2.2.5 Concluding remarks*

Despite the number of studies on the impact of regulation in microfinance, only a few qualitatively analyse the perceptions of practitioners. MFIs are pressured by regulators and investors to act more like commercial institutions. Indeed, the promotion role of regulation aimed at ensuring the financial sustainability of MFIs may push MFIs to resort to practices targeted towards maximising profits at the expense of the financial inclusion of the poor. Therefore, there is a need for regulators to find an equilibrium in the rules that will allow the protection of clients and that help in promoting MFIs' sustainability. The problem is that rules with which regulated MFIs that accept deposits need to comply are usually the rules that were put in place for traditional banks. For instance, operating as a regulated financial institution often requires MFIs to hire professional staff with banking experience, to add bankers to their boards and to secure attorneys and accountants familiar with regulatory issues (Epstein and Yuthas, 2010). This usually entails great costs that end up being supported by clients either through high interest rates or mission drift in terms of depth of outreach. This makes these rules clearly not adapted to the situation of the MFIs, as they contain some requirements that cannot be met without sacrificing outreach.

Most of the literature on regulation has focused either on describing and comparing existing regulations or, especially in the case of international institutions, on providing guidelines for regulators on the basis of perceptible best practices(Trujillo-Tejada et al., 2015). This research will be an opportunity for us to go further and examine the perceived effects of regulation on the organisation and behaviour of MFIs. As Yunus pointed out in 2007, existing microfinance regulations are designed with commercial banking in mind (Yunus, 2009)[8]. Therefore, there is a need to understand how these regulations affect the practices of MFIs. This study will attempt to fill the gap in the literature.

## 2.3 Bricolage theory

To analyse how MFIs manage their dual goals, this research makes use of bricolage theory. Bricolage is a particularly useful concept to explain how firms develop in economically depressed environments when external resources are hard to procure (Desa, 2008). It has been argued in the literature that the bricolage approach can help entrepreneurial ventures navigate highly resource-constrained environments by providing opportunities to effectively mobilise resources in a creative and innovative way (DiDomenico et al., 2010). The SSA region as a context is characterised by significant uncertainty and poverty and therefore would benefit from the theoretical perspective of bricolage. In this regard, the bricolage perspective is an adequate theory to explain MFIs' dual-mission management practices in Cameroon.

[8] Cited in Karnani (2011).

### *2.3.1 The concept of bricolage*

The notion of bricolage was first introduced by Lévi-Strauss (1966) in his book *The Savage Mind* to describe the mode of thought of indigenous populations, which he contrasted with the engineering approach. He explains that while the bricoleur works with a limited and heterogeneous repertoire rather than acquiring specific resources for a particular project (Duymedijian and Ruling, 2010; Yang, 2018), the engineer plans before acting, employing a specific set of procedures and tools to perform his work (Linna, 2013; Witell et al., 2017). Analysing the study of Levi-Strauss (1962), Duymedjian and Ruling (2010) chose to discuss bricolage not as a concept but as an ideal type (p. 138). He focuses on the figure of the bricoleur itself and contrasts the ideal type of the bricoleur to the ideal type of the engineer. While the engineer focuses on gathering tools and material for an intended design, the bricoleur chooses instead to make do with whatever material is at hand (Fisher, 2012). Indeed, the engineer relies on predefined inputs that he uses according to prior specifications to produce a seamless, integrated whole that perfectly corresponds with his initial plans (Duymedjian and Ruling, 2010). While the bricoleur's knowledge is broad and versatile, the engineer's knowledge is specific, having received expert education within a well-defined field of knowledge (Duymedjian and Ruling, 2010). Engineers look at problems rationally and find rational solutions. Bricoleurs work more with their hands, a mode of construction that is in direct contrast to the archetype of engineers who follow set procedures and have a list of specific tools to carry out their work (Linna, 2017). In fact, bricoleurs accumulate resources without a clear vision of their specific application or use, thereby allowing flexibility for an unplanned result later on (Sunduramurthy et al., 2016).

Building on Lévi-Strauss' study, the bricolage concept has been used in diverse fields but most notably in entrepreneurship (Baker and Nelson, 2005), social entrepreneurship (Di Domenico et al., 2010) and innovation studies (Halme et al., 2012). Baker and Nelson (2005) operationalised the bricolage concept to entrepreneurship studies and came up with what they termed entrepreneurial bricolage. Specifically, they examined the behaviour and performance of 29 resource-constrained firms and found they were able to create something from nothing using the resources they had at hand, including discarded or unused resources. The entrepreneurs did this by combining and recombining the available resources for purposes for which they were not intended. Consequently, the authors refer to bricolage as the process of 'making do by applying combinations of the resources at hand to new problems and opportunities' (p.333). From this definition, three important elements of bricolage emerge—making do, combining pre-existing resources and using the resources at hand for new purposes.

Making do has been described as bias towards action and active engagement with problems or opportunities rather than lingering over questions of whether a workable outcome can be created from what is at hand (p.334). As an example of the making do process, Baker and Nelson (2005) described how entrepreneurs who made do with the resources at hand were able to provide products or services that would otherwise have been unavailable to customers. In their study of 25 technology consulting firms in the computer training and air pollution industries, Baker et al. (2003) found that most of the firms (68%) studied used improvisation processes of making do in firm creation. In the process of making do, Baker and Nelson also found that some firms deliberately disregarded limitations set by resource constraints and standard definitions and instead tried out different solutions to their problems and consequently dealt with the results. In the same vein, Halme et al. (2012) studied innovation processes in two multinational corporations (MNCs) and found that the promoters of these innovations refuse to be limited by organisational and other constraints, putting in considerable effort to circumvent them. For example, they occasionally work underground or work secretly on their own time, being spurred by intrinsic motivation other than money-making. Indeed, when dealing with new problems or opportunities, they take action by assuming that they will find a workable solution (Davidsson et al., 2017).

Another construct of bricolage that emerges from the definition is resources at hand. Resources at hand include existing resources owned by the entrepreneur or those the entrepreneur can acquire cheaply or for free from known resource environments because others judge them to be useless or substandard (Baker and Nelson, 2005; Stinchfield et al., 2010) or from existing networks (Baker et al., 2003; Baker, 2007). Firms practicing bricolage frequently find value in inputs that other firms view as worthless, which can be particularly useful when operating under substantial resource constraints (Senyard et al., 2014). By using the resources at hand, firms may be able to evaluate processes, forms, routines and structural mechanisms (Ciborra, 1996). The bricoleur constitutes this heterogeneous repertoire of resources at hand, which consists of material and immaterial resources, with the overarching principle that it will come in handy at some point (Lévi-Strauss, 1966; Duymedjian and Ruling, 2010). The repertoire, although heterogeneous, is limited and the bricoleur has to use it whatever the task at hand because he has nothing else at his disposal (Lévi-Strauss, 1966). Resources at hand also include resources obtained from a network, or collective bricolage, whereby organisations collaborate with other organisations to access their resources (Baker et al., 2003; Duymedjian and Ruling, 2010; Kwong et al., 2017). For instance, Baker et al. (2003) discussed how founders used resources from their network to build their new ventures. Having access to external resources gives firms the opportunity to strategically engage in more radical, far-reaching and innovative activities with higher growth potential (Baker and Nelson, 2005). According to Baker and Nelson (2005), the resources at hand can be categorised into five domains—material inputs, labour inputs, skill inputs, customers/market, institutional and regulatory environment. The material inputs domain involves new use of forgotten, discarded, worn, presumed single-application, undervalued materials (Desa, 2008; Desa and Basu, 2013). The labour inputs domain includes customers, suppliers and hangers-on who will provide free work on projects (Baker and Nelson, 2005). The skill inputs domain involves encouraging the use of amateur or self-taught skills that would otherwise go unapplied (Fisher, 2012; Desa and Basu, 2013). The customers/market domain is concerned with providing products or services that would otherwise be unavailable. The institutional and regulatory environment domains involve refusing to enact limitations with regard to many standards and regulations and actively trying things in a variety of areas in which entrepreneurs either do not know the rules or do not see them as constraining (Fisher, 2012).

Recombining existing resources refers to the use of resources for purposes for which they were not originally intended (Baker and Nelson, 2005; Banerjee et al., 2013). This includes experimenting, manipulating, reframing and reconfiguring existing resources for new purposes (Cunha, 2005; Duymedjian and Ruling, 2010). Indeed, the bricoleur collects objects that have already been used and re-assembles them in new combinations, assigning them uses not initially intended (Altglas, 2014). He deals with existing or new challenges by applying a combination of existing resources and other inexpensive resources (Davidsson et al., 2017). Here, through the process of bricolage, the bricoleur engages in a dialogue with his repertoire, assembling and re-assembling the resources to find a solution to his problem (Lévi-Strauss, 1966; Duymedjian and Ruling, 2010). Through this process, he develops a 'hands on' knowledge of resources, which may or may not turn out to be valuable (Cunha, 2005).

Drawing on Baker and Nelson's (2005) study, DiDomenico et al. (2010) extend the bricolage concept to the domain of social enterprise and propose a new model of social bricolage. The authors argue that social bricolage, in contrast to other forms of bricolage, also includes social value creation, stakeholder participation and persuasion, as they are often used by social ventures to deal with resource constraints. Social value creation means emphasising the achievement of social goals. Stakeholder participation entails using stakeholders to extend the governance structure and generate new contacts and relationships with important resource holders that might benefit the enterprise. Persuasion involves convincing different stakeholders in order to gain their support. As they operate within penurious environments, social bricoleurs are likely to engage in these processes as a means to discover unique and novel ways of solving problems and addressing unmet needs (Bacq et al., 2015).

Within the bricolage perspective, scholars posit that bricoleurs will draw on the resources at hand, sometimes in an unconventional way, to overcome the constraints they face (Baker and Nelson, 2005; Duymedjian and Ruling, 2010; Halme et al., 2012). Because of their resourcefulness and adaptiveness, bricoleurs will improvise, borrow and experiment with new or existing elements (DiDomenico et al., 2010). In this regard, improvisation has commonly been linked to bricolage (Weick, 1993; DiDomenico et al., 2010), as bricoleurs sometimes resort to improvisation to make do with the resources at hand to find a solution that works. An improviser and a bricoleur both draw on their repertoire or resources at hand to find solutions (Weick, 1993). Indeed, because in improvisation design and execution converge substantively and temporally, there is little opportunity to seek additional resources; thus, improvisation usually implies relying on the resources at hand (Baker, 2007). Basically, improvisation is characterised by an integration of thought and action that allows for a rapid degree of adaptation, which helps organisations relate better to a turbulent environment. As design and execution of activity converge (Baker, 2007; Senyard et al., 2014), improvisation requires an intimate knowledge of the available resources to quickly adapt to unforeseen circumstances. A summary of the different constructs of bricolage is shown in Table 1.

**Table 1: Summary bricolage constructs (Baker and Nelson, 2005; DiDomenico et al., 2010)**

| Bricolage constructs | Explanation |
|---|---|
| Making do | - Use of discarded, or unwanted resources for new purposes<br>- Creating something from nothing<br>- Use of hidden or untapped local resources that other organisations fail to recognise or judge to be useless or sub-standard |
| Refusal to be constrained by limitations | - Subverting limitations imposed by available resource environments in their ability to create social value<br>- Trying out solutions as tactical responses to pervading institutional limits |
| Resources at hand | - Existing resources owned by the bricoleur<br>- Resources that can be acquired cheaply or free from known resource environments<br>- Resources acquired from networks or partnerships |
| Recombination of resources | - Combining and recombining existing resources in ways for which they were not intended for |
| Improvisation | - Creative thinking<br>- Process of trial and error<br>- Constantly responding to opportunities |

| | |
|---|---|
| Social value creation | - Improving and adapting to create social value<br>- Altering existing arrangements as necessary |
| Stakeholder participation | - Convince stakeholders in the mobilisation of resources for the enterprise<br>- Social networking activity<br>- Access to expertise and new contacts<br>- Adaptation of governance structures |
| Persuasion | - Leverage acquisition of new resources from stakeholders<br>- Influence derived from social legitimacy<br>- Political activity |

*Nuances of bricolage*

A stream of research in the literature focuses on the nuances of bricolage, such as parallel vs. selective bricolage (Baker and Nelson, 2005; Senyard et al., 2014), intrapreneurial bricolage (Halme et al., 2012), a bricolage mindset (Duymedjian and Ruling, 2010), internal and external bricolage (Baker et al., 2003) and necessity-based vs. ideational bricolage (Desa and Basu, 2013).

The theory of entrepreneurial bricolage suggests that the patterns an entrepreneur adopts with respect to enacting or testing and counteracting limitations will shape the relationship between bricolage activities and firm growth (Fisher, 2012). Regarding the relationship between bricolage and firm growth, Baker and Nelson (2005) identify two forms of bricolage, parallel and selective. Firms practicing parallel bricolage engage in bricolage in all the domains (material, labour, skills, customers and institutional). They make do with the resources at hand in all the domains of activities of the firm, and bricolage in these domains is usually done simultaneously and sometimes for long time periods. Scholars argue that parallel bricolage restricts firm growth. It may push firms into a bricolage trap that limits growth and innovation success (Fisher, 2012; Witell et al., 2017). In contrast, firms practicing selective bricolage employ bricolage in selected domains of activities of the firm and for limited periods of time. Baker and Nelson (2005) found that firms engaging in selective bricolage are more likely to grow compared to those practising parallel bricolage. Bricolage in selective domains allows for breaking through resource constraints while also establishing a base for firm growth (Fisher, 2012).

Recently, Halme et al (2012) introduced the term intrapreneurial bricolage, which they defined as entrepreneurial activity within a large organisation characterised by the creative bundling of scarce resources. In their study, they demonstrated how bricolage allowed two MNCs to overcome organisational constraints and mobilise the internal and external resources necessary to achieve innovation for inclusive business.

It has been argued that to carry out bricolage, an entrepreneur must have a bricolage mindset. The bricoleur mindset is characterised by resourcefulness and deep familiarity and intimate knowledge of the context and the resources available (Duymedjian and Ruling, 2010; Halme et al., 2012). To be able to seize or respond to opportunities in his environment, an entrepreneur needs to have personal knowledge of the resources available in his repertoire and the potential uses of these resources (Baker and Nelson, 2005; Duymedjian and Ruling, 2010; Lévi-Strauss, 1966). Through the process of bricolage, the bricoleur enters into a dialogue with the different resources available and those stocked in a repertoire (Duymedjian and Ruling, 2010, p. 138). He is extremely familiar with his repertoire of resources. According to Lévi-Strauss, 'the bricoleur may not ever complete his purpose but he always puts something of himself into it' (1966, p. 21). Reciprocally, the bricoleur often himself becomes an essential element in performing the bricolage and maintaining the outcome (Duymedjian and Ruling, 2010). Due to his broad and versatile knowledge, the bricoleur will draw on multiple fields of knowledge as long as they help him produce an effective arrangement from his repertoire (Duymedjian and Ruling, 2010).

Previous studies have found that bricoleurs do not rely solely on the resources internal to the firm and usually resort to external resources they may acquire through their networks or from external partners (Baker et al., 2003; Duymedjian and Ruling, 2010). External or network bricolage allows access to a wider variety of resources through collaboration, which in addition to internal resources can be used to improve social value creation, increase the breadth of outreach and lower operating costs. In fact, bricolage practices greatly depend on a bricoleur's pre-existing network of contacts, pointing to the importance of examining network relationships when studying bricolage (Baker et al., 2003; Duymedjian and Ruling, 2010).

The literature also makes a distinction between necessity-based bricolage and ideational bricolage (Desa and Basu, 2013; Jaouen and Nakara, 2014). While necessity-based bricolage entails focusing on acceptable goals that can be realised with the limited resources at hand, ideational bricolage or bricolage by choice is driven by recognition of the perceived advantages of choosing to use bricolage compared to using it out of necessity (Desa and Basu, 2013). This suggests that in addition to helping firms resolve challenges relating to resource constraints, bricolage may also enable firms to recognise and respond to opportunities to create value. When resources are scarce, organisations might engage in bricolage to respond to specific problems and not necessarily to search for solutions that are more innovative or efficient than existing ones (Bojica et al., 2018). They engage in bricolage out of necessity, as they cannot afford the costs of more standard resources and thus focus on acceptable goals that can be realised with the resources at hand (Desa and Basu, 2013). Kang (2017) points to the importance of ideational bricolage as a process through which societal values, symbolic systems and other shared cultural elements serve as important resources for entrepreneurs and demonstrates how this occurs. However, there is limited research discussing the role of ideational bricolage in entrepreneurial firms, as current entrepreneurial bricolage studies focus largely on material bricolage (Mair and Marti, 2009; Kang, 2017).

#### *2.3.2 Effects of bricolage*

The bricolage literature has highlighted both the advantages and disadvantages of the bricolage approach (Lanzara, 1999; Baker et al., 2003; Baker and Nelson, 2005; Senyard et al., 2014). In terms of benefits, bricolage can be helpful in enabling firms to overcome resource constraints by providing creative means to use undervalued resources that are easily available (Desa and Basu, 2013). Bricolage is about minimal resources or about making the best out of the available resources (Cunha, 2005). Indeed, it has been demonstrated that bricolage capabilities give firms a survival advantage in periods of low resources (Witell et al., 2017; Janssen et al., 2018). Organisations operating in resource-poor environments have limited resources available to carry out their operations effectively. These conditions usually push them to find alternative ways to use available resources or to acquire new resources to achieve their organisational goals. Scholars have pointed to bricolage as one of the alternative ways through which entrepreneurs mobilise resources in resource-constrained environments (DiDomenico et al. 2010; Desa, 2012). Resource-constrained environments have been identified in the literature as the catalyst for bricolage given the fact that entrepreneurs often operate in contexts characterised by limited resources (Janssen et al., 2018). According to Witell and colleagues (2017), this limitation in resources may find its origin in the internal resources (too few employees with outdated capabilities), the customers (people lacking the financial resources to afford the product/service) or the business environment (lack of partners). Entrepreneurs in such limited resource contexts may act as bricoleurs and refuse to be constrained by their limitations and instead make do with the resources at hand (Baker and Nelson, 2005; DiDomenico et al., 2010). By demonstrating a bias towards action and active engagement with problems, bricoleurs are able to come up with innovations (Baker and Nelson, 2005; Senyard et al., 2014). This is because they creatively tinker with the resources at hand, sometimes recombining them for new purposes to find solutions to their problems.

Many studies in the bricolage literature focus on the positive effect of bricolage on innovation. For example, Senyard et al. (2014) discuss how bricolage facilitates innovation. Their findings show that bricolage, through processes of recombination, provides an important pathway to achieve innovation for new resource-constrained firms. Salunke et al. (2013) found that bricolage was positively related to supportive service innovation. According to them, bricolage contributes to a sustained competitive advantage in service firms through innovation. Gundry et al.'s (2011) study on 113 social entrepreneur firms demonstrated that bricolage facilitates social entrepreneurs' catalytic innovation. Indeed, bricolage assists social entrepreneurs in using novel approaches to combine the resources at hand and in creating products and services that are simpler and less costly than existing alternatives in the marketplace (Kickul et al., 2018). In fact, scholars have argued that resource combinations through entrepreneurial bricolage is expected to generate innovative solutions (Levi-Strauss, 1966; Baker and Nelson, 2005). Indeed, firms practicing bricolage have more possibilities of generating innovative outcomes as they choose to overcome their resource constraints that would have otherwise prevented them from developing innovative solutions (Fisher, 2012).

While bricolage can lead to success in entrepreneurial firms, overreliance on it may lead to negative outcomes (Baker and Nelson, 2005; Bacq et al., 2015), as it can lock the firm into a self-reinforcing cycle of activities that limit growth (Fisher, 2012). In terms of limitations of the bricolage approach, some studies argue that bricolage offers just good enough solutions or second-best solutions (Lanzara, 1999; Garud and Karnoe, 2003). Some also argue that bricolage offers inferior resources that may negatively impact firm performance or growth (Garud and Karnoe, 2003; Baker and Nelson, 2005; Senyard et al., 2009). The findings of Stinchfield et al. (2013) suggest that bricolage behaviours inhibit growth and financial performance. Social entrepreneurs may also experience bricolage-induced inertia (Senyard et al., 2012) where too much bricolage may hamper their ability to look for new resources crucial to bringing social change in relation to pressing problems faced by underserved communities (Kickul et al., 2018).

### *2.3.3 Bricolage in social entrepreneurship*

Bricolage in social entrepreneurship can be defined as making do with any resources at hand to provide innovative solutions for social needs that traditional organisations fail to address in an adequate way (Janssen et al., 2018). There is growing research that applies the bricolage concept in the social entrepreneurship domain. Several authors have used this perspective to better understand the resource mobilisation behaviours of social entrepreneurs. Gundry et al. (2011) found that social entrepreneurs who used bricolage were able to develop novel methods to attract and distribute resource, identify over-served or unserved market segments and to offer products and services that were simpler, less costly and good enough. In their study, Bacq et al. (2015) argued that bricolage is positively associated with greater scaling of social impact for social entrepreneurial firms, as it allows social entrepreneurs to generate innovative solutions to social problems of large magnitude. Their findings suggest that bricolage may play an important role in enabling social enterprises to increase the outreach of their services in a resource-constrained environment.

While social entrepreneurs around the world tend to operate in resource-constrained environments, those working in developing countries probably face even more extreme constraints due to, for example, conflicts, bad governance and inadequate support in the region (Bacq et al., 2015). As such, not only do social enterprises in developing economies face the challenges of creating both social and economic value but also face greater resource constraints. This usually pushes them to engage in bricolage as a strategy to address their social challenges (Kickul et al., 2018). Desa and Basu (2013) have argued that bricolage is especially useful for social ventures that create a product/service that addresses a social need but has a low or unclear market price. Successful social bricolage requires intimate knowledge of both local environmental conditions and locally available resources (Zahra et al., 2009, p. 524).

Despite the growing interest in bricolage in social enterprises, there is still limited research and understanding of the concept in social entrepreneurship (Janssen et al., 2018). Therefore, there is a need for more studies that will improve our understanding of the issue. Similar to social enterprises, MFIs operate in a context of limited resources that requires them to find innovative or creative ways of using those resources and acquiring new resources so as to achieve both their social and commercial missions (DiDomenico et al., 2010). This suggests the relevance of bricolage in the microfinance domain.

### *2.3.4 Concluding remarks*

In summary, many studies have employed the bricolage concept to explain entrepreneurial behaviour. However, most have focused on entrepreneurs in developed countries, and there are still limited studies on bricolage that focus on developing countries. In addition, those studies that examine bricolage among entrepreneurs in developing economies focus on social entrepreneurs (e.g. Mair and Marti, 2009). This means there is still a need for research on how other types of firms in developing countries perform bricolage. By studying bricolage in Cameroon, the study responds to calls for more research on bricolage in Africa (Holt and Littlewood, 2016), where resource constraints are expected to be more severe. In addition, I aim to complement the few studies on bricolage that focus on developing economies (Halme et al., 2012; Linna, 2013), notably in the social entrepreneurship domain. Here, bricolage is explored in MFIs operating in a resource-poor environment in the developing economy of Cameroon. Indeed, I argue that because bricolage has been used as a response to resource constraints (Baker and Nelson, 2005), MFIs that operate in penurious environments are likely to engage in bricolage.

The bricolage concept has been applied in several domains—in information technology where it is seen as a process of appropriating technologies (Ciborra, 1994) and in entrepreneurship as a way of dealing with resource constraints (Baker and Nelson, 2005). However, to the best of our knowledge, there is still no study that has used the bricolage concept as way of understanding the practices employed by MFIs. A case for the applicability of bricolage in microfinance can be seen in the example of the Grameen Bank illustrated by Desa and Basu (2013). The authors state that:

'*bricolage helped Grameen get around prevailing institutional banking norms and standards that refused to extend credit to the poor. The founder, Dr. Mohammed Yunus, and his students used their own meagre resources, on the-ground learning, and volunteers from poor communities who were rejected for loans, to develop the Grameen microfinance project. As the Grameen bank continued to grow and demonstrate high repayment rates from its entrepreneurial clients, the normative stigma around the creditworthiness of the poor was slowly transformed into an attractive financing opportunity for larger banks*.' (Desa and Basu, 2013, p. 29)

The example above suggests that the concept of bricolage may be used in the microfinance context to understand how MFIs operating in highly resource-constrained environments mobilise the resources necessary to achieve their dual goals.

## 2.4 Chapter Summary

In this chapter, I tried to provide an understanding of microfinance and the kinds of issues discussed in the current microfinance literature. I reviewed the concept of microfinance, providing the definition and goals, and discussed how the goals have evolved over the years due to the commercialisation of the microfinance sector. In terms of the nature of MFIs today, the objective is not just to fulfil the social mission but to do so while maintaining financial sustainability. In addition, the literature review revealed that the increasing profit orientation of MFIs due to the commercialisation trend has raised concerns regarding mission drift.

The chapter also reviewed the literature regarding the regulation of the microfinance sector. The section started by defining regulation and outlining the rationale for regulating and supervising the microfinance sector. Next, the impact of regulation on the microfinance sector was discussed. Regulation has been recognised to play a significant role in the achievement of an MFI's dual goals.

To answer the research question appropriately, I also set the theoretical basis of the bricolage concept. Research on bricolage lays out a framework to help us understand how entrepreneurs survive in resource-constrained environments. In essence, the literature suggests that bricolage is constantly carried out by entrepreneurs to deal with the challenges in their resource environment. While there is growing research on the development and use of the bricolage concept (Senyard et al., 2014; Davidsson et al., 2017), I believe that researchers have yet to delve more deeply into the use of bricolage in other theoretical fields, such as microfinance. In the context of microfinance, MFIs face resources constraints while also facing challenges in creating both social and economic value. In such a penurious environment, MFIs have to creatively use and combine all the resources at hand to address their challenges. This may further prompt them to go beyond their limitations to innovate in order to serve the poor. This suggests that the bricolage concept may be useful in understanding dual-mission management in MFIs. Indeed, while the bricolage perspective has mostly been used in entrepreneurship research (Duymedijian and Ruling, 2010; Fisher, 2012), the study by DiDomenico et al. (2010) has suggested that bricolage is a flexible approach that may be applied in organisations that seek to create both social and commercial value under conditions of resource scarcity. However, to the best of our knowledge, no study has adopted bricolage as a theoretical lens to examine the functioning of MFIs. By investigating how bricolage may help MFIs deal with the challenges related to their competing demands, the present study extends an important body of work on dual-mission management in MFIs.

# CHAPTER 3 – METHODOLOGY

The aim of this chapter is to provide an overview of the methodology used to achieve our research objectives. This includes the ontological and epistemological position, the reasoning approach, the research strategy, data collection, the data analysis process, research quality management and ethical considerations. The chapter concludes with a summary.

## 3.1 Ontological and Epistemological Position

The position chosen by the researcher in terms of epistemology and ontology is fundamental, as it may influence the way the research is undertaken (Bryman, 2004). Ontology is the concept of reality. It involves asking what is the very nature and essence of things in the social world (Mason, 2017), that is, what constitutes reality and how we can understand existence. In this research, we situate ourselves in a relativistic ontology, as we consider that there exist multiple realities socially constructed by individuals and not one reality that exists independently of individuals, as is the case with realist ontology (Guba and Lincoln, 1994; Creswell, 2013).

While ontology is about questions relating to the nature of reality, epistemology is primarily concerned with three questions: What is knowledge? How is knowledge produced or formed? How can we justify the validity of the knowledge obtained? Indeed, epistemology is 'a way of understanding and explaining how we know what we know' (Crotty, 2003, p. 3).

Researchers need to position their work in a certain epistemological framework. This will determine the orientation of the entire research, from its design to its analysis and interpretation. Understanding the epistemological assumptions of research allows it to be meaningfully interpreted by others. Three paradigms have been identified as the main epistemological frameworks in management research—positivism, interpretivism and constructivism (Thiétart et al., 1999; Giordano, 2003; Gavard-Perret et al., 2008).

Positivism is based on the realist ontology. In positivism, there is a quest for objective knowledge. There exists a reality out there that is independent of the researcher. This suggests that there is an independence between the subject and the object, that the researcher is exterior to the research process and that the objective of the research is to discover the structure of reality (Allard Poesi and Maréchal, 2007). Social phenomena exist objectively (Comté, cited in Le Moigne, 1990b). The objective nature of data suggests a form of natural determination. The principle of formal logic states that there exists cause and effect relationships that allow us to decompose reality into a set of propositions linked by logical relationships (Comté, cited in Le Moigne, 1990). According to positivism, scientific knowledge originates in the observation of reality. For knowledge to be valid, it should be verifiable, confirmable and refutable (Thiétart et al., 2007). Here, the only logic that allows the objective reproduction of reality is deductive logic.

Both interpretivism and constructionism are based on relativistic ontology (Allard Poesi and Maréchal, 2007). Things are considered as phenomena. In the knowledge process, there is interdependence between the knowledgeable subject and the object, and the goals are a pragmatic conception of knowledge (Gavard-Perret et al., 2012). The knowledge formed is at the same time subjective and contextual.

In the case of interpretivism, the construction of knowledge aims to understand the meanings that the different subjects participating in the same situation give to that situation (Gavard-Perret et al., 2012). It involves understanding reality through the interpretations of the actors. Generalisation is realised in an iterative manner through induction and/or abduction, drawing on careful and repeated readings of empirical material until the formation of new knowledge or meaning emerges, eventually in light of prior theoretical knowledge (Yanow cited in Gavard-Perret et al., 2012). The value of the research will be measured in view of its idiographic nature and its empathic dimension (Thiétart et al., 2007).

According to constructivists, scientific knowledge originates with a construction by interaction between the knowledgeable subject and the object under study. The researcher and the actors of the system simultaneously construct the data that results from their mutual experience of reality (le Moigne, 1990b). The validity of knowledge is measured using the criteria of suitability (Von Glaserfeld, 1998) and transferability (Le Moigne, 1990b). Knowledge is not demonstrated but is argued, and as such is at the same time buildable and replicable in a way that allows its intelligibility for its interlocutor (Le Moigne, 1990b).

The present study is based on interpretivism, where I draw mainly on in-depth interviews to understand dual-mission management in MFIs. Knowledge is known through the subjective experiences of people (Creswell, 2013), as I relied on the subjective quotes of participants as evidence for the study. The objective of the research is not to discover a reality but to develop an understanding of social reality. For that, I try to understand the motivations of individuals that justify their actions. It is this understanding that will allow us to assign a meaning to their behaviours. I try to understand the functioning of MFIs and of the microfinance sector in general through interactions and discussions with microfinance practitioners, specifically the challenges MFIs face and how they overcome these challenges to achieve their organisational goals. In this way, I try to understand the phenomenon under study from the perspective of the individuals contributing to its creation. This suggests that there is an interaction between the researcher and the subjects given that the researcher tries to apprehend the meanings that the actors attach to social reality.

We can say that data in this case are interpretations of the reality by the actors and can be considered subjective. The researcher tries, through interpretation of the collected data, to represent as closely as possible the way the actors perceive reality.

## 3.2 Qualitative Approach with Abductive Reasoning

My research questions pushed me to choose a qualitative approach, which I find adequate to analyse how MFIs overcome the challenges related to their dual goals. Qualitative research is a situated activity that locates the observer in the world. Basically, qualitative researchers study things in their natural setting, attempting to make sense of or interpret phenomena in terms of the meaning people bring to them (Denzin and Lincoln, 2011, p.3). Qualitative research is appropriate when we want to empower individuals, to hear their voices and to understand the contexts or settings in which participants in a study address a problem or issue. As such, qualitative studies are based on the voices of participants, the reflexivity of the researcher, a complex description and interpretation of the problem and their contribution to the literature or a call for change (Creswell, 2013). The qualitative approach enables the collection of rich descriptions of the actions of individuals. Indeed, we conduct qualitative research because we need a complex, detailed understanding of a problem or issue. To achieve that objective, we talk directly with people, go to their homes or places of work and allow them to tell their stories unencumbered by what we expect to find or by what we have read (Creswell, 2013).

Studies that examine dual-mission management processes in MFIs in SSA are still limited. In addition, to my knowledge, a bricolage perspective has never been employed in studies on microfinance. The limited research on the subjects of interest justify the choice of an exploratory qualitative methodology. Therefore, in this context a qualitative exploratory study is more appropriate (Lincoln and Guba, 1985; Silverman, 2013). An exploratory study is appropriate when research on the topic of interest is not yet mature or well developed (Lincoln and Guba, 1985; Royer and Zarlowski, 2007b) and there remains a need to refine and extend existing theory. An exploratory study is a valuable means to ask open questions to discover what is happening and to gain insights on the topic of interest (Saunders et al., 2012), the commercialisation of microfinance in our case. Qualitative data allows us to understand reality from the perspective of those who live it. Therefore, qualitative data allowed me to gain access to the prevailing practices of MFIs in the context of the increasing commercialisation trend so as to understand how they achieve their dual goals.

In line with our epistemological position, I chose a qualitative approach with abductive reasoning. Abductive reasoning is a combination of inductive and deductive reasoning. Inductive research implies drawing on real-life observations to generate propositions and subsequently theoretical concepts. Deductive research involves reviewing the literature to derive logical conclusions presented in the form of hypotheses and/or propositions, which will subsequently be evaluated in an empirical setting. By combining the inductive and deductive approaches, the abductive approach allows starting out with empirical observations (inductive) and then matching these observations with existing theoretical frameworks (deductive). Basically, abductive reasoning involves theory matching where there is a search for suitable theories to an empirical observation (Dubois and Gadde, 2002; Kovacs and Spens, 2014). That is, there is constant iteration between theory and data to find the most appropriate theory that best explains our findings or observations. As such, abductive reasoning is characterised by constant iteration between theoretical concepts and the data (Van Maanen, Sorensen and Mitchell 2007) so as to develop a new understanding of an existing phenomenon. In addition, constant iteration between data and literature allows the refinement of the theoretical framework as the researcher progressively gains an understanding of the data. Thus, abductive reasoning allows me to draw on theory to interpret my findings and subsequently refine existing theories to explain the ways MFIs may deal with their competing social and commercial goals. The results of an abductive research are hypotheses, propositions and models that can later be tested in further empirical research. In my research, an abductive approach allowed me to come up with a model of dual-mission management for MFIs.

## 3.3 Sampling and Data collection

### *3.3.1 Sampling*

Targeted interviewees included microfinance practitioners and regulators. In this study, a purposeful sampling methodology was used to select the microfinance practitioners interviewed. This sampling strategy allowed me to differentiate the MFIs based on pre-determined criteria or characteristics. Specifically, I used maximum variation sampling because it allowed me to account for a diverse range of MFIs and thus increase the likelihood that my findings will account for different perspectives of the studied phenomenon.

A number of selection criteria were used to ensure that the appropriate MFIs were interviewed. The selected MFIs were purposively sampled consisting of MFIs from category one (13) and category two (15) since they constitute the greater portion, category three being limited to two or three MFIs[9]. In order to account for diversity and increase the generalisability of the findings, the organisations were also selected based on a number of criteria, such as target clients' gender (female only vs. mixed), the adopted legal form at founding (cooperative vs. public limited company) and maturity (age, size). I also interviewed microfinance practitioners with different hierarchical and functional roles so as to obtain different perspectives and thus maximise the richness and diversity of experience (Stake, 1995). All this allowed me to triangulate my data and thus strengthen the reliability of the insights emerging from the interviews. All the MFIs in the study were selected from the two main cities in Cameroon (Yaounde and Douala), as these two cities harbour the majority of MFIs in the country. Time and finances, as well as the willingness of the MFIs to participate in the research, affected the final sample of the study.

In fact, the sample size was not determined in advance and I let the sample evolve of its own accord during the data collection process (Teddlie and Yu, 2007). However, I went into

[9] The different categorization of MFIs in Cameroon is explained in Chapter 4.

the field with the objective of conducting at least 30 interviews. I stopped conducting interviews when I thought data saturation was reached and no new information was coming from the interviews (Bowen, 2008). Regarding the choice of regulators, Ministry of Finance officials were selected as representatives of regulatory and supervisory bodies of the microfinance sector.

### *3.3.2 Data collection*

This study was mainly based on information collected during face-to-face interviews conducted with 35 microfinance practitioners and 6 regulators. Interviews are adequate if the aim of the research is to analyse the sense that actors give to their practices and to situations they are confronted with (Quivy and Van Campenhoudt, 2006). They allow us to gain insight into what the participants think and how they view reality. Indeed, qualitative interviews are relatively loosely structured and open to what the interviewees feel is relevant and important to talk about in relation to the topic of interest (Alvesson, 2003). Interviews can be structured, semi-structured or unstructured. Semi-structured interviews are the most widely used data collection method in management research and are conducted with the help of an interview guide containing a list of themes to be discussed with the respondents (Gavard-Perret et al., 2012). They are advantageous because they allow a certain flexibility in the ordering of questions, and a comparative analysis can be made between the respondents. For this reason and the fact that I needed to cover specific topics with the respondents, semi-structured interviews were preferred. In addition, given the exploratory nature of this study, semi-structured interviews seemed more appropriate.

The primary empirical data, consisting of semi-structured interviews, was collected from September 2017 to January 2018. Before conducting the interviews, a letter was given to each participating MFI and regulator explaining the purpose of our research, the necessity of conducting interviews and the approximate time required for them and information about the researcher and the university. This letter (see Appendix 1) also mentioned participants' right to withdraw from the study at any time. Participants were also informed of the importance of recording the interviews, as it will avoid spending more time on taking notes. The participants were assured of the confidentiality of the audio recordings.

All the participating MFIs agreed to recording the interviews, except for one who insisted on note taking only. In that specific case, the researcher took detailed notes during the interview. The interviews took place at the premises of the MFIs. Two of the interviews were conducted with more than one person, as the principal interviewee asked one of their colleagues to participate. The interviews lasted 20–170 minutes, and the main language was French, except for four interviews that were conducted in English. The reason for conducting some interviews in English was that those four respondents felt more comfortable speaking that language. Cameroon is a bilingual country composed of both French- and English-speaking people. Table 2 presents details about the interviewees. Regarding the regulators, I interviewed six regulators; three agreed to be recorded and three refused (see Table 3). In the latter case, detailed notes were taken.

For MFIs, I used an interview guide organised around the following broad areas: mission, history of the MFI, vision and values, governance, the challenges they face in their day-to-day activities (including regulation constraints) and how they deal with these challenges. The goal of these interviews was to get a rich understanding of the prevailing practices of MFIs and to understand how they manage their competing social and commercial goals. Regarding the interviews with regulators, the questions centred on their experience with and perceptions of microfinance and regulation. Questions regarding the history of microfinance in Cameroon were also asked. The objective with regulators was to get a good grasp of the main elements that characterise the Cameroonian microfinance sector through a clear understanding of the rules that govern the sector. The questions in the interview guide were designed specifically for each group of informants (Patton, 1990); that is, I had two different interview guides, one for microfinance practitioners and one for regulators. The interview guide was refined as the data collection process evolved in order to capture what the researcher had not anticipated at the time of developing the instrument (Gioia et al., 2012; Yin, 2009).

During the different interviews, the order of the questions was altered as the participant answered the questions. Depending on the answers provided by the interviewee, some subjects not covered in the interview guide were discussed. Therefore, the interview combined both the interview guide questions and probing questions to clarify details. I also started with general questions that could be easily answered by the respondents in order to establish rapport, particularly questions relating to the respondents (background, education, experience).

As recommended by Miles and Huberman (1994), I transcribed each of the interviews immediately after they were conducted. This was done using Microsoft Word. This allowed me to do a preliminary analysis of the data and thus adapt the interview guide by refining the questions and including particular themes that emerged as the data collection progressed. Transcribing the data was an excellent way to start familiarising myself with the data, and it contributed to gaining a more thorough understanding of the data. Some researchers have argued that data transcription represents a key phase of data analysis within interpretative qualitative methodology (Bird, 2005; Braun and Clarke, 2006).

I also used documentary and archival materials as suggested by Yin (2014, p.107) in order to corroborate and augment the data obtained from the interviews. Therefore, I supplemented my primary data source with the documentation provided by the MFIs, such as brochures, newspaper articles on the MFIs and website information (see Table 4). In addition, documentation provided by the regulators provided contextual data that facilitated the development of the historical narrative on the growth of microfinance in Cameroon.

Complementing primary data with secondary data allows for the richness of the data (Patton, 1990). With the secondary data, I was able to crosscheck some of the information derived from the interviews.

Moreover, when visiting the MFIs to request an interview or for the interview itself, I observed their organisational structures and physical settings. I also observed the staff and their interactions with each other and with clients during field visits and the writing of field notes. Indeed, research site visits provide the opportunity for direct observations that can range from formal to informal (Yin, 1999). Notes taken during these observations were used during the interviews to get a better understanding of what I observed. It is important to point out that during the entire data collection process, I kept a personal diary in which I took notes before, during and after the interviews. The notes taken during the interviews were to make connections between the interviewee's responses and for clarification. These notes were subsequently used to complement the analysis of the interview data.

**Table 2: Details of participants and interviews (MFIs)**

| Interview N° | MFI | Category | Position of interviewees | Duration |
|---|---|---|---|---|
| 1 | D | 2 | Director control | 1h20 |
| 2 | D | 2 | Internal control manager | 1h46 minutes |
| 3 | D | 2 | Internal controller | 55 minutes |
| 4 | D | 2 | Director marketing | 2h13 |
| 5 | AA | 2 | Accountant | 59 minutes |
| 6 | B | 2 | Communication manager | 55 minutes |
| 7 | C | 1 | Branch manager and founding member | 1 hour |
| 8 | A | 2 | Branch manager | 1 hour (not recorded) |
| 9 | E | 2 | Chairman | 52 minutes |
| 10 | E | 2 | Deputy CEO | 1h11 |
| 11 | E | 2 | HR manager | 34 minutes |
| 12 | F | 2 | Internal control manager | 1h25 |
| 13 | J | 2 | Branch manager | 2h08 |
| 14 | G | 2 | Accountant | 39 minutes |
| 15 | I | 2 | Credit director | 1h30 |
| 16 | I | 2 | Marketing director | 43 minutes |
| 17 | H | 1 | Branch manager | 50 minutes |
| 18 | K | 2 | Assistant CEO | 1h56 |
| 19 | N | 1 | Credit director | 2h30 |
| 20 | Q | 1 | CEO | 1h49 |
| 21 | L | 2 | Strategy director | 2h44 |
| 22 | P | 1 | Branch manager | 50 minutes |
| 23 | T | 1 | CEO | 1h40 |
| 24 | S | 1 | Branch manager | 1h29 |
| 25 | R | 1 | CEO | 1h13 |
| 26 | M | 2 | CEO | 1h37 |
| 27 | O | 2 | Account manager | 1 hour |
| 28 | Y | 1 | Branch manager | 45 minutes |
| 29 | U | 2 | Branch manager | 1h30 |
| 30 | W | 1 | CEO | 1h36 |
| 31 | V | 1 | Founder/Board member | 59 minutes |
| 32 | X | 2 | Branch manager | 1h21 |
| 33 | Z | 1 | Communication manager and branch manager | 1h17 |
| 34 | AB | 1 | CEO | 35 minutes |
| 35 | D | 2 | Legal director | 20 minutes |

**Table 3: Details of participants and interviews (Regulators)**

| Regulator N° | Duration |
|---|---|
| 1 | 2h40 (not recorded) |
| 2 | 30 minutes (not recorded) |
| 3 | 45 minutes |
| 4 | 20 minutes |
| 5 | 20 minutes |
| 6 | 55 minutes (not recorded) |

**Table 4: Secondary documents reviewed in the study**

| MFI | MFI Website information | Newspapers and media reports | Brochures and other documents provided by MFI |
|---|---|---|---|
| A | √ | NIL | NIL |
| B | √ | √ | NIL |
| C | NIL | NIL | NIL |
| D | √ | √ | √ |
| E | NIL | √ | √ |
| F | √ | NIL | NIL |
| G | √ | NIL | √ |
| H | √ | √ | NIL |
| I | √ | √ | NIL |
| J | √ | √ | NIL |
| K | NIL | NIL | √ |
| L | √ | NIL | NIL |
| M | NIL | NIL | NIL |
| N | √ | NIL | NIL |
| O | √ | NIL | NIL |
| P | NIL | √ | NIL |
| Q | NIL | NIL | √ |
| R | NIL | NIL | √ |
| S | NIL | NIL | NIL |
| T | √ | √ | √ |
| U | √ | NIL | √ |
| V | NIL | NIL | √ |
| W | √ | NIL | √ |
| X | √ | NIL | NIL |
| Y | √ | NIL | NIL |
| Z | √ | √ | √ |
| AA | NIL | NIL | NIL |
| AB | NIL | NIL | NIL |

## 3.4 Data Analysis

In order to make sense of the collected data (Stake, 1995), I proceeded to the data analysis. Data analysis is about making sense of the collected data by examining it closely to find constructs, themes and patterns that can be used to describe and explain the phenomenon being studied (Miles and Huberman, 1994). The interview data was read and re-read several times to become familiar with the content and to identify preliminary themes and sub-themes. During the reading, I jotted down my ideas for coding (through the use of memos) with the aim of answering the research questions. During data analysis, coding was done manually with Microsoft Word and Excel, and it was data-driven. Coding involves selecting chunks of data and tagging them to appropriate codes or themes (Miles and Huberman, 1994; Boyatzis, 1998).

The data analysis involved a series of analytical steps. The first step was drawing on Langley's temporal bracketing strategy to retrace the history and evolution of the Cameroonian microfinance sector. The other steps involved using thematic analysis (Boyatzis, 1998) to qualitative analyse the data. Using thematic analysis helps explore in depth the challenges faced by MFIs in Cameroon and how they overcome these challenges to achieve their dual social and financial goals.

*First analytical step*

For the first research objective, which was to trace the history and evolution of the microfinance sector in Cameroon, I looked out for main events, in this case major regulations, that changed the microfinance environment. Then, following the temporal bracketing strategy (Langley, 1999), the history and evolution of the microfinance sector was decomposed into four successive phases as a way of structuring the description of events. I chose this strategy because it enables seeing how the actions or events that happen in one phase led to changes in the context that later affected action in subsequent phases. In the study, I observed how the evolution of microfinance sector activities over the years led to changes in the regulatory environment through the establishment of new regulations. As such, major regulatory changes over the years was the point of departure for each phase.

The history and evolution of the microfinance sector is marked by the major regulatory changes in the sector over the years. The periodisation was done in the following manner:

- Before 2002: Phase 1
- 2002–2008: Phase 2
- 2008–2016: Phase 3
- 2016–Present: Phase 4

The first phase concerns the period before 2002 because in 2002 the microfinance sector was formalised with the introduction of a regulatory framework. Before 2002, there was a kind of chaos, as the concept of microfinance was still emerging and growing through cooperatives.

The second phase starts in 2002 with the introduction of a specific regulatory framework for the microfinance sector and the establishment of a formal definition of microfinance. It ends in 2008 because the MFIs had five years to conform; thus, the regulation actually became effective in 2007. This phase was an intermediary phase between no regulation at all and full regulation and was characterised by the closures of MFIs if they failed to comply with the new regulations.

In the third phase from 2008–2016, regulators stressed the governance practices of MFIs due to recent and major failures in the microfinance sector. During this period, a tightening of the microfinance regulatory framework was observed with the introduction of additional laws that directed MFIs in adopting more professional and formal practices. The last phase starts in 2016 because of the initiative taken by the regulatory authorities to significantly revise the microfinance regulatory framework, as it was judged to be obsolete and inadequate given the evolution of microfinance activities over the years.

*Second analytical step*

From the preliminary analysis of the data emerged the fact that MFIs were facing difficulties as they attempted to achieve their competing social and commercial goals. These insights led me to code my data specifically for the challenges related to MFIs' dual goals. Therefore, my second research objective was to discuss the challenges faced by practitioners in the Cameroonian microfinance sector as they attempt to achieve both their social and commercial goals. From this analytical step emerged five main challenges—limited resources, the nature of target clientele, intense competition, uncertain external environment and regulatory constraints.

*Third analytical step*

In this step, thematic analysis (Miles and Huberman, 1994; Braun and Clarke, 2006) was performed to generate patterns of understanding how MFIs manage their dual goals. The goal of thematic analysis is to identify themes or patterns in the data that are important or interesting and to use these themes to address the research questions (Maguire et al., 2017). During the analysis process, there was constant iteration between the themes or patterns and the relevant literature.

I started coding the data to generate first-order codes, focusing on situations where practitioners were employing certain practices to achieve both their social and commercial goals. These codes were as close as possible to the informants' words. While carrying out first-order coding, I noticed that MFIs were exhibiting creative behaviour to deal with their challenges. Sometimes, they were improvising solutions to solve their problems and were developing unconventional approaches to achieve their organisational goals. I discovered that the concept of bricolage was a good characterisation of the MFIs' behaviours. As a result, I went back to review the literature to become familiar with the concept of bricolage and to help in interpreting my first-order codes. Therefore, the second-order coding focused on analysing how MFIs use bricolage to overcome the challenges related to their dual goals. This step was abductive, with constant iteration between the data and relevant literature. Analysing the relationships between the first-order codes, I was able to generate second-order categories.

Finally, the second-order codes were aggregated into a single dimension called bricolage, as they all represented the bricolage practices employed by the MFIs. Following Gioia et al. (2012)'s method, the progression from raw data to categories is illustrated in the data structure below.

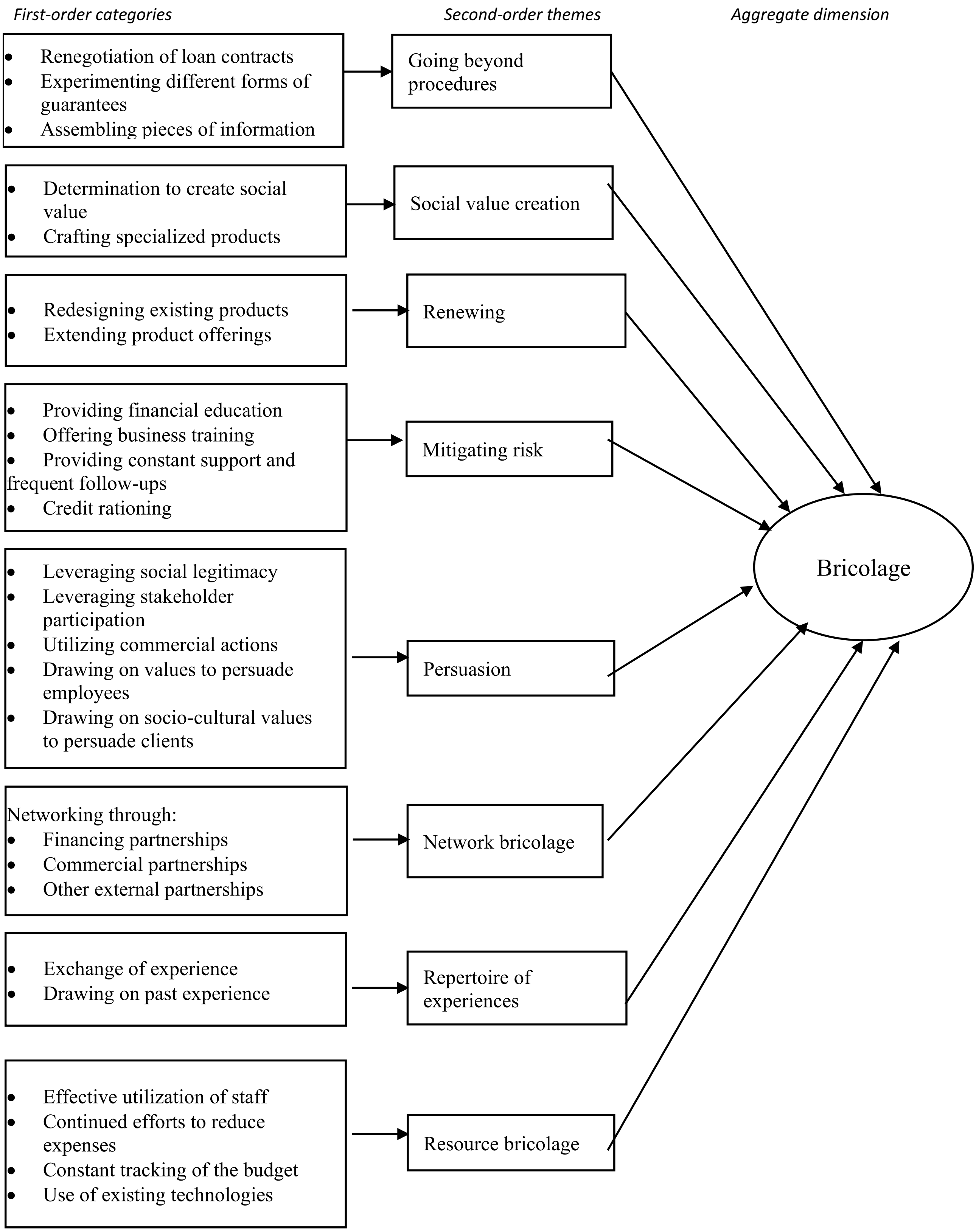


**Figure 1 Data structure for bricolage practices**

*Fourth analytical step*

I based this step on the previous step, analysing only the quotes where the bricolage practices had already been identified. The focus here was to understand more specifically to what end the practitioners were employing bricolage practices. In other words, I linked how the MFIs employed bricolage to deal with their everyday challenges and the outcomes that resulted. I also tried to identify if there was a group of bricolage practices that explain each outcome. I identified three main outcomes—using bricolage to mobilise resources, using bricolage to increase outreach and using bricolage to acquire legitimacy.

## 3.5 Ensuring Quality in Qualitative Research

Research quality in terms of reliability, inferences, constructs and generalisation is fundamental in any research project wanting to be recognised as being rigorously conducted (Gibbert et al., 2008). In discussing the quality of this research, I follow the four widely accepted criteria suggested by Miles and Huberman (1994)—credibility, confirmability, transferability and dependability.

### ***3.5.1 Credibility***

Credibility concerns the precision with which the findings accurately reflect the data (Guba and Lincoln, 1981). Data triangulation and peer review were used to ensure the credibility of this study. Indeed, the study draws on multiple and complementary sources of data (interviews, field visits, observations, documents) that allow us to have diverse perspectives on the issue at hand (Yin, 2009). Using multiple data collection methods allows me to have appropriate data for my research questions (Silverman, 2014: 92), data that was used to build a coherent justification for the themes that emerged from my analysis of the data. I also have a diverse sample composed of practitioners with different hierarchical functions, including CEOs, directors, branch managers and loan officers. Conducting interviews with this diverse group allowed me to gather diverse perspectives on the issues at hand, thus enhancing the credibility of my findings. In addition, triangulation was used to check the findings of the MFIs with the findings of the interviews with regulators and the findings of the literature reviewed. For instance, I used website information about the corporate social responsibility (CSR) activities carried out by the MFIs studied to confirm the microfinance practitioners' stories. This attests to the plausibility and relevance of our research findings, as suggested by Klein and Myers (1999). Moreover, I presented my findings at seminars and conferences and discussed them with supervisors to ensure consistency and coherence in the research process.

### *3.5.2 Confirmability*

Confirmability is about ensuring the researcher's biases or subjectivity does not influence data collection and analysis (Miles and Huberman, 1994; Miles et al., 2013). I describe in detail my research methods and procedures. Indeed, I describe and justify my methodological choices in terms of research strategy, sampling procedures, data collection techniques and data analysis process. I also discuss the ontological and epistemological positions that underpin my research process. Further, I display my data using a data structure (see Figure 1 above) that shows how I arrived at my conclusions, particularly regarding the use of bricolage by the MFIs to manage their dual goals. In addition, in the findings chapter, my conclusions are supported with vivid examples and illustrative quotes. I also provide a table with additional exemplary quotes about the different bricolage practices employed by the MFIs in an appendix.

### *3.5.3 Transferability*

This concerns the generalisability of the study to other research settings. In this study, I tried to provide detailed information on the setting, sampling, data collection and data analysis so that readers may make an informed judgment about the applicability of the findings to other settings and contexts. Specifically, I explained the four-step analytical process used in determining the findings of this study to enhance the transferability of the research. I also used a purposeful sampling technique to select knowledgeable informants, thus strengthening the transferability of the findings. I provided a detailed description of the findings so readers may assess the potential transferability and appropriateness for their own settings (Miles et al., 2013). Indeed, the dissertation includes a detailed description of the Cameroonian microfinance sector to provide readers with an in-depth understanding of the research context. In the same vein, I demonstrated the range of identified different bricolage practices employed by the MFIs as a response to their competing goals. In this regard, this qualitative research allows me to demonstrate variety and map a range of different views, experiences and or outcomes (Miles and Huberman, 1994). Although it may not be possible to generalise based on the results, the findings of this study increase understanding of dual-mission management in MFIs. The findings were also discussed in relation to prior theory, which improves transferability and theoretical generalisation. In addition, suggestions for further research and applicability in other contexts or settings were provided.

### *3.5.4 Dependability*

Dependability relates to the consistency of the research process over time and across researchers and methods (Miles et al., 2013). It entails providing an audit trail of the data collection and analysis process. I tried to have research questions that are clear and aligned with the research design (Miles et al., 2013). I paid close attention to the research process in terms of data collection and analysis by providing detailed information about each step. For instance, I recorded and transcribed the interviews myself. I clearly explained the procedures for analysing the data, discussed the data analysis and findings with peers and made adjustments when required. I also supported the findings by providing tables with illustrative quotes about the MFIs' bricolage practices. This allowed avoiding what is commonly termed anecdotalism (Silverman, 2014). All the interviews were carried out by a single interviewer, which allowed the interviewer to ask the participants questions in the same way and to ensure the participants also understood the questions in the same way. I checked my coding with my supervisors and discussed my findings with peers and colleagues. The constant reviews and evaluations by my supervisors and monitoring committee throughout the entire thesis strengthened the dependability of my research process.

## 3.6 Ethical Considerations

As in any other research study, some ethical issue have to be considered. Research ethics refer to how research is conducted and the findings written up. All research should be carried out in a moral and responsible way (Saunders et al., 2012).

During the research, informed consent was obtained from all participants, who were told the purpose of our study, how the data collected would be used and what would be expected of them as participants. I informed them that the interview would be recorded to ease the discussion and subsequent data analysis. This was done both verbally and in writing through a letter of invitation and the cover letter of the interview guide. The research participants were aware that their participation was voluntary and that they could decide not to take part in the study or to withdraw partially or completely at any time. Moreover, the anonymity of the respondents was guaranteed.

In addition, because the participants have different backgrounds, I made sure that any sensitive topic that could arise during the course of the interview was addressed through clear and direct questions. Thus, the participants were not drawn into subjects they preferred to avoid through ambiguity or confusion. These ethical considerations were kept in mind throughout the research to ensure the respondents were satisfied with how the research was carried out.

### 3.7 Chapter Summary

Chapter 3 intended to explain the methodology employed in this study, including the ontological and epistemological position of the research. First, I explained my ontological and epistemological position and the connection to the choice of methodology and the overall research objective. Second, I discussed the research method, justifying the choice of an exploratory qualitative research with abductive reasoning.

Third, I discussed the sampling procedure, providing justification regarding the selection of the participants. I also discussed the data sources and the data collection process, including the transcription of interviews. In total, 35 interviews were conducted with microfinance practitioners and six interviews were conducted with regulators. I developed two different interview guides, one for the MFIs and one for the regulators.

Fourth, I detailed my data analysis procedure, explaining the different type of analysis I used to answer each of the research questions. I used the temporal bracketing strategy (Langley) to retrace the history and evolution of the microfinance sector, and I used a thematic analysis approach to identify the challenges that characterise the Cameroonian microfinance sector and the bricolage strategies used by MFIs to deal with their everyday challenges and the resulting outcomes. I presented my data structure using the Gioia methodology (Gioia et al., 2012). Last, I presented the measures and precautions taken to guarantee rigor and an ethical approach throughout the research process.

The next two chapters present the findings obtained from the primary and secondary data. Specifically, Chapter 4 details the research setting, focusing on the evolution and characteristics of the Cameroonian microfinance sector. It also discusses the challenges faced by the MFIs in the sector. Chapter 5 explores the dual-mission management practices of MFIs, demonstrating how they use bricolage to deal with their competing social and commercial goals and the resulting outcomes.

# CHAPTER 4 – RESEARCH CONTEXT AND EMPIRICAL SETTING: THE MICROFINANCE SECTOR IN CAMEROON

This chapter presents the national context of Cameroon and the context of microfinance in Cameroon, both of which are important in order to understand the relevance and the findings of this study. Specifically, the first part introduces the national context of Cameroon while the second section presents the history and evolution of the microfinance sector in Cameroon on the one hand and on the other hand discuss the challenges faced by the MFIs in Cameroon.

## 4.1 National Context

Since this study concentrates on the dual-mission management process of MFIs in Cameroon, it is necessary to shed light on the context of Cameroon. The reason being that Cameroon may be an unfamiliar country to many readers. Thus, the objective of this section is to provide a background of Cameroon. Cameroon was originally a German colony in 1884 under the name of Kamerun. After World War I, Cameroon came under the colony of France and Britain. Later on, around 1955, Cameroon struggled for independence and achieved it in 1960 to become the Republic of Cameroon with Ahmadou Ahidjo as President. In 1972, the French Part and the English part combined to form the United Republic of Cameroon. Ahmadou Ahidjo later on resigned in 1982 and was succeeded by Paul Biya, who is the current President of Cameroon.

### *4.1.1 Geographical and demographic information*

Cameroon is located in the junction of western and central Africa. It is bordered to the northwest by Nigeria, to the northeast by Chad, to the east by Central African Republic, to the southeast by the Republic of Congo, to the south by Gabon and Equatorial Guinea, and to the southwest by the Atlantic Ocean (Encyclopaedia Britannica, 2020). Its capital is Yaounde and the economic capital is Douala. Cameroon is further divided into ten regions: Far North, North, Adamaoua, Centre, West, North-West, South-West, Littoral, South, and East. The country is gifted with Mount Cameroun rising to the height of 4095 metres and considered as the highest and wettest peak in Western Africa. The climate comprises the rainy season and the dry season. Cameroon counts 10 regions.

**Figure 2 Location of Cameroon**

**Source:** CIA, 2020


**Figure 3 The ten regions of Cameroon**

**Source:** mapsofworld, 2018

According to 2020 estimates, Cameroon count around 27,7 million inhabitants growing at about 2.78% annually and distributed over an area of 475,440 square kilometres. In 2018, 56.4% of this population live in urban areas and the rest live in rural areas (Encyclopaedia Britannica). Also, around 69% of the population of the country are Christians, with more than 50% belonging to the roman catholic church. Muslims account for one fifth of the population and the remaining 10% are indigenous beliefs (CIA, 2020). Moreover, the people in Cameroon belong to over 240 different ethnic groups/tribes. The main ethnic groups include the Hausa, Fulbé, Sudanese, Choa Arab in the north, the Bamiléké, Tiker, Bamoun in the West, the bantu group comprise of Fang, Ewondo, Boulou, Eton, Bassa, Bakoko, Douala found in the south of the River Sanaga. While the oldest ethnic groups are the pygmies, the biggest ethnic group are the Bamiléké. The figure below is the population pyramid for Cameroon that illustrates the age and sex structure of the Cameroonian population.

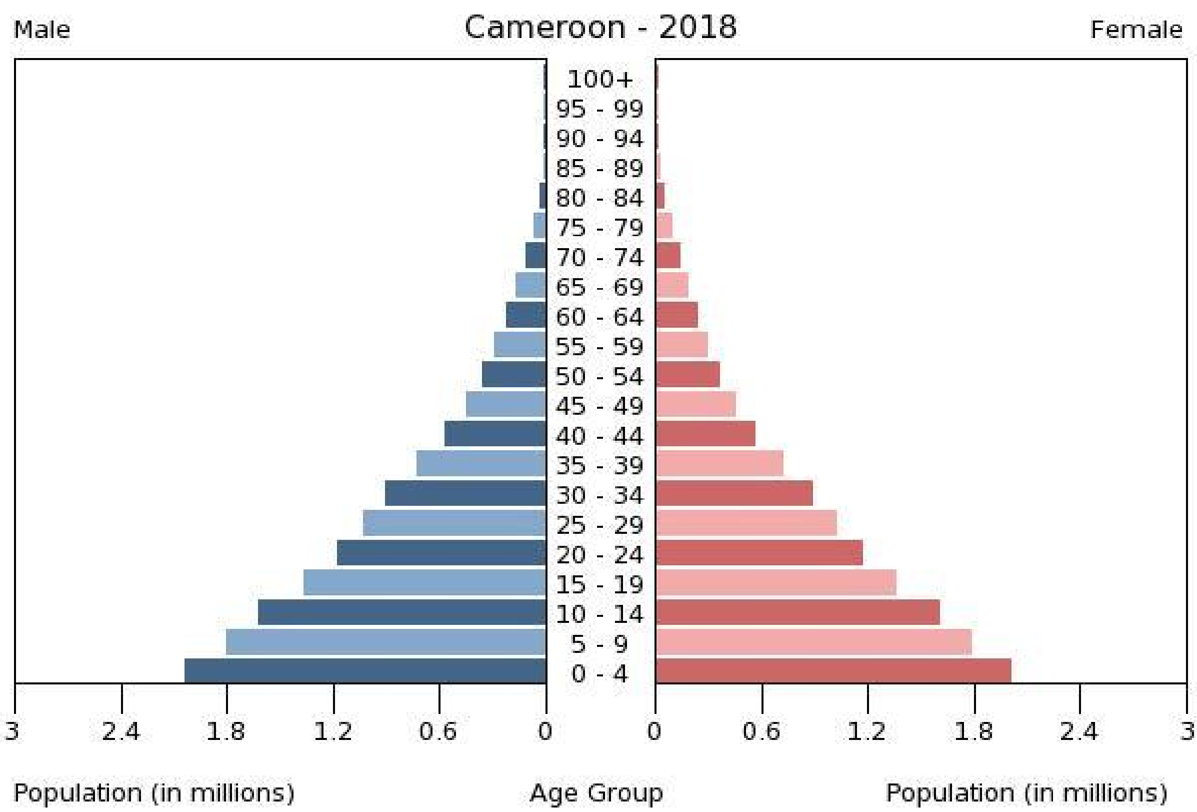


**Figure 4 Population pyramid of Cameroon**

**Source:** CIA, 2020

Cameroon has two official languages: French and English, spoken by 70% and 30% of the population respectively (Government of Cameroon, 2020)

### *4.1.2 Economy*

Cameroon is often considered as ‘Africa in miniature’. The country is gifted with oil resources and agricultural diversity. For this reason, Cameroon has one of the best-endowed primary commodity economies in SSA (CIA, 2014). The country has natural resources such as petroleum, bauxite, iron ore, timber, and hydropower. Major industries and exports in Cameroon are cocoa, coffee, bananas, aluminium, crude oil, timber, and cotton. The sector that employs the most is the agricultural sector and this sector accounts for around 16% of the GDP (see figure 5). In 2017, the GDP amounted to $34,99 billion with a growth rate of 3.5%.

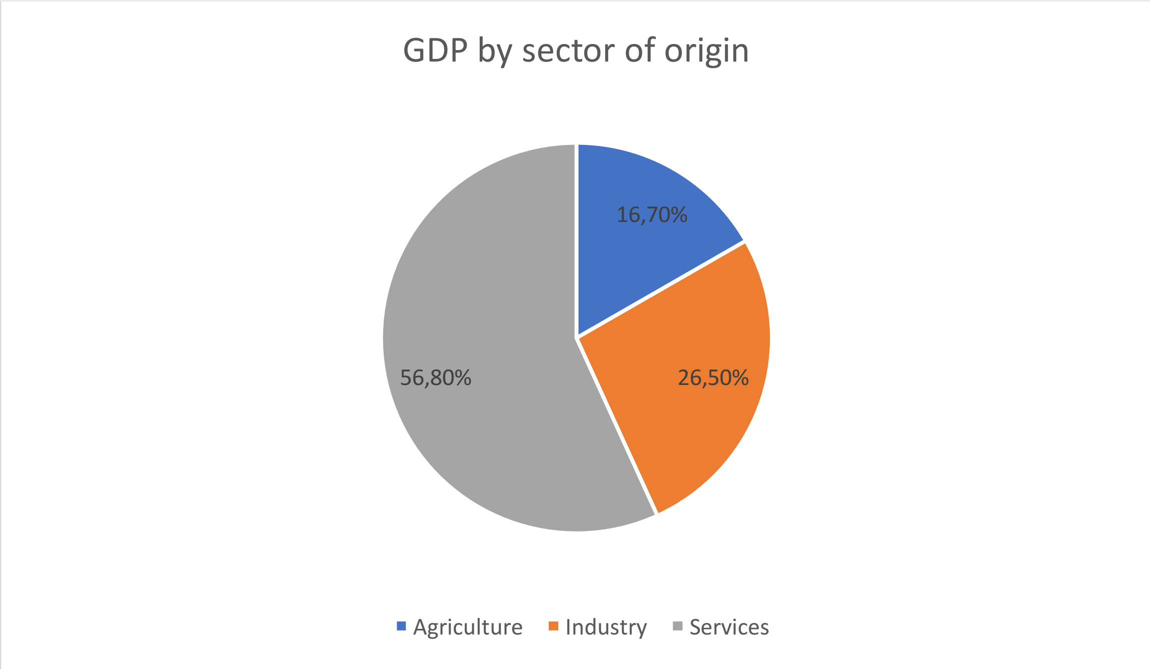


**Figure 5 GDP by sector of origin in Cameroon**

**Source:** CIA, 2020

Cameroon is the largest economy in the Central African Economic and Monetary Community (CEMAC) and it shares a common currency, the Franc CFA, with other countries in central and western Africa. This currency was pegged to the euro in 2002.

### *4.1.3 Poverty in Cameroon*

A majority of the population in SSA live in extreme poverty putting them at the side-lines in the development process. This is the case in Cameroon particularly in rural areas where the poverty rate was estimated at 56.8% in 2014 according to the National Institute of Statistics. Indeed, despite economic growth in some regions, poverty is on the rise, and is most prevalent in rural areas, which are especially affected by a shortage of jobs, declining incomes, poor school and health care infrastructure, and a lack of clean water and sanitation (CIA, 2020). In addition, according to data from the World Bank, in 2014, in Cameroon, 37.5% of the population live below the poverty line, thus experience extreme poverty. Specifically, the poverty rate is higher in the northern regions (Far North, North, Adamaoua) with 56% of poor living in these regions (World Bank, 2019) as compared to other regions. The main cause attributed to the high rate of poverty in Cameroon is unemployment. Indeed, most Cameroonians are employed in the informal sector with very precarious working conditions and remunerations because the system did not give them the opportunity in the formal sector. These poor people live in neighbourhoods with no infrastructure and where prostitution and robbery is the new normal. Also, they lack access to clean water supply, basic education and health care facilities. Further contributing to Cameroon's high rate of poverty is underinvestment in social safety nets and ineffective public financial management (CIA, 2020).

There is increasing inequality between the poor and the non-poor. Data have shown that between 2007 and 2014, development in Cameroon was non-inclusive, benefiting more to the better off and less to the poor households, and thereby increasing inequalities. It thus become imperative to put in place strategies that will enable to fight poverty and these strategies need to be more oriented to the rural areas.

The development of microfinance was seen as one of the ways to achieve this objective. Indeed, one of the causes of unemployment and thus poverty is lack of funds to finance activities capable of generating revenues. Access to finance is low in Cameroon, remaining well below the average CEMAC and SSA, and unevenly distributed across the country (IMF, 2018). The poorer populations are generally excluded from the traditional financial system and consequently resort to informal means to have access to financial services. These informal means include money lenders, 'tontines', family and friends. In 2014, only 12% of the population have an account in a formal financial institution as compared to 29% on average for SSA (Global Findex, 2014). More specifically, adults with accounts in Cameroon are estimated at 33% in 2017 (Demirguc-Kunt et al., 2018). Thus, microfinance aim is to provide financial services to this marginalised population.

## 4.2 Microfinance sector in Cameroon

This section presents an overview of the Cameroonian microfinance sector which is a pre-requisite for understanding the activities of MFIs in Cameroon as they try to achieve both their social and commercial goals. We draw both on primary and secondary sources to provide details of the Cameroonian microfinance sector.

### *4.2.1 History and Evolution of microfinance in Cameroon*

Over the years, as the sector developed and expanded with an increasing number of MFIs and clients, there was a number of governance failures which prompted the regulators to progressively amend the regulatory norms, and thus changing the landscape of microfinance in Cameroon. In this section, I will attempt to trace the evolution of the Cameroonian microfinance sector guided by the major regulatory changes that happened in the sector during the past years. As pointed earlier, my analysis of the interviews and secondary data allowed me to identify four main phases.

The first phase corresponds to the emergence of the microfinance sector through the law on cooperatives that led to a surge of cooperatives who were supposed to respond to the needs of the poor, excluded by banks, to have access to formal financial services. The second phase correspond to the formalisation of the microfinance sector, with the introduction of an actual microfinance regulatory framework. In the third phase, the expansion of the microfinance sector coupled with the governance failures that characterised a good number of MFIs led to increasing formalisation of the sector through the tightening of the regulations. This ultimately resulted in the revision of the microfinance regulatory framework, which constitute the fourth phase. It is important to note that my intention here is not to be exhaustive but to point to major regulatory changes in the Cameroonian microfinance sector over the years.

**Phase 1 (Before 2002): The development and burst of cooperatives - the laws on associations and cooperatives**

The creation of savings and loans cooperatives first started in Cameroon in 1963, with CAMCULL[10], which was in 2018 the largest network of cooperatives in the Country. Before that, has always existed tontines. Tontines are informal associations in local areas, through which people borrow and save money. The creation of cooperatives marked the first step towards the formalisation of inclusive banking. The first cooperatives were, for most of them, agricultural cooperatives. This is the reason why they were under the supervision of the ministry of agriculture and not the ministry of finance that supervised banking activities. In addition to supervising them, the ministry of agriculture sometimes provided the cooperatives with funds that the MFIs later on redistributed at low rates to their members who were farmers or breeders.

> *'At the beginning when MFIs was developing, it was the ministry of agriculture that was dealing with them…since it was agricultural cooperatives, rearing, farming, that was that at the beginning, that's even how microfinance emerged. There was a need to finance those activities and the ministry of agriculture was doing that.'* (Regulator 6)

Through these cooperatives, the Cameroonian government wished to develop the agricultural sector on which a greater part of the population relied on. These cooperatives not only proved to be useful for local development but also became of utmost importance given the

[10] The network started in 1963 as a credit union named "the St. Anthony Discussion Group" located in a small village called Njinikom. Then, the founder progressively spread the credit union idea, creating other credit unions in neighbouring villages. In 1968, the cooperative network was officially established as WCCUL before changing its name to CamCCUL in 1973. (source: GM's conference presentation, WOCCU, Glasgow, 2011)

banking crisis in the late 80's and early 90's that resulted in banks closing their branches in rural areas. To further promote cooperatives, the government established the laws n°90/053 of December 1990 and N° 92/006 of august 1992 regarding respectively freedom of association, and cooperatives and common initiative groups. The law n°90/053 authorises saving and loans activities to association and cooperatives, and the law n° 92/006 focus specifically on the case of non-bank institutions engaging in financial intermediation, notably saving and loans cooperatives. The creation of cooperatives was no longer conditioned by an authorisation of relevant authorities but by a simple registration to the ministry of agriculture (Mayoukou, 2000). Also, cooperatives could now be independent and were no longer required to be affiliated to CAMCULL (Mayoukou, 2000). These laws were at the origin of the surge of financial cooperatives. Indeed, many of the cooperatives created after the implementation of these laws used to be tontines. These tontines seized the opportunity offered by the new law to formalise their activities. This was, for instance, the case of one participant MFI, which started as a tontine:

> '*When we talk of creation, I am one of the members that created, it started as a tontine…we always had treasury problems…well the government had already launched this opportunity to create credit unions. At the time, it depended on the ministry of agriculture, so we asked the registration of the coopgic (cooperatives and common initiative groups) and we created the cooperative*.' (Founding member, MFI C)

The government through the two laws had facilitated the creation of financial cooperatives, demanding little requirements with the objective of increasing access to financial services to those in the agricultural sector who were mostly excluded from the financial system. This was the first milestone of the microfinance movement. Cooperatives were legally allowed to provide savings and loans to the people at the margin of the traditional financial sector.

COBAC report in 2000 pointed to 652 MFIs in the Cameroonian microfinance sector (Creusot, 2006).

'*After the two major laws were established in the 90's, there was an abundance of microfinance activities, there was no intervention of the ministry of finance at the time. To create an association, you just needed to go and do a declaration at the prefecture, for the cooperatives, you needed to declare to the ministry of agriculture, after which the cooperative acquired a legal status*'. (Regulator 1)

However, with this burst of cooperatives facilitated by the laws on associations and cooperatives, previous bankers and businessmen from diverse sectors saw it as another business opportunity to make money. Newly created cooperatives and even existing ones started engaging in activities that resemble those of banks, opening branches across the country and providing financial services to the general public rather than only to their members, the people excluded from the financial system. This period also saw the emergence of another form of microfinance institution that attempted to function like banks, by providing loan and savings services to the general public, without necessarily having the requirements to do so. This new type of institution was not functioning like cooperatives as per regulation and this prompted the government to issue a decree in 1998, that placed MFIs under the supervision of the ministry of finance (MINFI).

'*Over the years, we noticed that these cooperatives were involved in savings and credit activities which was not under the control of the ministry of finance. So, we decided that if you are an agricultural cooperative, then you can stay under the control of the ministry of agriculture, but in other cases, you were under the supervision of MINFI*'. (Regulator 1)

Moreover, as these new types of institutions fitted nowhere, neither as cooperatives nor as banks, no rules were governing their activities. During this period, many of those institutions engaged in risky practices endangering the entire financial sector and there was lack of control by relevant authorities. There were cases, for instance, of institutions practicing levels of interest rates on loans up to 78% per annum (Fouda Owoundi, 2010), resulting in high delinquency rates. Another regulator explained:

> '*When the government found out that the microfinance phenomenon was gaining momentum, that they (MFIs) even went beyond agricultural activities, were already financing SMEs, it became necessary to pay more attention, but damages had already been done'*. (Regulator 6)

Witnessing the increase of fraudulent cases and the apparent disorder and lack of professionalism that characterised the microfinance sector, the government decided to take some measures to establish some order in the industry. It became imperative to account for all the forms of MFIs regulatory wise and strengthen the control and supervision of the microfinance sector (Creusot, 2006). This led to the establishment of the current microfinance regulatory framework and mark the start of the second phase of the development of microfinance in Cameroon.

**Phase 2 (2002-2008): The introduction of the microfinance regulatory framework**

As pointed above, the microfinance law came as a response to the challenges the government faced with regard to the activities carried out by cooperatives. The ministry of finance, in charge of supervising MFIs since the 1998 decree, started to work with the Central African banking commission (COBAC). From this collaboration, a new law (n° 01/02/CEMAC/UMAC/COBAC) emerged in April 2002. It regulated the conditions of exercise and control of the activities of microfinance in the Central African Economic and Monetary Community (CEMAC) region. This law formally recognised the concept of microfinance and defined it as 'an activity exercised by licensed entities which do not have the status of bank or financial institution and which regularly offers specific financial services including credit services and/or savings services to population that have been excluded from traditional banks'. The regulation distinguished three categories of MFIs: category one composed mainly of cooperatives and mutual associations that offer financial services only to those that become members of the MFI; category two are public limited companies that offer specific financial services to the general public; and category three MFIs that are credit-only institutions. The law was ratified by the seven CEMAC countries, and COBAC was in charge of supervising the microfinance sector in all seven countries. However, the execution of the control and supervision mission had been delegated to the ministry of finance in each of the countries. One regulator explains the respective roles of COBAC and the ministry of finance:

> '*In terms of supervision, we are talking more about oversight here. Oversight is primarily the responsibility of COBAC, who exercises more of a prudential oversight. The MFIs send documents to the COBAC through the Sesame (online platform) and from there the COBAC can detect the anomalies relative to the respect of the prudential norms, then correct. We at the MINFI, we monitor daily, users come to see us if they cannot withdraw their money and then we go on the field to control. Observations made on the basis of the controls carried out are transmitted to the COBAC.*' (Regulator 1)

The regulatory framework aimed at directing the actions of practitioners in the microfinance sector and addressing the increasing risky practices that accompanied the expansion of the microfinance sector. This new regulation resulted in the closure of many cooperatives that were not in accordance with the law. Data collected by the ministry of finance between December 2004 and April 2005 pointed to 558 MFIs as opposed to 652 in 2000 (Creusot, 2006). With the new regulation, all MFIs needed to be licensed and a minimum capital requirement was imposed on category two and three MFIs. A regulator pointed:

‘*The microfinance boom originates from the banking crisis. It is those (banking) executives who all migrated to the sector and then arise the dysfunction that happened. And the regulation has made it possible to refine the number of MFIs*.’ (Regulator 3)

Given the fact that MFIs were providing financial services as banks, but on a smaller scale, the 2002 regulatory framework has defined 21 prudential norms including norms related to capital adequacy, liquidity, and portfolio quality. MFIs were given five years to conform with the prudential rules. Just after the 2002 microfinance regulatory framework, a new professional association was created for MFIs: ANEMCAM. The purpose of this association was to defend the interests of the microfinance profession and all MFIs were required by the 2002 law to be member of the professional association of MFIs of their country.

Despite its shortcomings, the 2002 regulatory framework served as a basis for structuring the microfinance sector. As one regulator summarised:

‘*The 2002 regulation achieved its objectives in a general sense, globally to a certain extent. There was a clean-up of the sector, this regulation remains perfectible. But again, fewer and fewer cooperatives are closing, it (regulation) professionalised the sector.*’ (Regulator 1)

**Phase 3 (2008-2016): The tightening of regulations**

During this phase, additional laws for MFIs were introduced with the objective of further formalising the activities of the MFIs. Indeed, the microfinance sector remains weak with an extremely high average rate of outstanding payments, excessive exposure to related parties, ongoing liquidation of some MFIs, triggered by severe governance problems that are affecting thousands of low-income savers (IMF, 2016). My analysis of the data revealed three important laws that were implemented during this period.

The poor governance practices that characterised the microfinance sector pushed the government to pass a new law in 2008 (Law n° 04/08/CEMAC/UMAC/COBAC) to stimulate best practices in terms of governance of microfinance institution, particularly regarding the characteristics and functioning of the board of directors.

In 2010, following the guidelines of the OHADA[11] law on commercial enterprises and economic interest group, COBAC established a regulation with regard to the accounting plan of MFIs. This meant that MFIs, were now required to establish their mandatory declarative statements and annual accounts in line with the accounting plan of MFIs that was established in 2010. These reporting requirements was to ensure uniformity of the account statements across MFIs.

Moreover, in 2014, the regulatory bodies established the law n° 02/14/CEMAC/UMAC/COBAC/CM relative to the treatment of financial institutions, including MFIs, in difficulties in the CEMAC region. This law came as a response to the fact that a good number of licensed MFIs were experiencing financial difficulties, with some large MFIs being under temporary government administration. Indeed, at the end of 2009, three microfinance providers were placed under government administration and more institutions were in critical situations and compelled to submit recovery plans to the regulator (CGAP and MIX, 2011). There was a need to pave a way forward to those kinds of situations regulatory wise.

> '*As soon as there was a problem, COBAC established an instruction to respond to this problem. For example, they issued a regulation for institutions in difficulty for banks, but it is applicable to MFIs*.' (Regulator 1)

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[11] Organization for the Harmonization of Corporate Law in Africa, which governs the creation, organization and functioning of MFIs having the status of public limited companies.

In summary, the number of MFIs kept increasing but a large number of them were adopting poor governance practices putting at risk their financial stability. This motivated the regulators to progressively tighten regulation over this period and proceed to major license withdrawals between 2011 and 2013 due to non-respect of regulation or bankruptcy.

The changing microfinance environment in addition to the limited resources of regulators given the high number of MFIs to be supervised (IMF, 2016) ultimately resulted in regulators undertaking actions to amend in a substantial way the 2002 regulatory framework.

**Phase 4 (2016-): The revision of the 2002 regulatory framework**

After more than ten years of existence, the 2002 regulatory framework became obsolete. Developing complementary laws was no longer enough. The regulatory framework needed major changes. In 2016, COBAC launched a significant revision of the 2002 regulatory framework to match the realities and evolution of the microfinance sector. In November 2016, a concertation was organised between the regulators (MINFI and COBAC), ANEMCAM, and representatives of MFIs. They discussed the potential changes that could be made to the regulation to enhance its effectiveness.

A new regulation was adopted at the end of 2017 and implemented on January 1st, 2018. The new regulation emphasises the need for MFIs to be financially sustainable as they want to avoid the numerous bankruptcies that had happened in the past. For instance, one of the major regulatory changes is relative to the minimum capital requirement which will increase from 50 million to 500 million CFA francs for the second category. The second category MFI particularly, proved to be vulnerable to shady businessmen who saw microfinance as a profit-making business and could easily come up with the 50 million CFA francs.

'*At 50 million, there were too much adventurers, a person or a group of persons could decide to gather 50 million, create an MFI and after collect the public's savings up to*

*150 million, then close and go with the money of the savers. Technically, we could say that he realised a profit of 100 million, you see.'* (Regulator 1)

This view is shared by microfinance practitioners. One of them noted:

'*The new rules that are coming into play will do more to get out all the adventurers, the black sheep of the sector.*' (Strategy director, MFI L)

Other major changes include, but not limited to, the fact that the first category MFIs will only be cooperatives or mutual societies. Associations will no longer be allowed in microfinance activities. All cooperatives will be required to belong to an umbrella organisation. The objective is to mutualise and minimise risks since umbrella organisations have a supervisory role towards their affiliates MFIs.

To further consolidate the microfinance sector, the regulatory bodies have been working over the years on the establishment of a credit reporting system. This is a database that will make it possible to register all the borrowers in the financial sector. This credit reporting system became operational end June 2018 and is supposed to help reduce credit risk and over-indebtedness in the microfinance sector. Indeed, without the credit information bureau, MFIs were not aware of the credit history of a new borrower, which resulted in some borrowers being able to take multiple loans from different MFIs or banks. This database will help prevent that and bring in some stability in the sector.

At the time of writing this article, the new regulatory framework was not yet implemented and still other measures were being undertaken or were under study including the reduction of the number of prudential norms (from 21 to 11) and the setting of a formal effective interest rate. These measures have for main aim of both ensuring the financial stability of the microfinance sector and promoting the financial inclusion mission of MFIs. As one practitioner summarises:

*'The regulation of microfinance in Cameroon is evolving and in the current state, we are preparing for a new law that will for example cap credits to 50 million, which will set an effective interest rate for microfinance that is not yet in application. It's evolving, at the beginning we had nothing, there are already some first rules that are established but there are the new laws, they sent us the drafts for proofreading, so that we know, so that we start to prepare for the transition. But we think that the law that is coming will be much stricter, protects more consumers but at the same time professionalises the sector because there are MFIs that give credit to a single individual 250 million, that's no longer microfinance, that's banking.'* (Marketing director, MFI D)

To sum up, the regulation of the Cameroonian microfinance sector has been evolving over the years with the regulators trying to control and supervise more the field as they become familiar with the peculiarities of the microfinance sector. The main objective being to avoid failures of the past through a stricter regulation while also ensuring that MFIs can achieve their financial inclusion mission. The main events in each phase are summarised in figure 6. Although the regulation has progressively professionalised the microfinance sector, there remain areas of concern regulatory wise that constraints MFIs as they attempt to achieve their social mission. This will be discussed in the next sub-section alongside other challenges faced by MFIs in Cameroon.


**Figure 6 Main phases and events in the evolution of the Cameroonian microfinance sector**

### *4.2.2 Microfinance practitioners' concerns*

As they attempt to achieve their objectives, microfinance practitioners face a number of difficulties or challenges in the microfinance sector in Cameroon. These challenges were confirmed by various studies and policy documents reviewed during the research. The main challenges included: nature of target clientele, limited resources, competition, uncertain external environment, and regulatory constraints. These challenges are summarised in Table 5.

#### 4.2.2.1 Limited resources

MFIs are generally confronted with scarcity of resources in their day to day activities as they operate in a penurious environment characterised by low availability of subsidies and the low level of savings that both constitute cheap sources of finance. This usually act as a constraint in their ability to achieve their social mission in terms of providing financial services to a greater number of poor people and may push the MFIs to move up market in order to increase their revenues. MFIs need to have sufficient resources and revenues to ensure the viability of the business on the one hand and finance small revenue generating activities on the other hand. One internal control manager explains how they have limited financial resources for their borrowing activity as the level of savings are low and this push them to look for external sources of finance as they need to be able to grant loans:

> *'The difficulties, I can refer to something that is primarily the image that microfinance has. Next to us there are MFIs that close, it does not ease things on the ground in terms of mobilisation of savings. Who says savings says resources that are used in terms of credit. On this side it is not easy, we are obliged to go to donors at the international level, which is not always obvious knowing that they have conditions that are not always easy to respect.'* (MFI D)

Limited financial resources constrain human resource mobilisation due to low salaries, resulting in high employee turnovers in the microfinance sector, and ultimately additional costs in terms of constantly hiring and training new recruits. In the quote below, the practitioner talks about human resources constraints and how it might affect the quality of services offered to clients:

> *'When someone is dissatisfied, he insults you, you promise him an improvement but you can only make the improvement based on the means of your policy, you see a bit…for*

*example if I take, the case of slowness, you saw the other day the client waited*[12]*, why, because my colleague was not there to position his credit. And I did not want him to leave to come and take the documents after, the depreciation tables, I wanted him to wait and he waited. It's the small difficulties that we will see because everyone is entitled to the break, she (the colleague) went to the break and as it's an MFI, people are not, there are not so many employees.'* (Credit manager, MFI N)

The microfinance practitioners reported that these limited resources make the achievement of objectives quite difficult. As such, they need to constantly search for external resources in order to provide loans not only to their small clients but also to their wealthier clients from which they generate more revenues.

While most entrepreneurial ventures in emerging economies operate under considerable resource constraints, MFIs, particularly those that operate in this context, are exposed to a significantly higher number of resource challenges in terms of financial and human resources but also in terms of lack of governmental support. This is mainly due to the dual social and commercial missions of the MFIs that constrains the resource pool of funds, experience, and materials (Desa and Basu, 2013). In this study, I have discussed the resource constraints faced by MFIs when trying to provide financial services to the poor. Due to the limited resources, they are faced with less qualified human resources and also high employee turnover. This means increased operating costs in terms, for example, of training or constant recruiting. Concerns about human resources is increasingly prevalent as the global microfinance industry is expanding, and new entrants are creating critical staff shortages in many markets (CSFI, 2014; 2018). MFIs from many countries reported difficulties in recruiting and retaining good staff due to the low salaries offered (CSFI, 2014). This was a particular concern in SSA in 2018

[12] The researcher observed the scene.

(CSFI, 2018). Even where MF providers do manage to recruit good people, there is a high probability that they will be poached by competitors, particularly the commercial banks who are willing to pay for their skills (CSFI, 2014). The business environment of developing economies has characteristics which affect the resources that are available for the MFIs and may encourage the MFIs to resort to various tactics, such as bricolage in order to operate under these conditions.

#### 4.2.2.2 Nature of target clientele

Another challenge faced by MFIs as they try to attend to their dual goals is the nature of their target clientele. MFIs need to cater for a clientele that is very risky in terms of poverty level, informal activities, and low level of literacy while also protecting shareholders and savers' interests. Achieving both objectives require from them to provide loans to the poor while making sure the loans are fully repaid considering the fact that the main source of revenue for the MFIs are the interests from loans. However, the risky nature of their target clientele usually makes loan recovery quite difficult and puts at risk the commercial mission. The CEO of MFI T reported:

> *'Yes difficulties, we first have a problem of target, as we have a large outreach, we really do inclusive finance and it's very risky when you go down very low in society because you work with people who have no banking experience, who do not have guarantees to secure their loans. You are forced to give loans with I would say with safeguards, I cannot talk about collaterals because these are not collaterals, they are just pressures and you work with people who are poor…so there is a repayment problem.'*

Having high repayment rates is fundamental for MFIs in order to be financially sustainable in the long run, and if serving the poor impedes sustainability, they are more likely to drift from the social mission and focus on their commercial mission by targeting more middle-income clients considered to be less risky. Thus, it's quite challenging for MFIs to have to provide loans to the poor with little or no guarantees while at the same time ensuring the financial health of the institution. The control director of an MFI pointed:

> *'We cannot go and do social, we forget that we need to generate revenues to pay employees. If you stay in social, it means the company is bound to disappear. So, what are we supposed to do? … we are subjected to CSR audit that allow us to know and we have already done two CSR audits I think, we have reports here with critics relative to gender, we put an emphasis on that. Our strategy was to see what we can do, we do not do that voluntarily because you cannot tell me that because they said we need to finance 40% of women, even if a woman does not meet the conditions, we finance her because we need to achieve our social objectives. We must also follow our financial objectives while making sure that we do not start deviating from the people for which we were created.'* (MFI D)

In summary, the fact is, the nature of the target clientele further accentuates the limited resources problem as due to their poverty level, microfinance clients have low savings which does not match the demands by these clients for loans to engage in revenue generating activities. These challenges may lead to a tendency of moving upmarket to not only have a more stable and greater source of revenue but also to get access to larger savings from wealthier clients. The findings of this study demonstrate how the nature of the target clientele act as an obstacle for the MFIs in the achievement of their goals. The poor is an extremely risky clientele as they often lack education or proper collaterals for their loans (Basu et al., 2004; Karnani, 2011; Britzelmaier et al., 2013; Schicks, 2013). The low level of financial literacy is even more present in developing countries where people believe that loans are 'free' or likely to be waived by government intervention (CSFI, 2018). Due to this nature, it is difficult to provide financial services to this group of people in a sustainable manner. Therefore, MFIs have to engage in creative thinking, sometimes improvising, in order to find ways to achieve financial inclusion while remaining financially sustainable.

#### 4.2.2.3 Competition

Informants reported that the microfinance activity became more difficult over time due to the increased level of competition. The greatest competitive pressure comes from the downscaling of banks although the high number of competing MFIs also poses problems. As an example, the branch manager of MFI J highlights the challenges posed by increasing competition

> *'Then you have competition out there, you have internal challenges and external challenges…yeah, the market pressure, most especially now is the banks. They are gradually getting into microfinance activities…the payroll of some companies that we used to have, you know some companies have some salaries that you do not really see the need sending the salaries to a bank, yeah, they are now going for those payrolls, we are now competing with them.'*

Banks downscaling implies that they ease access to their services by making these services more affordable. By doing that, the banks are able to tap-in into the upper clientele of MFIs whereas these MFIs need that clientele in order to cross-subsidise the lower-income segment or keep on providing financial services to the poor in a sustainable way. At the level of savings services, by reducing the amount necessary to open an account, banks divert potential savers that would have gone to MFIs. This accentuates the limited resources problem that MFIs face due in great part to the low level of savings and the short-term nature of these savings. We should note that, these banks are able to attract the less risky clients of MFIs by proposing them higher loan amounts knowing that these clients will not be able to evaluate properly the consequences of having a higher loan amount without necessarily needing it due to their low financial literacy level. Some practitioners of member-based MFIs even pointed to unfair competition from banks and shareholder-owned MFIs who both target maturing clients of cooperatives, clients who are lured by the perspective of now being able to belong to a bank. This makes it difficult for these category one MFIs to benefit from the time and efforts invested in empowering their clients over the past years. The CEO of MFI W explains:

> *'Because in our environment we have cooperative MFIs like us, we also have MFIs that are PLCs. that is, those I would say are essentially capitalistic, they come to do business and make money. While we who are cooperatives we have this duty of inclusion, sometimes we do not necessarily make money on a customer but we include him...this can make the market a little tense because it is a form of unfair competition where some put costs to train customers and others are there just to poach them and exploit the business side…sometimes we have these members who in difficulties are clients there, indebted there and this sometimes come and compromise our loan.'*

Indeed, the MFIs incur costs related to the loss of the investment in training and social preparation from clients leaving and the opportunity cost of losing older, more experienced clients who are most likely to graduate to larger loans which are more profitable for the institutions (Chiumya, 2006).

Also, the intensity of competition lead to an over-indebtedness issue in the microfinance sector as clients engage in multiple borrowing attracted by the aggressive commercial techniques of competing MFIs. The findings reveal that due to the intensity of competition, most of the microfinance borrowers are clients in more than one MFI and these borrowers usually repay a loan by taking out another bigger loan and the cycle continues. A client will keep on borrowing from one MFI to repay a loan coming to maturity in another MFI up to the point where the client gets stuck and the one that loses is the MFI from which the client borrowed last. MFIs in SSA point to the threat that easily available credit from multiple lenders could exacerbate over-indebtedness (CSFI, 2018). These practices have considerable impact on the ability of these loans to actually empower the poor due to the increasing debt burden. We can note the Andhra Pradesh crisis in India that saw borrowers taking out multiple loans until they realised that repaying one loan by taking another gets them into more and more indebtedness (Mahajan and Navin, 2013). In addition, these multiple borrowing practices greatly set doubts on the ability of MFIs to recover their loans and if the MFIs are not able to recover the majority of the loans granted, the financial sustainability of the MFIs is at risk. Indeed, increased competition induces decline in repayments performance (McIntosh et al., 2005).

In summary, as profit making become essential in MFIs, MFIs find themselves competing against each other for clients, particularly for higher-end clients that are expected to provide them with a more stable revenue source. In addition, the downscaling of banks adds extra pressure on the MFIs who need to find ways to differentiate and get their share of the market. With the downscaling of banks and the resulting increase in competition between banks and MFIs for clients, MFIs may reach less clients and thus be less profitable (Vanroose and D'Espallier, 2009; Hudak, 2012). MFIs around the world point to 'unfair competition' with powerful institutions using their advantages to take market share away from smaller and possibly 'worthier' players (CSFI, 2018). Also, based on the empirical findings, it seems that category one MFIs are struggling to adapt to the increased commercialisation of the sector. For them, the increased level of competition that accompanies the commercialisation process mean that they may lose their mature clients to more profit-oriented MFIs. The fact that commercially-driven lenders take over a major part of the wealthier clients, leave socially-driven MFIs in a difficult situation with a client group that does not permit to operate profitably. Therefore, the downscaling of banks in addition to the high number of MFIs in the microfinance sector both constitute major challenges for the MFIs as they try to sustainably provide financial services to the poor. The fact is that the competition is not for small, risky clients but for higher-end clients that provide a more stable revenue source.

#### 4.2.2.4 Uncertain external environment

MFIs in Cameroon face environmental uncertainty owing mainly to external shocks to their target clientele, and delays in the payment of public contracts.

As pointed earlier, the nature of the target clientele of microfinance makes them vulnerable to external shocks. Globally, poor clients are susceptible to shocks with great consequences for them (CSFI, 2018). In the Cameroonian context, political instability and the recent avian flu crises negatively affected the activities in which are engaged a good number of microfinance clients. Political instability in terms of civil wars in certain regions in the country had a negative impact on the activities of small businesses operating in those areas. As such, MFIs with branches in those areas and who financed these small businesses, found themselves with unrecoverable debts that strike a blow on their financial results. The branch manager of MFI S reported:

> *'As of now…the highest difficulty that we have meeting to what we had budgeted is the issue of this political instability that is in the country. Because we have members in yaounde that have businesses in the other regions of the country, that were actually involve in businesses there, that are actually been affected negatively in terms of returns and as such, you find it very difficult to actually pay their loans'*

Also, farmers and breeders constitute a good portion of the portfolio of MFIs and because of the avian flu crisis, MFIs found themselves with a deteriorating loan portfolio quality which as result negatively affected their performance. This makes it difficult for MFIs to keep on providing loans to those types of clients in order to fulfil their social mission as doing that may greatly undermine their ability to be financially sustainable.

Moreover, the financial crisis in the country that results in serious delays in the payment of public contracts. Before this financial crisis, financing public contracts was a less risky way for MFIs to gain extra revenues, so they financed a good number of them. Now delays in payment means that loans are not being repaid by the clients and this creates serious liquidity issues for the MFIs. This means limited financial resources to finance the small businesses of the poor.

In summary, the uncertainty of the external environment in which the MFIs operates, for instance political instability, makes it difficult for the MFIs to achieve their goals. Desa and Basu (2013) argue that macro-environmental forces are likely to affect the resources available to entrepreneurial ventures. Indeed, these challenges related to the external environment reduce repayments rates as clients affected by these situations are unable to repay their loan due to situations out of their control and low repayments rates means poor financial performance. With little or no subsidies, MFIs need to find ways to overcome their resource constraints and be financially sustainable in order to keep carrying out its social mission in the long run.

#### 4.2.2.5 Regulatory concerns

This sub-section presents and discusses the perceptions of the participants on the effects of regulation on their activities. From the analysis of my data, I identified four key issues regulatory and supervisory wise that may have detrimental effects on the ability of MFIs to effectively serve the poor.

**Board members' qualifications**

Bad governance practices at the origin of failures in the microfinance sector was met with stricter rules with regard to board members' qualifications.

> '*Because just recently COBAC decided that all board members have to be authorised, so you do not just appoint any board member, now COBAC would not accept that if the person do not have the qualification or experience to become a board member. So that was one of the problem that all institutions had and which I think now COBAC is trying to rectify'* (Credit director, MFI I)

This change was highly criticised by practitioners of category one MFIs. They argued that their board members ought to be representatives of their target clientele, that is mostly small petty traders who did not necessarily went very far in terms of education. The high qualification requested by law represent a complete different part of society. As pointed by the CEO of MFI T:

> '*And then, the law even requires that board members have a certain qualification which is an abuse because normally in a cooperative, a board member is not necessarily one who has a PhD because the problems, normally in a cooperative all sectors of activities should be represented on the board. We do a lot more of micro-businesses, petty trading and we should have for example representatives of buyams sellam but the regulation says there should be more and more people who have a certain qualification to be on the board. But it is a drift of the cooperative mission*.' (CEO of MFI T)

According to the regulators, the lack of qualification of the board members of some MFIs is the cause of the poor governance and risk management practices as they do not have the capacity to properly monitor management. This is the case in a good number of MFIs around the world where boards are made up of owner-directors or family and friends with little understanding of their role and few skills to contribute (CSFI, 2016). Ensuring a minimum level of qualification would prevent problems and help financial stability of the MFIs. As pointed by one regulator:

> '*The capital providers without the ability to manage the MFIs will end up managing them simply because they are the ones who brought in the money. We will find boards where it is traders or I do not know what who are members, ignoring the role of that is attributed to the board. the MFI can take a competent CEO but who can dupe them because there is no one on the board with the necessary skills to exercise control.*' (Regulator 1)

The argument of regulators may be valid on a certain point as regulators need to consider the quality of proposed managers and board members, and their capacity to administer and govern a regulated microfinance institution (Berenbach and Churchill, 1999) so as to avoid bad governance issues and mismanagement practices. However, the regulation relative to board member qualifications may negatively affect the performance of category one MFIs where board members are important resource providers. Indeed, the essence of a cooperative rely on members knowing each other with existing members bringing in new members. These members feel safe and confident of their MFI when they know there is someone they elected that represent their interests on the board. It's in this atmosphere of trust that the MFI can achieve high repayment rates despite the fact that most of the loans are granted without proper collateral. As such, requiring board members of cooperatives to have a certain educational level may actually impede these cooperatives from achieving their financial inclusion or even the poverty alleviation mission. The opinion of the MFIs goes in line with Vogel and Schulz (2011), who reported in their study that some of the credit unions disagreed with the application by regulators of 'fit and proper' rules for board members and other high-level credit union officials, given that the democratic ideal of credit unions wants that no members be excluded from these important positions.

**Loan documentation requirements**

Informants reported that regulation requires from them to take secure guarantees from borrowers to cover the loan in case of default. The credit director of an MFI explains the difficulties she faces daily when handling loan files of clients that do not have appropriate guarantees:

> '*I will take a simple example right, let's say MFIs and other banks had almost the same regulation like one of the characteristics of MFIs is the fact they finance small enterprises and small enterprises will actually mean people that do not have guarantees for example. They do not have guarantees to present for a loan but COBAC expect us to only give loans to someone that has a guarantee. So, you see that it just actually blurs out what microfinance is all about. So, it starts right from there, and then you realise you have to comply to what they are asking and then you are asking a customer guarantee, that customer that do not have guarantee will go back home whereas that is the person you are normally supposed to serve, you understand. In places like India, the Asian countries they have understood the concept better, and they know how to deal with it, we do not unfortunately*.' (Credit director, MFI I)

Another practitioner pointed:

> '*As the days are going ahead, that's how laws are coming out to actually force the credit unions, my office in particular, to deviate from its original purpose of helping everybody that belongs here. Because now, here it is very difficult for a lay man to have credit from my bank. Why? Because of the need for what, collateral security, and that in itself is an issue that has cost so many of my members not to have access to that credit because most of them do not have what to present here as collateral for a loan. You have a case whereby a member has a very good financial capacity but he has nothing to give you,*

*place aside as collateral and as of now, we are not allowed again to give credit that is not completely secured, 100% secured*.' (Branch manager, MFI S)

As demonstrated by the quotes above, the regulatory constraints in terms of collateral requirements may actually push MFIs to deviate from their original target. However, the bad faith that characterises a certain number of microfinance clients puts greatly client savings at risk if these savings are intermediated to borrowers without requiring a guarantee. With the objective to protect clients' savings and reduce credit risks, regulators have imposed a number of rules relative to guarantees. If those rules would be adequate in the mainstream financial sector, they are not in microfinance. Microfinance's clients are, normally, poor who do not have material guarantees. Therefore, asking for material guarantees reflect a lack of understanding of the microfinance field. Credit risk is generally mitigated through social or psychological pressure. This resonates with Meagher (2002) who puts into question the rationale for documentation requirements, given the fact that MFIs would normally have an incentive to use the types of documents that best ensure repayment. Regulated MFIs subjected to minimum loan documentation requirements find it expensive and time consuming for efficient and effective micro lending activities (Satta, 2004). As a result, loan documentation requirements for MFIs needs to be differentiated from those of banks since as opposed to banks, MFIs handle small loan sizes with short terms to maturity. Indeed, Rhyne (2002) argues that some of the best practices of microfinance conflict with standard banking regulations to which most regulated MFIs are subject to, notably increased loan documentation requirements not suitable for informal business and the non-recognition of standard forms of guarantee used in microfinance, such as group guarantees or non-standard collateral. Thus, requiring specific loan documentation may exclude the target clientele of microfinance thereby restricting the outreach of MFIs.

**Provisioning and liquidity requirements**

Informants reported being greatly affected by the loan loss provisioning and liquidity reserves which they find difficult to comply with, since it implies keeping money aside whereas this money can be given as loans, and thus earning money. As pointed by one branch manager:

> '*The highest difficulty we face in this business is the issue of provision of bad debts. Even from my way of presentation, you will come to discover that, most of the loans that we give out here in this set up are not very secured per se like in the other commercial banks. And as such, we end up provisioning most of those loans, most of what we collect as interest we end up cuffing it again as provision for bad debts.*' (MFI S)

Indeed, regulated institutions are generally required to make high levels of provisioning and this has an effect on their cost of lending and interest rates (Ayayi and Peprah, 2018). High costs of operations are translated into higher interest rates which reduce accessibility of microfinance services to those who are not able to afford the interest rates. For this reason, some of the informants admitted ignoring sometimes the rules in order to be able to achieve their financial inclusion objective.

> '*Meaning that if you look at my portfolio, its not actually in accordance with what the government expect me to do. There are difficulties at the lending department, even at the level of liquidity issues. We are expected by law to hold at least 30% of our balance sheet as typical cash, but in terms of difficulty it's something that at times, its not very attainable. Because, when you look at that idea of matching up your expenses with your income and you think of it and also given the minimum, that is the small interest rate that we collect from our members, and you think of stocking that amount of money in the bank somewhere to just lie there idle without doing anything, it actually does not make sense. It does not sound like business at all, so most at times, we are forced to go below what they expect.' (*Branch manager, MFI S)

Portfolio risks is inherent to MFIs due to the nature of their loan portfolios which are more volatile since mainly composed of unsecured loans or loans backed-up by unconventional collateral that may be difficult to enforce legally. This may explain why regulators usually poses limits on the amount of unsecured loans in an MFI's portfolio and require their provisioning. However, high loan loss provisions are not appropriate for microfinance, who mostly have uncollateralised loan portfolios, as the requirement may render micro-lending impractical. The accumulated charge (as a result of the provision expense) for current loans would produce a massive under-representation of the MFI's real net worth (CGAP, 2012). This may thus penalise MFIs which have to include additional provisions in their expense statements. In addition, as the quote above indicates, MFIs are also subjected to higher reserve requirements to guard against liquidity risk. Indeed, liquidity risk in MFIs is higher than normal in financial institutions because of the strong contagion effect of repayment problems in the microfinance market (Meagher, 2002). Thus, MFIs are required to hold a certain amount of deposits as reserves. The reserve obligations earns little or no interest thereby affecting the profitability of MFIs since the money could be used elsewhere (Lhériau, 2005). Also, if set too high, the reserve requirements can come at a cost because the available resources are held as idle funds instead of investing them in earning assets (Braun and Hannig, 2006) or distributing them as loans to the poor.

**Insufficient supervision**

Considering that regulation and supervision goes in pair, it seems logical that supervision came up as major issue during the interviews. The MFIs essentially pointed to the limits of regulators with regard to the supervision of the microfinance sector. They do not seem to understand how despite the reporting requirements they fulfil, there is still some MFIs closing and the presence of unlicensed MFIs in the sector. The fact is, there are many MFIs operating without a proper license and those MFIs that even possess a license fail to display their license number and corresponding category. This contribute to the confusion that exist in the sector between category one and category two MFIs where the former engages in activities strictly reserved to the latter without being authorised. Category one MFIs engaging in the activities of category two without them having the necessary capacity is part of the problem that lead to the failure of these MFIs. The closures of MFIs actually undermine the public's trust with regard to the microfinance sector and thus makes it difficult for those MFIs who really want to sustainably provide financial services to the poor. One branch manager noted:

> '*they do not even trust MFIs anymore because those opening microfinances now are adventurers as well, they come to mobilise customers' funds and run away because that's what happens but where are these regulatory bodies, what are they doing, microfinance close every day and the public they are dying everyday with frustration. Dying of heart attack because they kept money and the next day is not there, so they need to review that*.' (Branch manager, MFI J)

The branch manager further added:

> '*people do not trust microfinance anymore, why, it's because there is no regulation now anybody can get a license that's why anybody, some people even exist without license; so that's why it's making the sector even more feared, that's not supposed to be like that. Those, there are people that really want to do business, they really want to do banking but the others are just tainting the name otherwise*.' (Branch manager, MFI J)

The practitioners not only point to the limited number of regulators when compared to the large number of MFIs, but also to the inexperience of the regulators who they argue do not usually know what microfinance is all about, leading to insufficient and probably ineffective supervision. One practitioner pointed:

‘*And then for the COBAC to come back in the same MFI after a control, I think we have to wait even 5 years. For some, COBAC never go to control. Yet the work of COBAC as a gendarme, as a regulator is highly important. So, my perception shows that there are texts that are pretty good but the means of implementation are slow*.’ (Legal Director, MFI D)

Similarly,

‘*believe me there are some people that work at the banking commission, there are some people that are sent out as administrators whereas they do not know microfinance*.’ (Credit director, MFI I)

The regulators on their side acknowledge the necessity to increase supervision so as to further limit the risky practices in the sector. But they point to resource constraints, which particularly affect onsite supervision. So, availability of resources and other factors such as complaints from clients, donor organisations, newspaper articles constitute the criteria for onsite supervision. These findings resonate with past research that has pointed that in developing countries, regulatory authorities lack a clear understanding of microfinance methodologies and a requisite staff to carry out effective supervision (Brownbridge and Kirkpatrick, 2000; Gallardo, 2005). For this reason, regulators face enormous challenges when it comes to supervising the microfinance sector (Okoye and Siwale, 2017; Chaves and Vega, 1992). Also, the findings suggest that it is the insufficient supervision in the sector that has resulted in the growing lack of trust in the microfinance sector. And this greatly affects the ability of MFIs to achieve their financial inclusion mission because every time they go towards a potential client, the latter has a negative perception of MFIs may be due to what the client has heard from others or due to the negative experience the client had in the past with an MFI who closed. The Strategy director of an MFI explained:

'*if you do a survey of the population, the major part do not really have trust in microfinance anymore. Why, because they say they can close overnight because there have been black sheep in the past who joked with the public's money, including money from savers. It has tarnished the image of microfinance, and I think it is on that basis that they are changing the regulations*.' (MFI L)

Similarly, the CEO of MFI R pointed:

'*it is true that the state gendarme should also be more present on the ground and when an MFI opens without being approved, they should not let her evolve. Well, the state should do it because we still see MFIs that evolve two, three years before they are given an injunction to close but why wait two or three years. If the state was more present on the ground, then quickly he would see that and the microfinance sector today is totally handicapped by that. Because when we approach people, "oooh microfinance, no, do not talk to us about microfinance, you open today, you close tomorrow". So, black sheep did that*.' (CEO of MFI R)

In summary, analysis of the data suggests that insufficient supervision led to an influx of private individuals adventuring themselves in the microfinance sector with the hope of making money while escaping to the supervision of overburdened regulators. It becomes crucial for regulators to not only adopt a more conservative regulation with regard to entry requirements but also to increase their supervisory capacity so as to ensure the sustainability of the microfinance sector.

**Table 5: Challenges related to dual missions**

| |
|---|
| **Limited resources** |
| Low availability of subsidies and low level of savings that both constitute cheap sources of finance |
| Limited financial resources constrain human resource mobilisation |
| **Nature of target clientele** |
| Very risky target clientele in terms of poverty level, informal activities, and low level of literacy |
| Loan recoveries quite difficult and this affects repayment rates, thus putting at risk the commercial mission |
| **Competition** |
| Downscaling of banks who tap-in into the upper clientele of MFIs |
| Unfair competition from banks and shareholder-owned MFIs who both target maturing clients of cooperatives |
| The intensity of competition results in an over-indebtedness problem as clients engage in multiple borrowing and this ultimately affects loan repayment rates |
| **Uncertain external environment** |
| External shocks that negatively affect the activities of microfinance clients and thus puts at risk loan repayments |
| Delays by the government in the payment of public contracts that constituted an important revenue source for MFIs |
| **Regulatory constraints** |
| Stricter rules on board members’ qualifications which may impede category one MFIs from achieving their poverty alleviation mission |
| Increased loan documentation requirements that may exclude the target clientele of microfinance thereby restricting the outreach of MFIs |
| High provision and liquidity requirements causing available resources to be held as idle funds rather than distributing them as loans |
| Insufficient supervision resulting in the growing lack of trust in the microfinance sector, and thus greatly affecting the ability of MFIs to achieve their financial inclusion mission |

## 4.3 Chapter Summary

The principal objective of this chapter was to describe the microfinance sector in Cameroon, drawing on the interviews with regulators and MFIs, and on relevant documentary review. This allowed us to address our first research objective of obtaining a better understanding of microfinance in Cameroon.

This chapter has provided empirical details of the context in which this research is conducted, first with regard to general information on the Cameroon as a country, then with regard specifically to the microfinance sector. It also highlighted key concerns of the setting that constrains MFIs. The national context of Cameroon shows that, despite economic growth over the years, Cameroon still faces various challenges such as inequality and poverty. This chapter has made an account of how the Cameroonian microfinance sector has evolved, progressively professionalising and commercialising as a result of the tightening of regulation over the years. The microfinance sector, although recognised important by the government for its role in addressing poverty, still faces various challenges in terms of the nature of the target clientele, resource acquisition, intensity of competition, uncertain external environment, and regulatory constraints. These challenges greatly diminish practitioners' emphasis on the social mission as they try to achieve financial sustainability. Therefore, similar to past studies, this study shows that the MFIs studied face difficulties as they attempt to achieve their dual mission (Battilana and Dorado, 2010; Mair et al., 2015), especially in a context of resource constraints as it is the case in developing economies.

In summary, the research context here provides the reader with information, on the Cameroonian microfinance sector, that lays the foundation of the next chapter on findings related to how MFIs overcome their challenges to achieve dual social and commercial goals.

# CHAPTER 5 – BRICOLAGE AS A DUAL-MISSION MANAGEMENT STRATEGY IN MFIs

The aim of this study is to understand how MFIs in Cameroon overcome the challenges related to their dual goals so as to achieve social value while maintaining financial sustainability. The research and empirical context (Chapter 4) suggest that MFIs in Cameroon face a certain number of challenges as they attempt to achieve both their social and commercial missions. These challenges include limited resources, the nature of the target clientele, intense competition, an uncertain external environment and regulatory constraints. The analysis of the data gathered from the MFIs reveals that to overcome their challenges the MFIs engage in bricolage practices. Informed by my theoretical perspective and based on the data collected, this chapter presents the findings on the use of bricolage as a dual-mission management strategy in Cameroonian MFIs. It first explores the bricolage practices employed by MFIs to overcome the challenges related to their dual goals. The chapter then continues with findings regarding the resulting outcomes of the bricolage practices. Finally, the chapter presents case vignettes of two MFIs as additional evidence of how the MFIs use bricolage to deal with their constraints and the resulting bricolage outcomes.

## 5.1 Bricolage practices in MFIs

The analysis of the data revealed that MFIs refused to be limited by the challenges related to embedding competing commercial and social missions by engaging in bricolage practices to overcome them. The main bricolage practices include going beyond procedures, creating social value, renewing the business strategy, developing strategies to mitigate risk, persuasion, employing network bricolage, building a repertoire of experiences and employing resource bricolage.

### *5.1.1 Going beyond procedures*

Going beyond procedures was observed in the loan transactions with clients. This was a response to the fact that due to the nature of their activities, the MFIs' target clientele are exposed to unexpected situations or external shocks that put at risk the financial sustainability of the MFIs in terms of loan recovery and the social mission of the MFIs in terms of providing financial services to a risky market segment. The practitioners sometimes needed to adapt the procedures when faced with an unexpected situation brought up by the client rather than remain rigid to the procedures in order to find a workable solution for all parties. This adaptation involved the renegotiation of loan contracts, experimentation with different forms of guarantees and assembling information on the credibility of clients.

| *First-order categories* | | *Second-order themes* |
|---|---|---|
| • Renegotiation of loan contracts<br>• Experimenting different forms of guarantees<br>• Assembling pieces of information | → | Going beyond procedures |

**Going beyond procedures (Excerpt from Data Structure in Figure 1)**

Informants reported that in certain cases they had to renegotiate loan contracts with clients when it became impossible for them to pay back the loan due to events beyond their control. Instead of directly seizing the guarantee of the client, the MFIs may decide to refinance and ease the borrower's repayment procedure by rescheduling the loan or waiving the interest on the previous loan.

> *'We came with contracts that we had to renegotiate with the customers and well you know management always think of procedures like this is what it has to be, this is what is suppose or used to be. But then, looking at reality, let's be objective this person cannot pay that money. Now let's look for a means to have a win-win negotiation and a few of those files have been repaid and the customer has paid. We have waived some charges*

*and they have paid what they had to pay and we have gone separate ways… So, so far it's not just about the position of a branch manager and this is what you have to do every morning and all that. But, you need to live with the real situation on the ground, so we go beyond procedures to ameliorate, to amend the procedures.'* (Branch manager, MFI J)

I also found that the practitioners sometimes needed to find a compromise solution for guarantee requirements by adapting the requirements according to the client's situation. Due to the peculiarity of each client, the practitioners will go beyond the requirements of a standard formal guarantee and determine a guarantee on an individual basis with the client. This flexibility allowed them to improvise and experiment with different forms of guarantees in order to increase accessibility to their services.

*'It depends on the person in front of you, like the guarantee, what I can take as a guarantee for you, it's not the same thing that I would take if it's another. It's really not the bank where as soon as you need credit, you need to have this guarantee, it's different we do not do bank, it's another activity.'* (CEO, MFI T).

Moreover, the MFIs chose not to be constrained by the informality of their target clientele but rather to make do by assembling bits and pieces of information they gleaned from the answers to the questions they asked their clients. This allowed them to have an idea of the credibility of the client and their capacity to repay the loan despite not having an appropriate guarantee. A conversation with the clients—and even with their neighbours—helped in providing workable solutions.

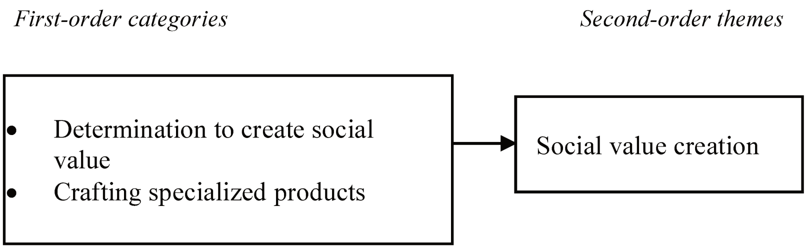
*'I can do a visit to the customer, I arrive at the customer, I sit, we make small talk that has nothing to do with his activity. But for him it is that we are talking, he is happy as I came to visit him. But I'm here I'm observing his activity, I'm even observing the number of customers he has, he does not know. And even when he comes to open an account, there are questions that I ask him like that, that is, questions to know a little bit how he works. Or we ask questions about his private life in the form of a joke, but this joke for us is an element that allows us to know also the person in front of us…sometimes in the jokes we can realize that even in his neighbourhood with his neighbours, when he takes (a loan) he does not repay, you see a little. it's an element that allows us to analyse the person.'* (Branch manager, MFI U)

As the above quote demonstrates, practitioners gained intimate knowledge of their clients through close observation, familiarity and repeated encounters.

To summarise, by refusing to be limited by the riskiness of their target clientele, MFIs went beyond procedures in terms of renegotiating loan contracts, trying out different forms of guarantees and assembling information on the credibility of the clients. This allowed the MFIs to increase their outreach to the disadvantaged through flexibility and ease of access to financial services, thus achieving their social mission.

### *5.1.2 Social value creation*

The practitioners demonstrated a drive to overcome difficulties and a willingness to find ways to fulfil their stated social mission. They were committed to creating social value, as they showed determination and crafted specialised products for the poor.




**Social value creation (Excerpt from Data Structure in Figure 1)**

Providing financial services to the poor posed a major challenge to the practitioners, and solving these challenges required commitment. The practitioners leveraged their motivation to create and enhance social value. One interviewee stated:

> *'before, we only intervened in urban areas but for about three years now we decided to go to rural areas where people are poorer, where other MFIs do not want to go because those are people who have nothing. We decided to go there and it is in this that we think we dared, go in the depth of the bush touch the Cameroonian lamda in the depths of the bush and I assure you that after three years when we tried to do a review, I could give you a copy of the review that we have. I assure you, you can sink a tear after, we really helped the poor to get out of poverty.'* (Marketing director, MFI D)

Similarly, the communication manager of MFI B stated:

> *'There are zones here in Cameroon where there is no internet connection or roads but we are there, we make the effort to go to these places because we know that there are needs, that there is a population, we know that there are elites in town who need to take care of their parents to the village.'*

Being determined about creating social value helped the MFIs identify other ways to sustainably provide financial services to the poor. In this regard, they designed specific products for the poor. Indeed, as a response to the financial imperatives they need to attend to despite the social goals, MFIs design specific products for the poor, which allows them to achieve their social mission without jeopardising their commercial objectives. For instance, MFI S, like many MFIs, is confronted with the fact that their target clientele does not have the necessary guarantees to secure a loan. Faced with this constraint, MFI S decided to develop a product that would allow them to resolve the challenge they face. The branch manager explained as follows:

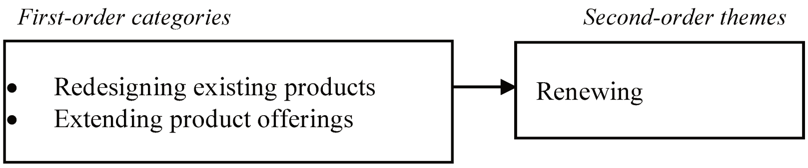
> *'We are working on a product that is actually trying to shift away from these demands of collateral securities from members that do not have. It's by developing some sort of, we call it ndjangui finance. From our research, we discover that most of our members that are members of most small group of loans in the quarter have low tendency of defaulting those trade and loans associations…And since I was fearing in giving out money to these members, it's because of the fact that they might not come pay back these loans when they are expected to pay these loans, we are trying to pass through these their small small groups in the quarter to grant them small small micro loans. As such, expanding our scope of reaching all our members… The union is now sharing that credit risk with the ndjangui there and since it is the group, it's not just easy for the group to just turn out and disappear, at least, they also facilitate to make sure that the money actually comes back here in the union.'*

In the case above, the members of the groups act as shortees for the clients so they can get access to the loans. Specific products for the poor that are in the form of group loans allow catering to the poor and also managing the risk in serving them, as group members share the risk with the MFI. Informants reported relying on suggestion boxes and discussions with clients to understand their needs and subsequently develop different kinds of products adapted to their situation. All the MFIs stress the implementation of specific products for the poor as a way to attend to the needs of their poor clientele and thus avoid mission drift.

To summarise, guided by their social mission MFIs craft specialised products, such as daily loans and social sales. This allows the MFIs to counteract the limitations of serving the poor and provide products that suit the needs of their target clientele despite the increasing pressure from shareholders to maximise profits.

### *5.1.3 Renewing*

As a response to competition and limited financial resources, MFIs needed to think differently and review their business strategy by extending the product line to include new products and redesigning existing products to improve sales. There is a necessity for MFIs to change as fast




**Renewing (Excerpt from Data Structure in Figure 1)**

as the environment is changing, to invent new sources of profit and to adjust business strategies through product innovation and the redesign of existing products. As one practitioner stated:

> *'Today, innovation is the money transfer service using mobile phones so we are evolving to meet up with the competition, as I said we decentralize because we realized that young people prefer more the mobile phone transfer service.'* (Communication manager, MFI B)

Indeed, the practitioners were busy determining clients' priorities and redesigning the existing products, notably money transfer, to meet their needs.

In addition, competitive pressure pushes MFIs to expand their product offerings, provide accessory products and develop products for less risky market segments. By targeting different market segments through a wide range of products and services, MFIs are able to extend their outreach while maintaining their social mission. One practitioner explained as follows:

> *'but over the years, activities, businesses have been taking another form, so we are just simply adapting to keep on doing business. Like before we were not having diplomate cards, we were not having atm machines but today we have these visa cards, we have atm machines, we do the tele compensation, and all that. So, it's just to meet up with the challenges and the realities of modernization.'* (Branch manager, MFI J)

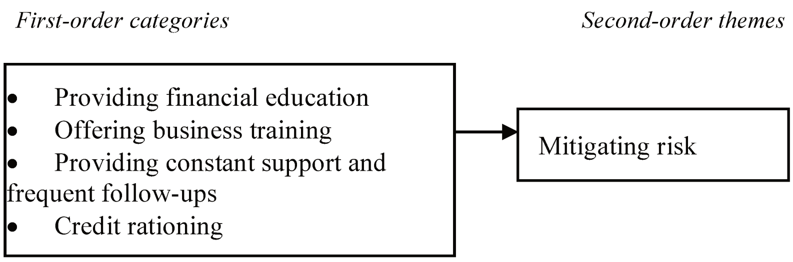
By expanding their product and services range, which includes innovating at the level of the products, MFIs are able to cross-subsidise and thereby target a wide range of clients rather than just focus on the poor. MFIs may do this in order to somewhat offset the high riskiness of poor clients with the low riskiness of less poor clients and to ensure that 'everybody feels they belong' (branch manager, MFI J). This is further supported by the quote below:

> *'we have many products, what we offer are reliable investments to people who do not have access to banks, microfinance is committed in this sense, which means that there is a wide range of products in microfinance because we try to reach everyone with regard to investment'* (accountant, MFI AA)

In summary, one of the main challenges of MFIs is to fund mobilisation, so targeting only poor clients does not allow MFIs to sustainably finance their activities. This is why MFIs develop a wide range of products and services—so as to have not only people excluded from the traditional banking sector but also big customers that can bring in huge amounts of money. In this way, they are able to balance their social and financial imperatives.

### *5.1.4 Mitigating risk*

Another way MFIs overcome the constraints related to serving the poor is through strategies that will partially mitigate the risks associated with the microfinance activity so they do not suffer huge losses by granting risky loans that may undermine their sustainability in the long run. The MFIs mitigated risks by providing financial education, offering business training, providing constant support and frequent follow-ups and rationing loans.




**Mitigating risk (Excerpt from Data Structure in Figure 1)**

Some MFIs made it a priority to provide extended support to their clients so they could use the loans more effectively. They noticed that clients sometimes lack the basic skills needed to fully utilise their loans and required further support. Using the resources they had at hand, they offered financial education and/or business training to clients. On one hand, the MFIs needed to raise awareness with regard to the financial services they offer and their uses so that the clients can truly benefit from them in terms of improving their living standards. On the other hand, they needed to coach and counsel clients, empowering them so they can effectively carry out revenue-generating activities. The marketing director of MFI D explained the training programme they designed specifically for the farmers in their portfolio:

*'We train our clients…we train farmers, but this is a specific program where we pay consultants who may be agronomists who go to the villages to do training sessions on how to properly maintain cocoa farms, how to grow tomatoes. We've even created some booklets…So, we do not just finance the customer, we make sure he uses the credit appropriately. So, there is this training aspect which is a point of honor.'*

In addition to providing financial education and business training, MFIs will go further to increase the chances of clients' business activity being successful. This is accomplished by providing constant support to the client throughout the duration of the loan, as well as frequent follow-ups and visits to the client to check their progress and verify that the loan is being used effectively and for its intended purpose. Indeed, due to their low literacy level, clients commonly engage in multiple borrowing and also divert the purpose of the loans. Basically, the MFIs put in the time and effort to support and follow-up clients at every step of their empowerment process from disbursement of the loan to repayment. This is evidenced in the extract below:

*'Maybe you have someone who does breeding…we go with the client, we buy the chicks, we buy the chicken food, from time to time we make unexpected visits, are the vaccines done. I tell you, we cannot do miracles, that's what we are trying to do and we feel that once all these conditions are met, in principle it should work.'* (CEO, MFI Q)

Relative to providing extensive customer support to borrowers, these MFIs' practices allowed them to achieve their social objective in terms of empowering the poor while minimising the risk that loans would not be repaid due to poor utilisation of the loan. Here, MFIs expect that providing extensive customer support in addition to loans to poor clients will progressively improve borrowers' ability to manage follow-on loans, increase the repayment rate and thus enable the MFIs to attain their dual goals. However, MFIs face difficulties providing extended support to clients in practice due to limited human resources and insufficient time. This further pushes practitioners to overwork and to use their own time to overcome the resource constraints and make frequent visits to clients' businesses.

The MFIs also mitigated risk through credit rationing. In a certain way, credit rationing allows MFIs to focus on the small clientele, as they are able to include the maximum number of people from diverse sectors of life by granting small loans. Indeed, some MFIs fix annual limits on the amount of loans to be attributed to each area of activity so as to be able to finance the maximum number of people from different sectors of activity and to minimise risk by not concentrating risk on one person or sector of activity.

> *'It's a necessity because, you know that Cameroon is a poor country, underdeveloped country, everybody needs money. Not just Cameroon everywhere in the world, if you say today that I am giving 2 million loan to everybody that wants it, Cameroon's money will not be enough because everybody wants it. So, in order to be able to manage objectives, manage liquidity as well because we do not have the world's money you know, so in order to make sure that we can meet our objectives, make profit without getting into a crisis, we must be able to allocate looking at the previous years and the financial environment or the economic environment, we are now able to allocate that. this is what we would do for this area and this is what we will do for this other area.'*
> (Credit director, MFI I)

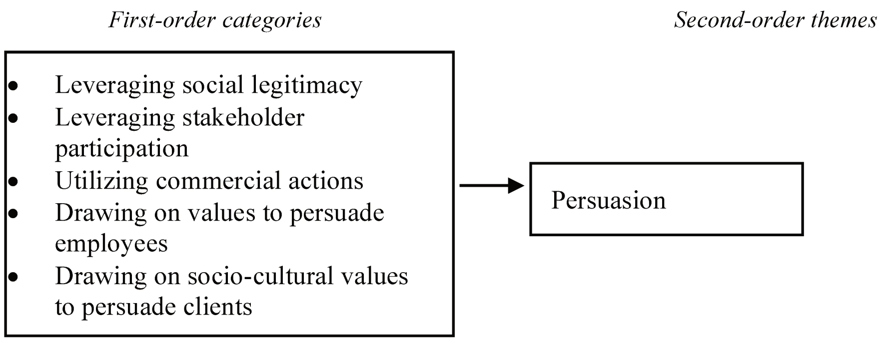
Some MFIs set loan size caps or average loan size caps to ensure they do not only focus on the less poor but also cater to the very poor. One practitioner stated that:

*'Now, we have the concern of not concentrating risk on one person, so we define loan ceilings, which also allow us to finance the maximum number of clients possible.'* (Assistant CEO, MFI K)

In summary, all these practices are done with the financial sustainability objective in mind. In this way, they are mitigating risk to be able to protect savings, which is the main source of finance for MFIs, while still providing loans to the traditionally excluded. By mitigating the risks related to the nature of their target clientele, they are able to maintain their social mission by empowering the poor while ensuring their financial sustainability.

### *5.1.5 Persuasion*

As they engage in both a social and a business endeavour, MFIs face serious challenges in terms of having a sustainable business model while targeting the poor, particularly with increased competition from competing MFIs and banks. The MFIs use diverse tactics to persuade their stakeholders, including demonstrating their social legitimacy, leveraging stakeholder participation, using commercial actions, drawing on values to persuade employees and drawing on socio-cultural values to persuade clients.




**Persuasion (Excerpt from Data Structure in Figure 1)**

The need to demonstrate both their social and business legitimacy was frequently mentioned by the informants. They use a variety of persuasive tactics to ensure social legitimacy, including engaging in CSR initiatives and espousing the government agenda. Demonstrating their engagement in CSR practices, such as charitable donations, and their willingness to create social value will help increase their legitimacy in the eyes of external stakeholders through positive public perception, thus facilitating access to extra resources fundamental for their survival and growth.

> *'In reality, an MFI should have a social aspect so as to always stay loyal to her primary mission and also more to CSR, which is a concept today. We need to accompany, share the fruits of growth with the environment…that's effectively how the enterprise differentiate itself, on that level, on the aspect of trust, of accompanying the disadvantaged, in donations.'* (Strategy Director, MFI L)

The CSR practices were also widely promoted on the websites of MFIs, helping to clarify their interest in achieving their social mission. For instance, on their website MFI Y demonstrates their social engagement through excellence scholarships granted to students at select schools. An emphasis on CSR initiatives by some MFIs may be explained by the fact that these MFIs are more risk-averse, focusing more on protecting the interests of their shareholders and savers. This pushes them to limit their social mission to doing CSR so they will still be seen as organisations with a social purpose.

In addition, demonstrating their willingness and ability to create social value by serving rural areas and framing their products in alignment with the government agenda will reinforce the MFIs' legitimacy and provide them with financial support from the government. The extract below illustrates how an MFI tried to persuade the government of their interest in the agricultural sector, which is a neglected sector, so that they may be perceived as legitimately eligible for potential financing:

> *'I will take an example, like this year about three weeks or so ago, the ministry of medium size enterprises, of agriculture, and of finance, they are always trying to think what can we do to encourage financing of the agro pastoral area. Because you know it's very productive but the entrepreneurs, its more entrepreneurs that do not have all the facilities, financial and technical…so when we see that the government is going in a certain area, we also try to increase our investment in that area. because if the government is going in that area, definitely they will give subsidies and stuff like that. So, in order for us to benefit from it we have to explore the area more so that we can benefit from that and be able to help later. So, we must be able to put packages like this is what we are going to do for this area.'* (Credit director, MFI I)

The MFI above expanded its market to offer loans to people in the agricultural sector. In this way, they can be perceived as legitimately eligible for subsidies directed towards the agricultural sector. These subsidies allow the MFI to fulfil its social mission without jeopardising its commercial mission. It should be mentioned that the external legitimacy the MFIs acquire also facilitates access to contracts with the government with regard to payment of salaries to civil servants, representing a more stable and regular source of revenue. This stable revenue source may in a certain way enable balancing the unstable revenue derived from providing loans to the poor.

The MFIs needed to persuade stakeholders to obtain their participation, stakeholder participation serving as a means to acquire resources or increase outreach. The data revealed that MFIs try to persuade stakeholders by focusing on improving the quality of their service. Service quality aspects include renovating physical facilities, being professional, listening to clients, savings protection, proximity finance and a welcoming spirit. Practitioners were aware of the importance of good quality service. One practitioner commented:

> *'we need to have the best of quality of service to be able to maintain the customer because they have a choice to leave you.'* (branch manager, MFI J)

For instance, an attractive and interesting website signals to the stakeholders an established and professionally run company. In addition, receiving clients in a modern facility helps in securing their trust in the MFI, as it may demonstrate the financial stability of the MFI. Practitioners reported the importance of providing quality services that satisfy their clients so they remain loyal to the MFI. For example, MFI E's Deputy CEO talked about the importance of ensuring customer satisfaction:

> *'We have another value that we embody and that is a value of our own, it is to ensure customer satisfaction. it is a value that really because we realized and we understand that today to remain sustainable and all that, a viable business should ensure the satisfaction of its customers. When you ensure the satisfaction of your customer, the customer is loyal, it means he stays with you and it allows you to make your firm profitable in the long term.'*

Indeed, faced with competitive pressure, MFIs tried to convince and attract clients through customer satisfaction. When satisfied, clients can engage in word of mouth (WOM) recommendations. Relying on satisfied clients and referrals is an affordable way to increase outreach.

> *'Its time our best ally because the few that trust us, when they are satisfied, they go back and talk to others…so I think our best ally is time, the time we do, the way we treat our members and all that and the fact that the people who trust us are satisfied and talk*

*about us around them. It's a bit like that. Us we do not go to the media yet…but its proximity. For the moment its proximity, given our size too'* (CEO, MFI R)

In this case, staying close to the client and offering proximity finance not only helps create satisfied customers who will remain loyal to the MFIs but also helps bolster the reputation and corporate image of the MFIs. In addition, as the quote above suggests, commercial actions such as advertising in media outlets form part of the MFIs' repertoire of persuasive tactics to increase their outreach. One practitioner explained that:

*'It (commercial strategy) is door to door, word of mouth, that is, you come and consume, you taste our products and you go and tell others that there is good, go there. Its mostly that. it's true that there are times when we communicate in the media and to also try and make us known in the field.'* (Branch manager, MFI U)

The MFIs also needed to persuade employees to ensure their commitment. The data revealed that sharing vision and values was a means of fostering employee commitment and participation in fulfilling organisational goals. The vision and values of the MFIs were communicated among the entire staff at every stage of employment, including recruitment, to familiarise them with the requirements to work for a social purpose. For example, when asked whether the vision was known and shared by every employee, the young CEO of MFI Q responded:

*'Yes, my staff here for example, yes. When you arrive it's the first thing, you saw here the specificity of our microfinance is that the staff is young, I do not know if you noticed, they are all young. And we arrived, we were presented with a project, we joined the project, we found the project first commendable, it's true you will tell me it's not an NGO, we are not an NGO, we do not do in the social only. But I told you as a category*

*one microfinance, it is first of all the well-being of all members which prevails even if there is an aspect of profitability, it is normal and everything. Because everyone who puts up capital would like to sit at the end of the year and have dividends, you see, but the goal is shared by all the staff.'*

These values were shared in different ways during the employee experience. During field visits, we saw the values posted on office walls, and secondary data indicate they appeared in an internal journal, in brochures and on websites. These values were also repeated in regular meetings and training courses. The MFIs reported the reason for this focus was that they wanted their employees to be involved in, identify with and commit to the institution's goals and missions. For example, MFI D reported the importance of having staff that understood the vision of the MFI:

*'Our mission is to "provide sustainable access to people excluded from the traditional financial system..." That's our mission, and all the staff have this mission. Sometimes even it is displayed in certain offices, in all our branches it is displayed and all of this is accompanied by our values that we have defined and which are also recited… So even at the start of the meetings, we say (name of MFI), everyone answers IPER (abbreviation of values). It keeps values instilled in everyone's mind. And I'm even went further, I created the IPER magazine which is our internal magazine which will come back on our shared values, make sure that each member of staff appropriates it and conveys these values every day… to say that we at least follow a well-defined vision and everyone internally knows exactly where we are going.'* (Marketing director, MFI D)

This values sensitisation seems to have been effective for the employees interviewed, causing them to reflect on their awareness of the values and mission of the MFI and the implications for their work. The employees experienced a sense of meaning and relevance vis-à-vis their work in the MFI. For example, some interviewees stated:

> '*Working in an EMF is fascinating because we have to deal with a fairly sensitive clientele and we get out of the very formalist framework… It's not automated, in banking everything is automated, but in microfinance it's not the formula, he does not have this what can we do for financing, so it's a challenge and it's dynamic.'* (Legal director, MFI D)
>
> *'To be honest this is a very exciting sector. It is so fascinating that almost five years ago, I was asked to work at (name of a bank), I refused to go to the bank because the feedback I had from the banking sector friends or collaborators who went to this sector there, it is too limited. You are assigned to a position, if you are in charge of clients you have a portfolio, so really you have no fields of action, it's too routine and I know myself I do not like to do the routine… Not only does it stress me out but I feel useless and that is what I would have had at a bank. Even at home I had problems because not everyone understood how I refused to go to (name of bank) they said that but MFIs close every day, you should not go there. I told them that in microfinance I am learning and really, I am in this sector and I am fulfilled. I'm fulfilled because every day we learn, it's a very dynamic sector I say hyper. It is not only dynamic but every day we have new things to learn and from one MFI to another we have whole new things to discover.'* (Deputy CEO, MFI E)

Raising awareness of the goals and mission may help employees to more easily align with the organisation. In this way, employees are more likely to remain committed to the MFI. It is important to point out that stakeholder participation here is not limited to clients or employees; any stakeholders can help the MFI acquire additional resources.

Persuasive tactics also involved drawing on socio-cultural values or norms to achieve organisational goals. For instance, the MFIs used socio-cultural values to exert social pressure on clients who were not repaying their loans. As the findings above showed, the nature of the target clientele of microfinance usually results in MFIs accepting non-standard guarantees with no legal value in loan files. For this reason, MFIs commonly have to improvise and come up with creative recovery methods when the clients default, given not only the difficulty to cash in the guarantees but also the existence of bad faith clients. They draw on their knowledge of the client and sometimes the client's cultural beliefs to try out different methods that will allow them to recover their money. These methods mainly rely on exerting social or psychological pressure on the client. For instance, the CEO of MFI Q explained how they used a religious figure to convince a client to repay a loan.

> *'we have little tips that we usually use. I take a recent case, as he is Muslim, we had already reminded him for the loan, he could not (pay), we went to see his imam. We know that when the imam speaks, he will understand. His imam spoke and a few days later, he started making small instalments.'* (CEO, MFI Q)

It is the pressure to achieve financial objectives by avoiding a loss that prompts practitioners to come up with creative recovery methods that will allow them to achieve high repayment rates.

In summary, in a context where there is intense competition and a poor image associated with MFIs due the high failure rates in the sector, MFIs resort to persuasive tactics to achieve their organisational goals. The empirical findings above illustrate some of the persuasion tactics used by MFIs to gain external legitimacy and mobilise resources and participation from stakeholders and thus extend outreach. This is fundamental if the MFIs expect to fulfil their dual mission.

### *5.1.6 Network bricolage*

In a context of resource constraints, collaborating with external partners was another way the MFIs used to access the resources necessary to effectively achieve their social mission. Engaging in network bricolage by working with external partners allowed MFIs to use the additional resources obtained from these partnerships as means at hand. Network bricolage involved building financing partnerships, commercial partnerships and other external partnerships.

*First-order categories* *Second-order theme*

Networking through:
- Financing partnerships
- Commercial partnerships
- Other external partnerships

→ Network bricolage

**Network bricolage (Excerpt from Data Structure in Figure 1)**

Due to their efforts to alleviate poverty, some of the MFIs had the opportunity to collaborate with the government and NGOs, who provided them with financial input to further their social mission. Basically, these financing partnerships entail providing MFIs with funds they will redistribute to the poor in the form of loans with very low interest rates. The government generally imposes strict conditions relating to the interest rate and the target recipients to ensure the goal of reaching the poor is achieved effectively. The interest paid on the loans covers the MFIs' operating costs, while the capital will be given back to the government when the projects are terminated. Thus, MFIs are able to access a cheap source of funds to finance very small clients at very low interest rates without negatively affecting financial performance, thereby fulfilling both the commercial and social demands. The MFIs were constantly searching for these financing partnerships, which according to them were fundamental in order to achieve their social mission. As the branch manager of MFI H stated:

> *'We need these partnerships because the category one MFIs are essentially viable with partners. It is not an easy task to always put in money into a business which is not profitable. The people we want to help include financially are targets very difficult to handle, to retain and their money are so small that they cannot give the organization a strong capital'*

Those MFIs that have access to financing partnerships are able to resolve the limited resources problem to a certain degree and offer financial services to the poor.

The MFIs also collaborated with external partners through commercial partnerships. This proved useful not only in terms of extending their product range but also in terms of increasing their revenue sources. With the help of commercial partners, MFIs were able to offer value-added products, such as money transfer and insurance services, in addition to the basic loan and savings services, and this facilitates increased customer satisfaction. In addition, these commercial partnerships attract a type of clientele other than petty traders and street vendors, thus allowing the MFIs to tap into a less poor clientele and consequently maximise their revenue sources.

> *'Commercial partnerships are to increase our products, it's also to maximize our revenues, because when we do money transfers, we have commissions, the partner has his commission…it increases our revenues.'* (Branch manager, MFI U)

Commercial partnerships allow the external partners an additional outlet to sell their products, while the MFI gains extra revenue through commissions and provide their clients with a wide range of products and services the MFI would otherwise have been unable to offer. The extra revenue may help support the achievement of the social mission.

Furthermore, the data analysis revealed the MFIs mobilised several other external partners (incubators, competing MFIs, consulting firms, suppliers, local shops) to gain access to various resources necessary to better serve their clients or reduce their operating costs. For instance, MFI Z partnered with incubator centres to tap into their knowledge and expertise and thus be able to finance the entrepreneurial projects of young people while minimising the risks involved in financing start-ups. In a similar vein, MFI D undertook a joint project with another MFI to serve rural areas by relying on the physical presence of the MFI in those rural areas. This allows MFI D to reduce their operating costs as, rather than serving these rural areas directly, they collaborated with an MFI already operating there. This collaboration helped both parties to further their social mission with minimal additional costs, thus attending to both the commercial and social missions.

To summarise, by collaborating with external partners MFIs were able to build on the resource complementarities of their partners to better cope with the resource constraints and co-create value. In the case of financing partnerships, MFIs are able to mobilise financial resources that allow both the MFI and the partner to achieve their objectives in terms of poverty alleviation. Indeed, with the additional resources obtained through financing partnerships, some MFIs were able to serve rural areas by offering specialised products rather than the classic savings and loan products that did not necessarily match the needs of the very poor in rural areas. Commercial partnerships allowed them to extend their product range and gain extra revenue by acting as a distribution point for their partners. Other partnerships, such as those between the MFIs themselves, allowed achieving the social mission of both partners. In addition, collaboration with highly legitimate actors, such as the government or renowned commercial partners, contributes to the MFIs' legitimacy and thus increases their chances of acquiring additional support in the future.

### *5.1.7 Repertoire of experiences*

Faced with difficulties related to the nature of their target clientele, employees frequently engage in an exchange of experience, drawing on past experience and self-taught skills to find solutions to their problems.

| *First-order categories* | | *Second-order themes* |
|---|---|---|
| • Exchange of experience<br>• Drawing on past experience | → | Repertoire of experiences |

**Repertoire of experiences (Excerpt from Data Structure in Figure 1)**

Employees' opinions and experiences of their work were shared during regular meetings and in day-to-day exchanges. This allows staff to deal with certain challenges encountered in their daily activities, thus contributing to problem solving. An internal controller reported the benefit of the frequent exchange of experiences:

> *'We have weekly and monthly meetings. Weekly is to do the inventory of the previous week with difficulties. So, the director or his deputy in view of the experience they have for having already encountered a problem of this kind, they can say that ok on this problem you could have managed that like that. And it's also an opportunity to share experiences and you are also planning for the week that starts, so if there are tasks pending they can help you.'* (MFI D)

MFI employees are encouraged to share their experiences and opinions with their managers any time, such as in weekly meetings. For example, a branch manager stated that:

*'During work meetings…Everyone gives their idea, what do you think, what can we do to get things going. We try to share experiences.'* (MFI P)

Sharing experiences not only strengthens relationships among the staff and encourages teamwork but also improves employees' performance at work.

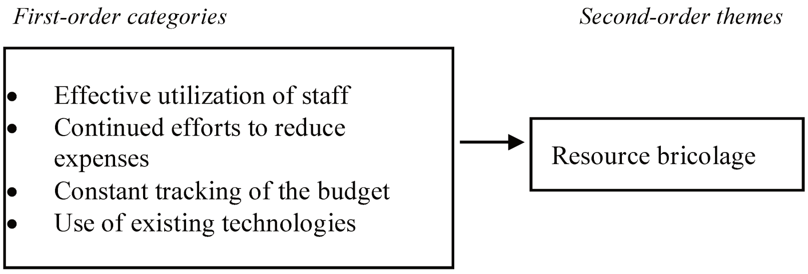
Practitioners were also able to find new perspectives and solutions to problems using their shared experiences and knowledge. For instance, the control director of MFI D borrowed banking methods and applied them in the MFI to improve the efficiency of employees in terms of risk analysis.

*'I even had to draw on some of the methods that were specific to banks to be able to do the risk analysis. It was not easy. Let's say that I had to do my best to be able to use banking techniques to apply them to microfinance.'*

In summary, the findings suggest that microfinance practitioners make do by drawing on their repertoire of skills, knowledge and experience developed over the years. This allows them to deal with the challenges related to the riskiness of their target clientele, thus strengthening their ability to effectively achieve their social mission.

#### ***5.1.8 Resource bricolage***

In a context of resource constraints, MFIs have to manage their limited resources effectively to achieve their objectives. Therefore, practitioners engage in bricolage to manage their resources and to search for more innovative or efficient solutions. The practitioners engaged in resource bricolage through the effective utilisation of staff, continued efforts to reduce expenses, constant tracking of the budget and the use of existing technologies. Using resources efficiently and economically allows MFIs to invest more resources in their activities.




**Resource bricolage (Excerpt from Data Structure in Figure 1)**

Multitasking was used a means of fostering effective and full utilisation of staff. Employees were trained in different tasks to enable them to carry out different functions simultaneously in case of human resource constraints. One practitioner stated:

> *'Solutions is that we find palliative means you see a little. Normally the internal control should perhaps review all the operations in an agency, in a unit, I take an example. We do not have the resource to go every time to redo the work of others, so what we do is we, the term is what, not that we decentralize, but it is that we entrust them with the task, you see and then we supervise. That is to say, well, I'm supposed to come and control, verify that the past operations are okay, the supporting documents and all that. As I cannot be there every time I train you to do these operations, that's how it should be, you have to do this, all right and if you have a problem, you come back to me. That makes that today if I have 11 branches, that's 11 branch managers, that means that I have 11 more controllers who will take care of doing part of my tasks in the ranches. It's like that. We find the means like that to make it work.'* (Internal control manager, MFI F)

The findings show that the staff regularly have to multitask in their daily activities due to the limited human resources. Another practitioner stated:

*'You know is a microfinance and irrespective of your job description you find yourself doing almost everything, you are a computer operator at the same time, you assume responsibility of a teller sometimes, then you do the RO job and some small control.'* (branch manager, MFI J)

Ensuring full utilisation of the staff sometimes involves reorganising their activities. The control director of MFI D stated:

*'I came here I changed the vision, the perception they had of control. I shook up habits, the controller who only remains there writing reports is a little bit outdated. So, we have a more proactive control, that is, you yourself you are there to correct. You do not stay away and do as if you were not part of the system. We had to change that because I am someone who loves action, I do not like inertia.'*

and

*'Now for the staffing, we have objectives that, we set objectives and we evaluate those objectives and we make recommendations to make sure that the staff, they are fully utilised.'* (branch manager, MFI J)

In addition, the MFIs try hard to reduce their expenses. 'We actually balance that scale of income and expenses here by minimising costs to the lowest possible level' (Branch manager, MFI S). They call on staff to be responsible and efficient in using the firm's resources. Some of the MFIs make employees accountable in case of the improper use of resources. For instance, the branch manager of MFI J used service notes to remind the staff of the proper use of resources. He stated:

*'With materials we make sure, because we have service notes, we sent service notes all the time, if you are negligent with an equipment and it gets bad, you are liable for that. So, its not just replacing but to make you to understand you have a responsibility to make sure that this thing is used the way it is supposed to be. You do not do unnecessary printing with company's ink and papers, you print your personal documents and all that, the lightning, going home turning off the machines and lightning, the tap and every other thing. The furniture, we have a responsibility to protect that.'*

During field visits to one MFI, I observed an accountant telling the internal controller that he could not print the document he asked for because there was no paper. The internal controller took a used paper from his table that only had print on one side and asked the accountant to print on the other side. This allows the MFI to reduce costs by saving on stationery.

The MFIs improve and/or transform business operations by leveraging digital technologies. The use of existing technologies helps them manage their existing resources. For instance, the founder of MFI V reported that they used the computer software put in place by their sponsor bank to calculate their daily loan caps. Encouraging staff members to work in a more digital way by using digital tools, such as communication platforms and software, allows the MFI to manage their resources more effectively. This will lead to improved performance.

*'I will take an example, when I launched credit cards, visa cards, they thought we had to manage it manually, I said no that it can be centralized from the headquarter because in the spirit of employees, up to even the CEO, they thought we will take a thousand cards from visa and we distribute it to the different ranches to sell, it's not like that. So, I set up an application with the help of IT of course that allows customers to place the order, us, we have information here in the headquarters that this customer in this ranch*

*has ordered a card. Us, we make his card, we customize at the level of the headquarters and send it ack. So, when the card arrives in the ranch, it arrives personalized. Now it's not more that manual way where people sell blank cards.'* (Marketing director, MFI D)

The MFIs work on improving their way of functioning and thus the quality of their service by digitalising activities. Using existing technologies greatly reduces the time and resources that a certain activity will require.

The findings reveal that MFIs try to find an equilibrium between resources and expenses through budget management. The CEO of MFI M stated:

*'In the month, there was a canvas that had been established and it was necessary to stay in it, trying not to raise the social charges because after the payroll, it is the operating expenses that consume a lot of resources. And we have to be sure, even if at a given moment there are resources, we must be sure that these resources will become permanent before starting to increase the costs. Because some charges you increase them, after you cannot go back whereas the resources may vary from one period to another, then you will not be able to catch up afterwards.'*

The MFIs generally had a budget to guide them in achieving their social and commercial objectives. One practitioner stated:

*'Well, first every beginning of the year, each branch ... in fact before the beginning of the year we have the provisional budget that the branch prepares, the branch prepares its provisional budget taking into account the realities of his branch in his action plan for the coming year. The budget arrives at the Headquarters, there is the management control that reworked this budget and it comes back to us as the final budget. That is, we first work on the objectives, the objectives being set, we have a budget to follow. So,*

*every time we have to make sure that on this aspect I am progressing to reach the goal, this other aspect is not right, what should we do. We come back to analyze what we said in the action plan, did we achieved what was in the action plan to be not respecting the budget. it's a bit like that we try to control to achieve the social mission and the commercial mission. it is the budget that is our guide mostly.'* (branch manager, MFI U)

To summarise, the MFIs studied operate in a context of resource constraints and therefore engage in resource bricolage through the effective utilisation of existing resources to reduce operating costs. Cost reduction subsequently allows the MFIs to provide affordable products and services to their clients and thus increase their outreach.

## 5.2 Bricolage outcomes

The analysis above highlighted eight crucial types of bricolage activities: going beyond normal procedures, social value creation, renewing, mitigating risk, persuasion, network bricolage, repertoire of experiences and resource bricolage. The data suggests that these bricolage practices developed by the MFIs may create organisational benefits by leading to three outcomes that strengthen the social and commercial missions of the MFI: (a) resource mobilisation, (b) legitimacy building and (c) increased outreach.

### *5.2.1 Resource mobilisation*

Activities geared towards mobilising resources involve identifying and accessing resources essential to the achievement of the MFI's goals. Such resources include human resources, financial resources and any other form of resources that seem relevant to the MFI. These resources were essentially mobilised through persuasion, network bricolage, resource bricolage and by drawing on a repertoire of experiences (see Figure 7). For the MFIs to execute their social mission, they must first obtain resources, such as financial resources. The findings reveal that the MFIs emphasised gathering financial resources, as this enabled them to achieve their social mission without sacrificing their commercial goals. For example, the findings showed that network bricolage in the form of financing partnerships involved accessing financial resources from external partners and motivating those partners to contribute to the social cause through persuasion.

Beyond mobilising financial resources to finance the poor, the MFIs also needed to mobilise human resources who believe in their social cause and thus put in the necessary effort to achieve the MFI's goals. Therefore, the MFIs spent time persuading employees and sensitising to their vision and values so they remain dedicated to the social mission. The MFIs were thus able to leverage stakeholder participation to help achieve their objectives. MFI J, for example, encourages a working environment where employees can express their opinions regarding the functioning of the organisation, thus keeping them motivated.

> *Our staff members benefit from an open corporate climate in which everyone can express and share ideas and views. Each staff member has a great deal of leeway to contribute to decisions.* (Website content, MFI J)

Through resource bricolage, the MFIs were able to reduce their operating costs, thus sparing extra resources for their social endeavours. Further, with human capital in short supply, the practitioners greatly relied on their repertoire of skills and experiences. Drawing on this as a kind of resource helped them find workable solutions to their challenges.

Successfully employing all these different types of resources improved the MFIs' ability to sustainably provide financial services to the poor. For example, some MFIs used the financing partnerships to offer specific products to the poor at low interest rates while still gaining commissions from loan repayments, thus fulfilling their social and commercial missions.

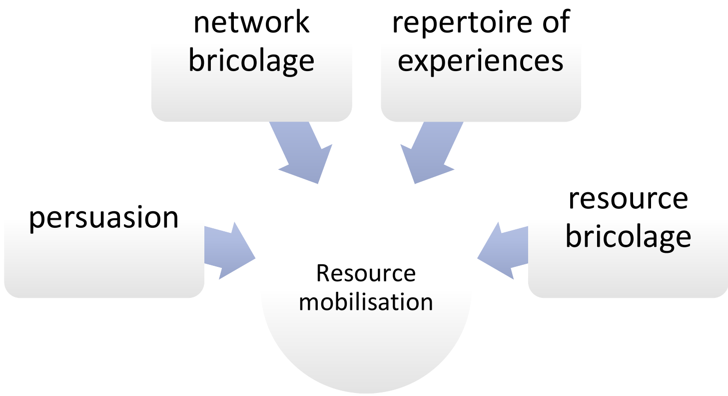



**Figure 7 Bricolage to mobilise resources**

***5.2.2 Increased outreach***

MFIs use bricolage practices to increase their outreach in terms of their products and services. The practitioners reported the kinds of social impact they made through their everyday activities. They solved the financial exclusion problem by providing products to the poor that suit their needs and at flexible conditions. They identified the specific needs of the poor and put in extra effort to respond to those needs by providing extended support. To increase the depth of outreach, the MFIs did not just provide specific products for the poor but provided extensive support to clients who required it. Providing extended client support significantly reduced the risks involved and thus allowed the MFIs to increase their outreach.

Bricolage practices geared towards raising awareness about the MFI (customer referrals, commercial actions, CSR actions) and renewing the product portfolio to have products that respond to the needs of a wide range of clients allowed the MFIs to increase their outreach. In addition to renewing the product range, commercial partnerships also helped the MFIs to increase their outreach as the products and services of commercial partners attracted clientele other than the poor.

In summary, the MFIs demonstrated determination as they did not hesitate to 'go the extra mile' to increase accessibility to their services or to meet their social objectives. They used several strategies to increase outreach, including going beyond procedures, social value creation, mitigating risk, renewing, network bricolage and persuasion (see Figure 8). The aim was not only to reach the maximum number of clients but also to ensure catering to the poor. The practitioners expressed feelings of joy and satisfaction when their social goals in terms of increasing their outreach were met.

> *'Social performance I will say, it's because we have taken dispositions to help people that do not get help elsewhere. we are able to be happy with the performance but when people get help and stuff like that. And like I said the help is not for free, it's not help really, help in quote, we can consider as help because you do not get it elsewhere but it's not really help, it's just services that are cheaper than elsewhere. because there are getting it already, we are happy with our effect on their social life, socially.'* (Credit director, MFI I)

Positively affecting the lives of others makes the practitioners feel useful to society and thus even more determined to continuously gather the necessary resources to effectively achieve their social mission.

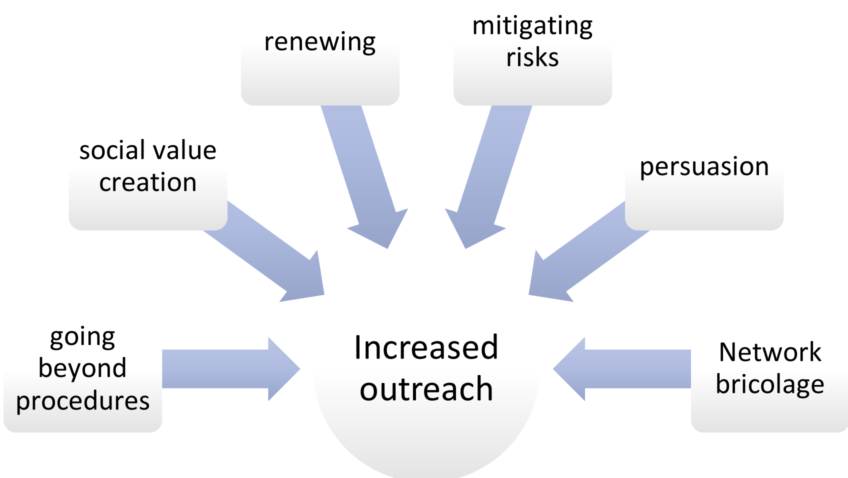


**Figure 8 Bricolage to increase outreach**

### *5.2.3 Building legitimacy*

Legitimacy building reflects how the MFIs utilise all their means to acquire legitimacy from their stakeholders and maintain it. The MFIs needed to convince or persuade others to contribute to the pursuit of their goals. The MFIs in the study gained legitimacy mainly by engaging in CSR initiatives, espousing the government agenda and partnering with well-known organisations.

MFIs can gain legitimacy when they engage in socially responsible actions, such as CSR, and provide social help by aligning their interests with those of the government. Bricolage practices in the form of persuasive tactics and networking have several positive effects. The MFIs increase their visibility, as they become well known and recognised by their stakeholders. This recognition and legitimacy is later accompanied by increased access to opportunities and resources that will allow the MFIs to meet their social and financial goals. Moreover, having a solid financial base will further reinforce the MFIs' legitimacy, as they will be perceived by their stakeholders as professionally run.

In summary, the findings indicate that persuasion and network bricolage are two means the MFIs use to acquire and maintain legitimacy (see Figure 9). These actions are important, as they facilitate the acquisition of resources.

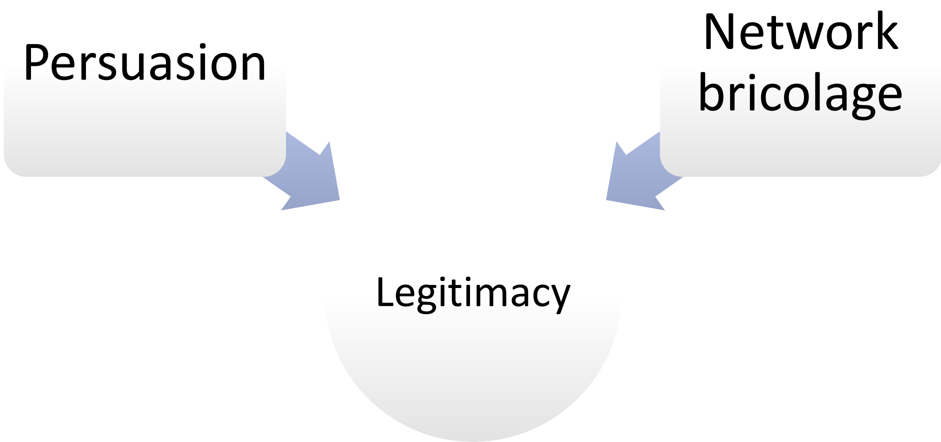



**Figure 9 Bricolage to build legitimacy**

## 5.3 Case vignettes

By focusing on two MFIs, the purpose of this section is to provide additional evidence of how MFIs employ their bricolage practices and of the outcomes that result. The following two MFIs were selected because they were information-rich cases. Each case vignette is structured following the three bricolage outcomes identified in the previous section.

### *5.3.1 MFI D*

MFI D was created in 1999 as a government project with financing from an NGO and the European Union. The project was under the guardianship of the Ministry of Small and Medium-Sized Enterprises. As the project became profitable, the state decided to privatise it. In 2005, the MFI became a public limited company with shareholders from the private and public sectors. When they were still a government project, the MFI offered only microcredit. Their main mission was to fight underdevelopment and ease access to financial services for those excluded from banks. However, over the years the MFI progressively extended its product offerings to include other types of products, such as savings, money transfer and insurance.

1. Mobilising resources

The MFI addressed resource constraints and mobilised resources by combining the internal resources they had on hand with the resources acquired from their external partners. This was done through four main bricolage practices—persuasion, network bricolage, a repertoire of experiences and resource bricolage.

Internally, they made an effort to achieve cost efficiency. This was done using existing technologies and by ensuring full utilisation of the staff. The control director implemented software that allowed the MFI not only to reduce the number of controllers employed but also to render the existing controllers more efficient. This helped in reducing overhead costs. The control director stated:

> *'We moved up a gear, which was to set up a system for the calculation of anomalies found in the processing of files for each function…It is this approach that I bring to MFI D and which allows us today to push operational staff to work because the management committee also appropriated this, the board, the audit committee, we agree with this logic because it allows people to not just recruit, recruit. Because every time there was a problem, we took a new controller to add to the team. So, I start with a team of 29, as of today, I have 24 people. All this is because there was an ineffectiveness in the operational, they did not want to work, they said that no if I do not do the controller will detect and correct without disturbing me. We put them face to face with their responsibilities'*

Performing activities efficiently helped lower operating costs and freed up resources to invest in fulfilling their dual goals.

In addition, with limited financial and human resources, the MFI balanced its social and financial goals by networking intensively with external partners likely to contribute different kinds of resources and even provide extra revenue in the case of commercial partnerships. For example, through their partnership with another MFI they got someone else to distribute their loans in rural areas. For MFI D, it meant that they did not have to invest in opening a branch in the rural area, which would have been expensive. Instead, they could get by with a partner MFI doing the job for them. This allowed them to minimise the costs involved in providing financial services to people in the rural areas. Network bricolage helped them to resource bricolage through efforts to reduce costs.

> *'We sign partnerships with people for example the cost of credit which cost us more to go to distribute the loans in the villages, now we have signed agreements with ... (Partner MFI).'* (Control director)

Furthermore, because of the nature of the guarantees they accepted, it was sometimes difficult for the MFI to recover their loans. Therefore, they used social pressure to incentivise the clients to repay their loans. The use of social pressure combined with some creativity or even manipulation to recover their loans enabled them not to jeopardise their financial performance.

> *'Of course, and as I said, we are dealing with a clientele that is not very educated, that did not go to school. So, if we respect the rules of law, it will not work for us, we try a lot more to play on the psychological aspect. For example, we will go to the client's house at 6 a.m., we arrive there and stick on their portal, house for sale. You imagine, we come we stick on your barrier, house for sale at 6am, when his neighbours pass by, they say oh well we did not know you were selling your house, the same day he called us, he said do not come anymore paste that poster on my portal, we said that no, you have put your house as collateral, we are going to sell, he comes directly to settle its debt. But from the legal point of view it is not allowed that we go to do that but as we know that he does not know, we come and we stick, house for sale. We know that when*

*the neighbours will see that, they will start to say that, that guy, who in the neighbourhood is boasting, we are selling his house and the kongossa of the neighbourhood is going fast, eeh the neighbour owes the money to MFI D.'* (Marketing director)

The MFI drew on its repertoire of experiences and knowledge to find solutions to recovery problems. As the findings suggest, they demonstrated creativity as they deviated from existing practices relative to loan recovery, drawing on their own ideas to quickly recover loans from clients. Their repertoire of experiences formed the basis to successfully persuade clients in terms of recovering loans.

2. Increasing outreach

The bricolage practices employed by the MFI to increase their outreach in terms of products and services include going beyond procedures, social value creation, renewing, mitigating risks, persuasion and network bricolage. Specifically, in the face of challenges related to the nature of their target clientele, the MFI demonstrated determination to create social value and increase the outreach of their services. One interviewee stated:

> *'So, if we only had the financial imperatives, we would have gone to a much higher level but as we also have this social concern, this social mission, we do not leave the little ones, when we grow up we also develop products adapted to their needs.'* (Internal control manager)

First, with the financial help of a donor, they decided to open branches in rural areas so as to be able to finance agriculture. In this way, they were able to achieve their social mission of financial inclusion.

*'We even decided to open, in the strategy that was developed by MFI D supported by (Name of donor), we were allowed to open ranches in the outskirts, in the villages to finance agriculture. Today, our portfolio of 21 billion has at least 2 billion dedicated to farmers…All this is to try not to stay in urban areas but also manage what is happening in the outskirts, that is to say, we should not say that because this branch does not have the very small enterprise, its' not profitable, we are also trying to make a profit but by taking into account the financing of the poorest people.'* (Control director)

Second, MFI D developed the KIVA programme in collaboration with an NGO. This programme caters specifically to the rural poor by providing very small loans. It combines different elements, such as providing loans for farming, livestock and poultry rearing; business training to the beneficiaries with the help of handbooks developed for the specific purpose; and frequent follow-ups and monitoring of the activities carried out by the beneficiaries. Classic microfinance services did not suit the needs of this poor clientele, and there was a need to develop specific products for them. In this way, the poor were not only given loans to carry out income-generating activities but were also provided with training to enable them to effectively exploit the money received.

*'There is support that we do especially for customers in the agricultural sector, there are training that we organize most often. It's not everyone that has a farm that can transform what they have and market it or increase production to be able to sell on the market. So, there are trainings that is to say that not only do they benefit from the credit that gives us interests but also we resort to some agricultural consultants who do training for them especially for breeding and agricultural activities.'* (Internal controller)

In addition, the MFI recognised the strong correlation between the lack of or insufficient follow-up and business failures, resulting in a high number of defaults. As a result, the programme included frequent follow-ups and site visits to ensure the clients were on track.

*'Follow-up because our loan officers have an obligation to visit clients on a well-defined frequency and the visit is to look at whether he has used the money for the investment for which he has solicited it because that is one of the big reasons for non-repayment. He comes to ask for the money for his plantation and when you go back to see him two days later, you realize that he has taken a new wife. So, he used that to go endow his wife or he used it for something else. So, we must monitor the investment. Did he actually use the money for the purpose for which he requested it and it is this close monitoring that will allow the client to have the pressure to repay.'* (Marketing director)

The MFI also organised financial education sessions as a means of raising awareness regarding the use of loans, reminding clients of the importance of not diverting the purpose of the loan. Moreover, the MFI reported on the importance of sensitising the clients towards regular savings, as this would not only allow the clients to save some money but also to repay their loans more easily.

The MFI combined loan repayments with external funding to cover their costs and continue providing these specific products to rural clients. Indeed, they reinvested the revenues from the KIVA loans in their social mission. The internal control manager stated:

*'The income from Kiva loans, we do not use it to redistribute in terms of dividends, no, we only use them towards social works. It translates in terms of customer support, customer training, for example we can gather breeders. We even produce the documentation and we take an expert who will train them and so on, so that's it.'*

For the programme to be successful, the MFI demonstrated a certain flexibility with the type of collateral required and experimented with different kinds of guarantees. One MFI representative explained that:

> *'A buyam sellam of the market will not be able to find you a land title in good and hard form, she will tell you that no, I rather have my cousin who works somewhere who can back me up, conventional banks do not know that. Or maybe the person says they have their shop, look at what I have in stock and you see what you can take as collateral, I can put my TV, my gas stove as collateral, that, the banks cannot do and we microfinance so we found the way to that.'* (Marketing director)

In this MFI, depth of outreach was achieved by combining bricolage practices that complemented each other. Determination to create social value led to the development of a specific product for the poor with flexible loan requirements and extended support for the beneficiaries. All this was possible because of the resources the MFI acquired through network bricolage. In this regard, achieving depth of outreach requires the successful interaction of social value creation, going beyond procedures, mitigating risk and using network bricolage.

On another side, as a response to competition the MFI engaged in persuasive tactics, such as commercial actions or sponsoring to increase their outreach. During field-level commercial actions, they relied on the full use of the staff, with everyone acting as sales agents and receiving the necessary commercial training on new products.

> *'Here, we launched the operation "all sellers", all sellers mean that anyone, whatever the level in which he is must be able to sell the product of the institution… So, everyone is supposed to be commercial at their level up to the driver who is supposed to be commercial. So, the sales person is not a thing of cashiers or account managers. Everyone is concerned whether it's loan officers, branch managers and even the*

*headquarters. And to do this I set up what are called product sheets which summarizes all of our products in great detail and I made a sales pitch and I gave to all the staff. When there is a new product to be launched, we organize training sessions where we invite everyone, we are not limited to those who are at the front office, we invite everyone… And I organize prospections throughout the city where we go down to prospect in an area for the benefit of a ranch and all the departments are invited, the auditors, the IT specialists, everyone. We dress with the name of the MFI and we go to the markets.'* (Marketing director)

In addition, they worked on improving the way of serving their clients by digitalising activities, modernising their website, developing short message service banking and establishing call centres. These things helped create satisfied customers who will remain loyal to the MFIs and even attract other clients.

*'So, we have for example, mobile banking, SMS banking, from your phone you can type a code and that gives you your balance at the MFI. It allows us to stand out from the competition because the competitors do not do that yet.'* (Marketing director)

Archival data shows that they even used social networks to interact with clients and increase their visibility.

Another way they try to sustain their competitive advantage in the market is by extending the scope of their offerings with additional products and services. First, they created commercial partnerships that allow them to offer other kinds of products, such as Visa cards, mostly targeted towards a less poor clientele. Because the MFI was keen on reaching as many people as possible with their products, they extended their product range to include other products targeted at other market segments.

*'Well now we are developing, it is true that we cannot leave small customers but we are trying to attack SMEs while associating other diversified products that is to say that we no longer just want to focus on credits. We have other products like transfer, bank card, health, car insurance. We want to diversify with other products that will accompany the loan products.'* (internal controller)

They were able to perceive that consumer tastes were changing and employed a renewal strategy. In particular, one interviewee recognised that their clients were maturing, and there was a necessity to meet their demands to ensure their loyalty. This was an opportunity for them, one they intended to profit from through an ambitious plan to open a small and medium-sized enterprise (SME) counter that would cater to higher-end clients. In addition, some of their maturing clients were already operating SMEs, and therefore the move towards targeting higher-end clients by opening an SME counter appeared to be the right course of action for them. A representative explained that:

*'Customers are even our reason for living. If the customer is not there we cease to be, it is the customer who pays us. This is why we put them at the centre of our concerns, you will see, all the products are adapted to the client's needs. It is because, our customers that we have taken maybe at 1 million have grown, have exceeded our loan ceiling and demand a little more that we are now creating an SME counter, so the customer is in the centre of attention.'* (internal control manager)

The SME counter is expected to improve profitability further and even allow the MFI to cross-subsidise the low-income segment. The MFI argued that the SME counter will allow them to be more competitive in the market. The control director stated:

*'When we remove this loan ceiling and create the SME counter, it is for the people that want more than 15 million... this steering committee which is in the ministry is giving us the ok for the SME too. If you say that you have the procedures, the mechanism, we are going to allow you to do the SME because we have explained to them that we are not competitive and if we are not competitive, we are doomed to disappear.'*

The MFI separated the business and social aspects by creating an SME counter that only focuses on big clients, while the very small enterprise (VSE) counter handles the poor clients. Each counter has its own separate employees and specific conditions. This came as a response to the fact that the board set a cap on their loans so that they focus mainly on their social mission. The internal control manager stated:

*'So, at first, we focused on microcredit and there were loan ceilings. For a first loan, we could not exceed three million, and the ceiling was 9 million. With time and based on the needs, we had customers who at first borrowed 500 thousand, with the time they also grew up, they reached our ceiling and it no longer satisfied their needs. We went to 12 million to satisfy them and after we went to 15 million for the ceiling. Today, still at the request of customers, we are launching an SME counter for much larger loans, 25 million.'*

The MFI had maturing clients who needed bigger loans and because they could not provide that, these clients went to other MFIs. This was a loss for the MFI in terms of potential revenue in addition to making them less competitive compared to other MFIs who give bigger loans. By creating a separate SME counter in addition to the VSE, they will be able to handle their maturing clients up to the point where they reach the bank level, while still fulfilling the social mission of poverty alleviation. This also allows them to offset the potential losses from the loans to the poor with the huge revenues derived from loans to the less poor.

> *'When we create the SME counter, it's for people who want more than 15 million. We did not deviate from our initial mission, that's why today there is the very small enterprise, and the SME but the SME counter is different from the VSE. The SME are there to handle clients that have become too big and that we believe, today, can satisfy the normal conditions of microfinance, that is, land title, mortgage. So, the conditions to access an SME financing is not the same as a VSE loan. That means, if you want to stay in the informal, you stay there but know that we will never give you 15 million.'* (Control director)

3. Building legitimacy

In a context of high failure rates of MFIs that undermines stakeholders' confidence in the microfinance sector, MFI D had to employ persuasive practices to secure their legitimacy as an enterprise with a social mission. One way they did this was to create a video that summarises their work in the rural areas backed up by testimonies from clients on how the MFI provided them with affordable loans to engage in revenue-generating activities, such as farming and poultry rearing. During my field visits, I observed this video being played on the waiting room TV and clients watching it. By portraying their social value creation and financial inclusion of the poor, the MFI is able to persuade existing and potential clients of their social legitimacy. The social legitimacy acquired through the achievement of financial inclusion allowed them to access financing partnerships with NGOs and the government. These partnerships further consolidated their legitimacy in the eyes of their stakeholders.

The MFI also engaged in CSR practices in the form of donations so as to portray a positive image and thus acquire social legitimacy. Indeed, they implemented a CSR policy meant to guide them towards the achievement of their social objectives.

> *MFI D has implemented a corporate social responsibility policy aimed at good management of external and internal customers (the staff of MFI D) in order to achieve the social objectives that have been developed.* (Website content, MFI D)

Being perceived as legitimate strengthened the ability of the MFI to achieve their social mission, as the clients were more inclined to trust the MFI with their savings. The MFI engaged in persuasion and network bricolage to build its legitimacy.

Summary

The MFI displayed bricolage behaviour by refusing to be constrained by limitations. Therefore, they crafted specific products for the poor. They went beyond normal procedures and experimented with different kinds of guarantees to increase accessibility to their services. Additionally, they utilised all means at hand to achieve their objectives, both external partnerships to finance their social and business activities and pre-existing resources (knowledge, employees, skills).

The bricolage practices employed by the MFI had a certain number of benefits. First, through network bricolage the MFI was able to build up its resource base with the help of partners. Second, the different bricolage practices allowed them to build their legitimacy. This legitimacy paved the way for more resources, which proved to be valuable in the achievement of their dual mission.

In addition, the findings suggest the MFI greatly relied on their financing partnerships to be able to achieve both their social and commercial missions. In a context where donors are rare, they were able to get access to subsidies due to the social legitimacy they acquired in the microfinance sector but also because they were backed by the government, given their origin as a non-governmental project. As such, they constantly had to proactively seek external funding in the form of donations and zero interest loans to help fulfil their social mission.

Moreover, the governing board was key to the success of the MFI. They implemented governance decisions that aimed at fulfilling both the social and commercial missions, particularly the implementation of frequent follow-ups and average loan sizes.

In summary, the MFI greatly relied on their internal and external resources acquired through persuasion, network bricolage, resource bricolage and their repertoire of experiences to increase the outreach of their services. Specifically, the resources mobilised served as a basis for the successful implementation of other bricolage practices, such as social value creation and mitigating risk through providing extended support. Successful social value creation provided the MFI with social legitimacy, which they later leveraged (persuasion) to acquire additional resources through financing partnerships.

### *5.3.2 MFI L*

MFI L was created in 2002 by a group of entrepreneurs, previous bankers, who saw an opportunity in a sector that was still growing. The idea was to invest in the sector and contribute to the development of the microfinance sector in particular and the financial sector more generally. Their main mission is to provide loans, savings collection and specific financial services to people who are mostly excluded from the traditional banking sector. To date, the MFI has eight branches spread around three regions in the country.

1. Building legitimacy and mobilising resources

Similar to many MFIs, MFI L tackles resource constraints and mobilises resources by drawing on their existing resources and resources they acquire from their external partners.

In terms of acquiring external resources, they drew on the reputation they had owing to their seniority in the microfinance market and their financial stability to get access to financial resources, notably financing partnerships.

> *'But we have the possibility of mobilizing equity, we have a very good image on the market, the MFI has a certain credibility.'*

In addition, they engaged in socially responsible actions and aligned their interests with those of the government as way to build their legitimacy. The fact is that when they started, MFI L first focused on short term (ST) profit maximisation to ensure the sustainability of the enterprise. Their social mission was limited to CSR in the form of donations to orphanages. The donations allowed them, despite their profit maximisation objective, to maintain a certain kind of legitimacy among the public as an enterprise with a social mission. They needed to show to the wider public that they are not only a profit-making institution but that they also take to heart their social mission reason why they carry out CSR activities and are even on the way of formalising these social mission-related activities. Due to their reputation in the market, they had the opportunity to collaborate with government. Indeed, they were able to participate in governmental programmes aimed at providing loans to young entrepreneurs in rural areas. In this way, MFI L is able to achieve its social mission and at the same time reinforce its legitimacy in the eyes of the public. They further draw on the legitimacy they acquired through securing governmental support to persuade other external partners.

Further, they have a strategic affiliation to a network of enterprises from which they gain diverse resources. These include coaching on business strategy, learning from the experiences of other firms, notably with regard to digitalisation, and network contacts. This allowed them to also be in contact with other firms affiliated with the network and to form fruitful partnerships. The strategy director reported that joining this network helped them gain information, knowledge and even financing opportunities. He talked about the benefits when participating in the annual meetings organised by the network:

> *'By participating in discussions in the network, we have the opportunity to get in touch with other business leaders, to create partnerships for the financing of activities. By going to the network, we have the opportunity to take advantage of the network and the experience of pioneering companies that have taken a path on which you want to embark, for example digitalization, there are companies that are very advanced in the domain. By going to this kind of talk show, you can gain experience and not make the same mistakes they made in the past.'*

Through the network of enterprises to which they belong, MFI L is able to engage in the exchange of experiences with other companies. This repertoire of experiences later helps them to overcome their daily challenges. The fact is that their external relationships provided them with access to finance and knowledge but also with legitimacy in terms of being a professionally run firm, as they are member of a network that unites well known firms in the economic sector. All this supported mission fulfilment. This allowed the MFI to have legitimacy and be known more in the community of companies.

In summary, persuasion and network bricolage allowed MFI L to mobilise resources and acquire legitimacy. In addition, the MFI also drew on a repertoire of experiences to acquire resources.

2. Increasing outreach

When they started operating, MFI L wanted to avoid the risks related to the nature of the target clientele of microfinance. They focused on less poor clients in order to ensure financial sustainability. However, after 15 years of operation and after securing a certain level of financial performance through their portfolio of less poor clients, they are trying to further their social mission. In this regard, they demonstrated determination to create social value, as the board formalised the social objective. Indeed, the previous strategy director defended the importance of the social objective in front of the board, arguing for the formalisation of the social objectives and the allocation of more resources to achieve the social mission. The MFI decided to craft specific products for the poor that will enable them to increase their depth of outreach and thus empower the poor.

> *'We are actually working on products to support them, we have launched a product which is the credit by daily collection for people who are in the markets who save like 2000, 1000frs per day, we support them with micro credits.'*

These products are characterised by a certain level of flexibility in terms of guarantees required, having a trust relationship with the clients, assembling pieces of information through regular encounters with the clients and practicing progressive lending. For instance, they used money in savings accounts as guarantees, even though the savings only cover part of the credit.

MFI L also relies on the history of the clients and their relationship with the institution to grant the loan.

In addition to the daily collection product that is most common in urban areas, MFI L is also working on designing an appropriate product for farmers in rural areas, taking into account the specific needs of this type of clientele. Being a new product for the MFI and one that they are still experimenting with, the staff will have to associate the new product with frequent follow-ups to ensure the recovery of the loans.

> *'we are actually thinking about the formulation of certain credit-type products suitable for growing, for example cassava, corn, which would be based on the characteristics of these products in terms of reimbursement, in terms of level of funding, in terms of support. And also, it will be necessary to train the managers behind to build their capacity in understanding this type of product and in monitoring the recovery of the debts that will be granted. So, this is a big area of reflection, but we do not currently have products for the financing of agriculture.'*

In the case of the product for rural areas, the MFI is working on adapting the collateral requirements to the situation of these farmers by trying out different kinds of guarantees. Overall, in order to mitigate the risks related to their target clientele and continue catering to the poor, MGI L used frequent follow-ups and sometimes provided constant support to the clients when needed, although they mentioned that providing extended support to the clients is not formalised in their mission. In this regard, MFI L engaged in bricolage practices that complemented each other in order to achieve depth of outreach. This involved combining social value creation with going beyond normal procedures and mitigating risk.

In the face of competition, with clients shopping around more than ever, there is a necessity to cater to a large and diverse clientele and thus create products adapted to the needs of each market segment. MFI L is working on extending their product range and creating new products for new market segments.

> *'Competition naturally leads us to move forward, it means wanting to think differently, competition leads us to innovation, it leads us to launch new products, to be more competitive, to review processes, to review what we do'*

They will also combine these new products with appropriate commercial actions to convince potential clients to buy the new product or service and thus increase their outreach. Indeed, in a context of intense competition for clients, MFI L tries to persuade clients through commercial actions and constant improvement of the quality of services offered to clients. Satisfied clients can then recommend the MFI to other potential clients.

In addition, the commercial partnerships the MFI created enabled them to rely on the resources of their commercial partners to achieve their objectives, particularly in terms of outreach. Selling additional products of commercial partners helped the MFI not only to increase their outreach but also to gain extra revenues to cover operating costs and even to finance their low-income clientele. This all facilitates the financial sustainability of the MFI.

In summary, going beyond normal procedures, social value creation, renewing, mitigating risks, persuasion and network bricolage all allowed MFI L to increase the outreach of their products and services.

Summary

Over the years, this MFI revised their objectives to better include the social aspect. This was done by formalising social-related activities in terms of CSR policy and by the re-integration of a specific product for the poor. The MFI employed social value creation, going beyond normal procedures and risk mitigation strategies in tandem to successfully overcome the riskiness related to their target clientele and thus achieve the social mission of microfinance. They knew the social logic was key to their success because it is the fact that MFIs accomplish a social mission that gives them a certain legitimacy vis-à-vis the public. As such, they developed a product that is specifically customised for poorer clientele with more flexible access conditions, in addition to the products targeted towards a less poor clientele. This allowed them to maximise their revenue sources.

In addition, in this MFI, bricolage was exhibited through network bricolage, where they collaborated with external partners and relied on their network that provided them with links to those with valuable resources and expertise that could benefit the MFI. Networking with financial partners helped reduce the financial burden of the MFI in terms of serving the poor. This also reduced the risk of mission drift and thus helped advance the MFI's dual goals of fulfilling a social mission and achieving financial sustainability.

Balancing the social imperative and financial gain is quite difficult without subsidies; when you handle savers' money, you are more risk averse than when there are subsidies. By trying to limit risk, MFIs may focus more on less poor clients than those concern by the social mission of microfinance. This is what was done by MFI L in their early years of operation—focusing on less risky clients who could enable them to be financially sustainable. The realities in the field made it so that they focused more on the commercial mission at the expense of their social mission. Now that they have acquired a certain stability, they are more able to increase the importance of the social mission. This may suggest that mature MFIs are more likely to increasingly develop practices related to the social mission. This may also be considered a legitimisation strategy, given the reputation or increasing importance of the MFI in the sector.

## 5.4 Chapter Summary

This chapter discussed the bricolage practices employed by the MFIs to overcome the challenges related to their dual goals. The findings of this chapter reveal that MFIs are involved in eight main bricolage practices—going beyond normal procedures, social value creation, mitigating risks, renewing, persuasion, network bricolage, a repertoire of experiences and resource bricolage. These bricolage practices allowed them to mobilise resources, gain legitimacy and increase the outreach of their services. The chapter also provided additional evidence of how MFIs employ bricolage by focusing on two MFIs through case vignettes. The case vignettes reveal that it was sometimes the combined use of a number of bricolage practices by the MFIs that allowed them to achieve their organisational goals.

# CHAPTER 6 – DISCUSSION OF FINDINGS

This chapter discusses the study findings in light of the literature and research questions. The main objective in this dissertation was to understand how MFIs in Cameroon manage their dual social and commercial goals. The study provides an understanding of the Cameroonian microfinance sector and highlights the contextual challenges faced by MFIs in Cameroon. The main outcome and contribution of this dissertation is a model that shows how MFIs deal with their dual goals, as illustrated in Figure 10. Specifically, the model shows how the three bricolage outcomes—resource mobilisation, legitimacy and increased outreach—reinforce each other and as a result strengthen MFIs' achievement of dual social and commercial goals.

This chapter starts with a discussion of the findings regarding how MFIs mobilise resources to advance dual goals. It then discusses the findings with regard to building legitimacy. Following that, the findings in relation to increasing outreach are discussed. Finally, it explains the self-reinforcing circle between resource mobilisation, legitimacy and increased outreach.

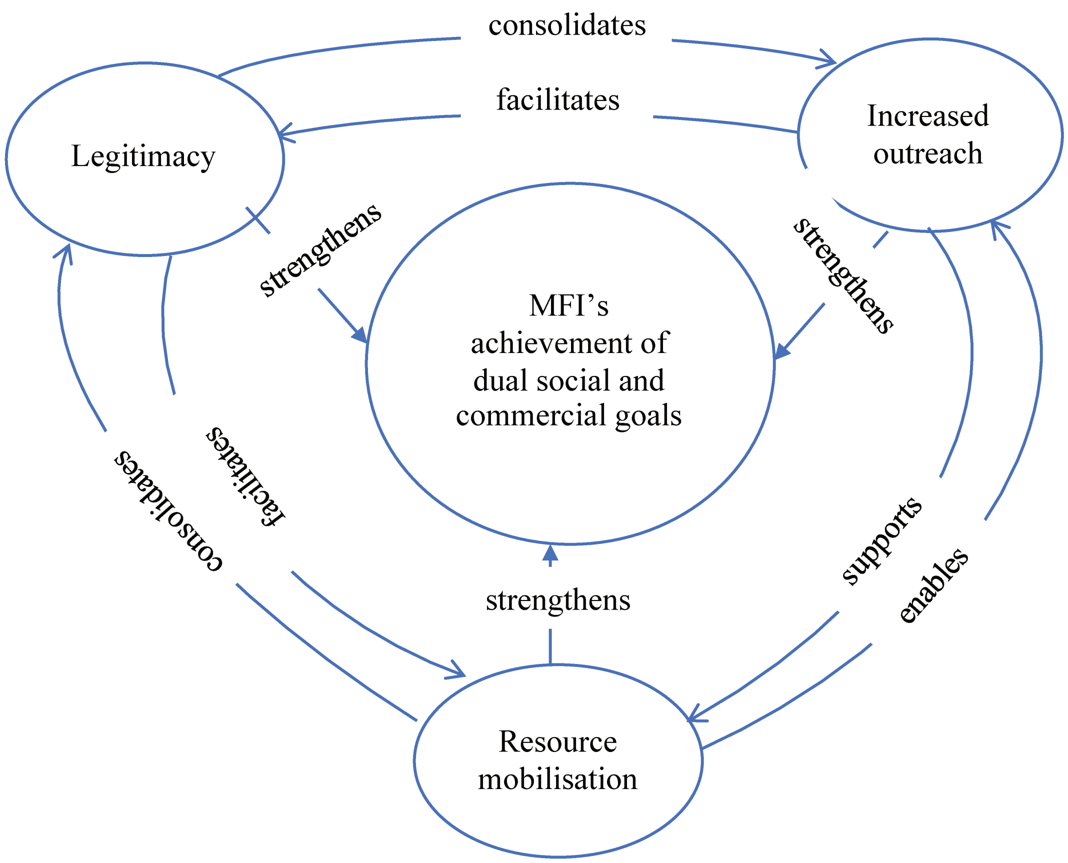



**Figure 10 Dual-mission management process in MFIs**

## 6.1 Mobilising resources to advance dual social and commercial goals

This section discusses the findings regarding the bricolage practices employed by MFIs to overcome the paucity of resources to support their social and business activities.

In the literature, bricolage has been considered a response to different kinds of resource scarcity, as the bricoleur makes do with the resources at hand to overcome resource constraints (Baker and Nelson, 2005; Halme et al., 2012). Due to the resource constraints they face in terms of, for instance, labour, skills and finance, MFIs employ different bricolage practices to mobilise resources. This includes persuasion, network bricolage, a repertoire of experiences and resource bricolage.

The MFIs studied demonstrated the use of persuasion to mobilise resources to support the fulfilment of their dual mission over time. Indeed, DiDomenico et al. (2010) identified the use of persuasive tactics to acquire resources and implement organisational strategies. For instance, the findings suggested that employee retention is a major issue in MFIs given their employees' low salaries due to the limited resources problem. The MFIs persuaded the employees to get behind the goals of the organisation. The persuasion of employees through value sensitisation allowed the MFIs to have employees who are committed to the goals and mission of the organisation. The satisfaction of helping alleviate poverty was a strong driving force that kept the employees motivated in their jobs, despite the challenges (illiteracy of the clients for instance) and the low salaries. Low turnover in MFIs will facilitate the achievement of organisational goals, as it will reduce the costs related to training new recruits (see Ohana and Meyer, 2010). This suggests that firms pursuing multiple goals should focus on improving the organisational commitment (Pratt and Foreman, 2000) of employees through value sensitisation exercises. Battilana and Dorado (2010) have argued the importance of training and socialising processes in MFIs. Employees are more likely to engage in the work of MFIs because they feel satisfied working for a social purpose organisation and helping make financial services accessible to the excluded. In this regard, this study contributes to the dual-mission management literature by demonstrating how MFIs employ persuasion to orientate their employees' preferences and beliefs (Thornton and Ocasio, 2008) towards the achievement of MFIs' dual mission. In particular, emphasising the social mission to the employees will help avoid the risk of mission drift and make the employees committed to achieving both the social and commercial goals. Another persuasive tactic to mobilise resources was to leverage stakeholder participation. The study findings suggest that the MFIs reduce the risk of mission drift by relying on stakeholder participation where stakeholders provided diverse form of resources necessary to provide financial services to the excluded. For example, they recruit board members who will help the MFI gain legitimacy and resources. This is in line with studies that have discussed the motivations behind the appointment of board members in enterprises with a social mission (e.g. Sunley and Pinch, 2012). This also lends empirical support to studies that have pointed out the important role of the board in enabling social enterprises to navigate their multiple logics (e.g. Mair et al., 2015). Moreover, my study particularly lends support to ideational bricolage, as the MFIs leveraged culture and beliefs to achieve their goals. This study showed the importance of cultural resources in the bricolage activities of the MFIs. While previous studies may have indicated the importance of ideational bricolage (Lévi-Strauss, 1966; Mair and Marti, 2009), this work portrays how cultural resources supports bricolage behaviour. Specifically, my findings highlight the key function that the use of culture and beliefs can play in the microfinance context, where microfinance practitioners are facing loan recovery problems. For example, I showed how MFI Q used religious beliefs or religious arguments to convince clients to repay their loans. In this particular case of the use of religious arguments, my findings resonate with those of Mair and Marti (2009) on ideational bricolage. As such, in this particular context, ideational or cultural bricolage serves a key function in enabling MFIs not only to mitigate the risks related to the nature of their target clientele but also to ensure financial sustainability. In fact, the practitioners sometimes borrowed elements from the cultural and religious domains (Mair and Marti, 2009) to frame arguments to convince the borrower to repay the loan. Indeed, Perkmann and Spicer (2014) argue that bricolage may also involve the exploitation and manipulation of symbolic resources, such as cultural scripts. Ideational bricolage allowed the MFIs to manage their dual mission, as they were able to provide loans to the poor while making sure that they could recover the loans by drawing on the cultural values of the clients. Innovative practices of social enforcement have increased repayment rates in microfinance (Battilana and Lee, 2014), allowing MFIs to make profits while fulfilling their social mission.

In addition, the study suggests that network bricolage was another way in which MFIs were able to mobilise resources. Some MFIs joined networks to get access to support in the form of resources (financial, skills, knowledge) and even to gain legitimacy (Dacin et al., 2010). Specifically, the findings reveal the use of competing MFIs as a resource, as the MFIs were cooperating with competitors to minimise operating costs, and the use of other business activities to support the financial service provision activity. By collaborating with other MFIs or other external partners, the MFIs were able to save costs in certain domains and mobilise the necessary resources to increase their social and commercial goal fulfilment. In addition, collaborating with external partners or other MFIs in the value creation process allowed the MFIs to be better equipped to deal with their challenges, as these collaborations provided them with resources they do not have or have in limited form. These findings resonate with previous studies that have pointed out the importance of external collaborations in the fulfilment of organisational goals in enterprises with a social mission (Dacin et al., 2010; Sakarya et al., 2012; Kwong et al., 2018; Tasavori et al., 2018). However, the study provides new insights by identifying the forms of network bricolage in the context of MFIs, which involves financing partnerships, commercial partnerships and other external partnerships. Resources from external stakeholders are fundamental for entrepreneurs to grow their ventures (Zott and Huy, 2007). Indeed, creating alliances with resource-rich organisations or with organisations that can legitimise them may enable resource-poor social entrepreneurs to gain access to new sources of resources to developing their social and economic activity (Bojica et al., 2018). Thus, the results of collaborating with external partners contribute significantly to alleviating the tension between the social and commercial activities, thereby facilitating the achievement of the social and commercial missions.

Moreover, MFIs engaged in resource bricolage with the objective of reducing their operating costs. Indeed, the findings show that MFIs improve the efficiency of their operations in order to reduce costs and thereby free up resources that can be invested in their social activities. This has practical implications for MFIs that operate in resource-constrained environments and that need to advance their social and financial goals with the limited resources at hand. By performing their activities efficiently, they are able to reduce their operating costs and thus save resources to fulfil their mission. This is in line with Morduch's (1999) argument that MFIs constantly look for innovation in terms of managerial and organisational structures in order to reduce costs to provide micro-credits, while maintaining or even increasing outreach. In this regard, these findings complement previous studies by showing bricolage as a resource mobilisation strategy among MFIs owing to their desire to reduce costs in order to offer affordable products to their clients (e.g. Tasavori et al., 2018). Lower transaction costs allow microfinance to be profitable (Battilana and Lee, 2014) and thus enable the MFIs to provide the poor with access to financial services and still remain financially sustainable.

Prior research on social entrepreneurship and bricolage has found that the reliance on tacit knowledge enables social enterprises to address resource scarcity (DiDomenico et al., 2010; Kickul et al., 2010; Ladstaetter et al., 2018). In line with prior literature, I find that bricolage behaviour, through the use of a repertoire of experiences, enables the MFIs to address resource constraints and achieve their dual goals. More specifically, I find that by drawing on their repertoire of experiences, microfinance practitioners were able to improve efficiency and performance at work. This created the basis for reducing operating costs, thereby rendering their services more affordable to the poor. In addition, improvising by going beyond normal procedures when clients faced a difficult situation required the practitioners to have an intimate knowledge of their clients, as they draw on that knowledge to, for example, exert psychological pressure on the clients when it comes to recovery. Sometimes, on-the-spot improvisation by practitioners was associated with a certain knowledge base, experience and creativity. They made do with the information they had to find a workable solution to their problems. Additionally, the findings showed how the founders of MFI R, for example, put to use their experience in engaging women in income-generating activities by providing training on different types of income-generating activities to their beneficiaries. Indeed, resources in the form of prior knowledge and experiences are central to opportunity recognition (Fisher, 2012). The MFIs draw on their repertoire of experiences to find novel solutions to their existing challenges, and these solutions allowed them to create both social and commercial value.

In summary, through bricolage practices, the MFIs were able to mobilise a wide range of resources, both tangible and intangible, to support the fulfilment of their social mission. Here, tangible resources included, for instance, finance and labour, while intangible resources included reputation, knowledge, ideas, culture and social networks (Sunduramurthy et al., 2016). The MFIs drew on this multiplicity of resources they had at hand to achieve their dual goals. Indeed, MFIs did not limit themselves to their internal repertoire of practices, assets, experiences and skills (Mair and Marti, 2009) but also relied on resources or support provided by external partners or other stakeholders. As such, the present study provides empirical support to the importance of engaging in both internal and external bricolage to overcome resource constraints. Managing their commercial and social missions is not easy for MFIs and is even more difficult if they have to rely only on their internal resources. Access to external resources facilitated reaching the poorest clients without jeopardising the financial sustainability of the MFIs.

## 6.2 Building legitimacy to advance dual social and commercial goals

This section discusses the empirical evidence of how MFIs use bricolage as a legitimating mechanism to achieve their dual mission. Scholars have suggested that building legitimacy is critical to acquire resources (Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). Legitimacy refers to ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, beliefs and definitions’ (Suchman, 1995:574). MFIs used bricolage to legitimate their activities and thus increase their chances of developing and increasing their outreach. Acquiring legitimacy is fundamental for MFIs, as it greatly contributes to the achievement of their social goals. The findings of this study provide an understanding of the legitimation practices of MFIs. This study identifies two main legitimation practices employed by MFIs and demonstrates how these practices favour legitimacy building in the MFIs.

The MFIs used persuasive tactics to boost their popularity and thus increase their legitimacy. In this way, they will be perceived by their audience as more worthy, meaningful, predictable and trustworthy (Suchman, 1995). Specifically, the findings show that MFIs engage in CSR practices to persuade their stakeholders. They advertise what they do in this regard through their websites and social media and in this way demonstrate their social legitimacy to their stakeholders. Through CSR initiatives, the MFIs seek to emphasise their social nature (Ladstaetter et al., 2018) so they may be perceived as organisations with a social mission. In addition, by espousing the government agenda, the MFIs tried to convince powerful and legitimate actors to lend their support, which might lessen the risk of the institution being considered illegitimate (Suchman, 1995; Mair and Marti, 2009). The MFIs proactively seek legitimacy because they need to compete with other MFIs for resources that are in high demand (Yang and Wu, 2016), notably financing partnerships with the government. As explained earlier, these financing partnerships enable the MFIs to get access to financial resources at no cost, which they can later distribute to their clients at reasonable rates, thereby allowing the MFIs to achieve their social mission while maintaining financial viability. As they align their activities with the agenda of the government with regard to the agricultural sector or providing loans to the youth, MFIs were able to get access to financing partnerships that further legitimise their activities. This provides additional support to the political nature of bricolage discussed by Mair and Marti (2009). In this regard, the MFIs engage in a form of impression management, using symbolic actions, such as CSR practices that suggest a focus on the social mission, to create legitimacy that later enabled them to acquire the resources necessary to achieve their dual mission. Symbolic actions or behaviours described as behaviour that seeks to convey subjective social meanings (Zott and Huy, 2007) may facilitate legitimacy building in firms and are thus important for resource-needy entrepreneurs (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001). Symbols of organisational achievement can enhance consequential legitimacy, as claims of achievement in highly ambiguous settings are primarily signs of disposition or potential achievement (Suchman, 1995; Zott and Huy, 2007). The MFIs were able to build consequential legitimacy by drawing the attention of stakeholders to symbols of achievement in terms of CSR practices or access to government funding. The fact is that the MFIs are judged by their stakeholders on what they accomplish in terms of social value creation. A positive judgement by their stakeholders enhances their ability to achieve their social and commercial goals.

The findings also showed that partnering with high-profile organisations allows the MFIs to build their legitimacy. Here, relationships with external partners can be viewed as a resource used by the MFIs to facilitate the establishment of legitimacy. The MFIs build relationships with highly legitimate actors that lent their accreditation and support to the cause, thus helping to change public perception. This sends positive signals to third parties or legitimacy givers regarding the reputation of the MFI. Relationships with these high-status individuals increase the visibility of the enterprise and more importantly pave the way for easy access to partnerships and other sources of funding (Austin, 1998; Sarpong and Davies, 2014) that may help the MFIs advance their dual goals. They advertise the endorsements they get from these high-profile organisations on brochures, websites and social media, and this sends positive signals to the wider public that already trust the endorsing organisations. The MFI is able to benefit from some of the legitimacy enjoyed by the endorsing organisation, primarily through the endorsement (Sarpong and Davies, 2014). In this regard, relationships with prestigious partners may foster what Suchman (1995, p.578) called ‘dispositional legitimacy’. These partnerships with highly legitimate actors will push stakeholders to accord legitimacy to the MFIs, as the latter now appear trustworthy in their eyes. By trading on the reputation of their prestigious partners, the MFIs benefit from dispositional spillover (Suchman, 1995; Zott and Huy, 2007) in the form of increased access to resources, for example. These resources acquired as a result of social legitimacy enable resource-constrained MFIs to advance the fulfilment of their social and commercial objectives.

In summary, social enterprises, such as MFIs, face challenges establishing their legitimacy with different stakeholders (Kraatz and Block, 2008; Davies and Doherty, 2019). In this study, bricolage acted as a mechanism for legitimation (Desa, 2012), the latter being important for resource mobilisation. The MFIs used persuasion as a way to legitimise their activities. This allowed them to gain access to the external support necessary to further their social mission. Indeed, it has been suggested in the resource mobilisation literature that legitimisation is an important condition in the acquisition of resources (Lounsbury and Glynn, 2001; Ahlstrom and Bruton, 2002; Zimmerman and Zeitz, 2002). Bricolage practices in the form of CSR practices and external partnerships relate to Suchman’s forms of consequential and dispositional legitimacy, and this helps shape the overall legitimacy of the MFIs, thereby enhancing their ability to acquire resources (Zimmerman and Zeitz, 2002; Zott and Huy, 2007) and achieve their dual mission. Consequently, without legitimacy, MFIs may face difficulties acquiring resources and increasing their outreach, thus limiting the achievement of their dual goals. In this regard, legitimacy appears to be a facilitator and even an important support for MFIs in achieving both social value and financial sustainability in the long term.

## 6.3 Increasing outreach to advance dual social and commercial goals

This section discusses the findings related to how MFIs employ bricolage practices to extend the outreach of their services and thus advance their social and commercial goals.

Much of the research on bricolage up to now has demonstrated that bricolage can be used to mobilise resources or acquire legitimacy (Baker and Nelson, 2005; Halme et al., 2012; Desa, 2012). There is still limited understanding of other bricolage outcomes beyond resource mobilisation and legitimacy building. This work exposes bricolage in a new context, that is, the microfinance sector, thereby demonstrating the utility of bricolage in other contexts and of bricolage outcomes. This work sheds more light on bricolage outcomes by showing that bricolage can allow an organisation to scale its operations through increased outreach. In the microfinance domain, scalability is usually based on increasing the number of borrowers (McInstosh and Wydick, 2005). This study shows the role bricolage plays in enabling increased outreach through persuasion, social value creation, going beyond normal procedures, mitigating risk, network bricolage and renewing.

MFIs that plan to achieve scale are faced with constraints challenging their outreach, such as scarce resources and limited access to resources. In addition, as MFIs deal with a poor clientele, they face barriers to scaling due to the riskiness of their target clientele in terms of a low level of literacy or lack of collateral. In these penurious circumstances, increasing outreach turns out to be quite challenging for the MFIs. Baker and Nelson (2005) demonstrated that bricolage provides survival opportunities to firms operating in penurious environments. It enables social ventures to explore opportunities to scale up operations (DiDomenico et al., 2010). There is still little understanding of how social ventures scale impact (Desa and Koch, 2014). The study demonstrated how MFIs made efforts to achieve greater impact by employing bricolage.

Consistent with Baker and Nelson's (2005) notion of 'refusal to enact limitations', the findings of this study suggest that microfinance practitioners, through the various types of bricolage practices they employed, were not impeded by their constraints. They refused to be limited by their resource constraints and the riskiness of the clientele and tried to find solutions to better serve the poor. Specifically, the MFIs crafted specialised products for the poor. This allowed them to increase their depth of outreach, as they were able to offer financial services adapted to the needs of the poor and at reasonable cost. Crafting specific products for the poor, the element of social value creation, is an essential part of bricolage (DiDomenico et al., 2010; Linna, 2017). Social value creation was a key motivator for the MFIs' emphasis on designing products that suit the needs of their poorer clientele. By refusing to be constrained by limitations, the microfinance practitioners challenged the common assumption that the poor are only beneficiaries or mere recipients of microfinance loans. Instead MFIs seek to empower them through, for instance, education on loan uses or the importance of savings. The MFIs refused to accept that their target clientele was too risky or costly to be served and instead made efforts to overcome these constraints. In their way of thinking, it is not enough to just give loans to the poor; it is also necessary to educate them on the best way to use the loan so they can reap the benefits. Therefore, they will design solutions with the aim of effectively addressing both the social and educational needs of the poor and attempt to break the cycle of poverty. They went beyond normal procedures during loan transactions with clients and also provided these clients with extended support so they can effectively benefit from their loans. Confronted with the challenges related to the nature of their target clientele, practitioners searched for ways to provide financial services to their target clientele in a sustainable manner. While most of the time microfinance models are based on discipline relating to strict repayment dates and rigid savings schemes (Mair and Marti, 2009), my findings showed that MFIs demonstrated some flexibility by sometimes going beyond normal procedures to facilitate access to microfinance services. The flexible nature of the MFIs allowed them to make some changes to existing routines, processes and planned procedures in order to achieve their objectives. Rather than solely relying on conventional guarantees to secure their loans, they decided to make do by seeking alternatives and unconventional ways to achieve the same end (Smith and Blundel, 2014). They go beyond norms and practices that impede poor people's access to financial services, such as collateral requirements to receive a loan (Marti and Mair, 2009). By experimenting with different kinds of guarantees, the MFIs were able to achieve their social mission without jeopardising their financial sustainability. In this regard, the MFIs demonstrated a bias towards action and an active engagement with problems and opportunities (Baker and Nelson, 2005; Fisher, 2012). This finding is in line with the argument that entrepreneurial product innovation tends to occur in environments characterised by severe and persistent resource constraints (Baker and Nelson, 2005; Cunha et al., 2014). As the study illustrates, the MFIs that refused to be constrained by limitations dedicated themselves to finding solutions to their problems with serving the poor rather than lingering over questions of whether a workable outcome could be created from what was at hand (Baker and Nelson, 2005; Linna, 2013; Sunduramurthy et al., 2016). This may suggest that they have a certain social mindset (see Linna, 2013), placing emphasis on achieving their social mission rather than just profit making. This lends empirical support to studies that have argued the importance of a certain mindset to be able to carry out bricolage effectively (Halme et al., 2012; Sunduramurthy et al., 2016).

Collaboration with external partners through network bricolage was crucial in enabling the MFIs to increase their outreach. This study suggests that the MFIs are more successful in advancing the fulfilment of dual goals when having staff with a mindset of resourcefulness in terms of exploiting available networks to seek contributions externally when performing social activities rather than relying solely on the internal resources they have at hand. Indeed, scholars have argued that network bricolage and collective bricolage in terms of external stakeholders' participation are fundamental if social enterprises wish to achieve scale (Mair and Marti, 2009; Desa, 2008). Studies such as that by Tasavori et al. (2018) have demonstrated the important role of network bricolage in the growth of social enterprises. The authors found that it was only network bricolage that enabled the social enterprises in their study to extend both the product and market scope of their activities through radical transformation. Thus, access to external resources allows the MFIs to increase the outreach of their services, thereby contributing to the achievement of dual social and commercial goals.

While mitigating resource constraints, bricolage may sometimes enable ventures to recognise new opportunities and to scale up operations (DiDomenico et al., 2010; Desa and Basu, 2013). Here, bricolage may serve as a mechanism of strategic renewal (Desa and Basu, 2013), enabling ventures to create something new using existing resources (Lévi-Strauss, 1966; Baker and Nelson, 2005; An et al., 2018). For instance, in the face of declining profits due to competition and difficult trading conditions, MFIs' reaction was not only to improve efficiency to reduce costs but also to find ways to increase revenues. Their challenges pushed them to translate their ideas into innovations designed to appeal to changed consumer tastes and new trends (Barras, 2009; Smith and Blundel, 2014). These innovations allowed them to boost their revenues, as was the case with MFI J where the branch manager reported that he created a product that became the cash cow of the firm. In this regard, the MFIs engaged in entrepreneurial improvisation, as they adapted quickly to their changing environment by diversifying into new market segments that enabled them to increase their revenues. Increased revenues allow the MFIs to cross-subsidise loans to the poorer segment, thus enabling the MFIs to advance both their social and commercial missions.

Moreover, the MFIs needed to increase their outreach by attracting the maximum number of clients and thus benefit from economies of scale. Therefore, they engage in persuasive tactics, notably maximising on some aspects of service quality—customised products, prompt service, affordable cost and personal relationships with clients. They engage customers through word-of-mouth recommendations in order to increase their outreach and be able to sustainably provide financial services to the excluded. In addition, the MFIs relied on their customers as marketing agents who will promote the products and services of the MFI. Category 1 MFIs in particular relied on representatives of clients on the board to get access to additional customers. These board members had close links to the communities in which the MFIs wee located and could therefore advocate for the MFIs in their community. Engaging the community through customers is a catalyst for venture emergence and growth (Fisher, 2012). Persuading customers to gain their support enabled the MFIs to strengthen the achievement of their dual goals.

In summary, the MFIs engaged in bricolage as a means of discovering unique and novel ways of using available resources to solve social problems and address unmet needs (Bacq et al., 2015). Indeed, in a resource-constrained environment the use of resources at hand is a source of creativity and innovation (Fisher, 2012). The findings of this study showed how bricolage enabled the MFIs to grow through increased outreach of their products and services. This increased outreach not only allowed the MFIs to achieve their social mission by catering to a greater number of poor clients but also to achieve their commercial mission through the increased revenues gained as a result of catering to new and less poor market segments.

## 6.4 The relationship between the three outcomes: resource mobilisation, legitimacy and increased outreach

The findings indicate that there may be a self-reinforcing loop between the three bricolage outcomes, resulting in strengthening the ability of MFIs to achieve their dual goals of social value creation and financial sustainability. The relationships between resource mobilisation, legitimacy and increased outreach are discussed below and illustrated in Figure 10 above.

*On the relationship between resource mobilisation and increased outreach*

Resources mobilised through internal and external bricolage enable the MFIs to increase the outreach of their services. Indeed, in very poor contexts, internal bricolage alone is not sufficient to mobilise resources; MFIs have to have recourse to external bricolage. The findings reveal that the MFIs started making do with the internal resources, but this did not allow them to scale their operations. They therefore began engaging more in external bricolage. This suggests that the MFIs did not only rely on their internal resources to make do but also searched for external resources that could help them further their social mission. The additional resources they got from external partnerships enabled them to survive in the competitive microfinance environment and to increase their outreach. In addition, in some cases it was the combination of internal and external resources that allowed the MFI to innovate and consequently increase the outreach of their services. In turn, as the MFIs are increasing their outreach they get access to a wide range of clients, including poor and less poor clients, providing them with additional resources through increased revenues. Indeed, the findings showed that the MFIs engage in a renewal strategy by extending their product range to new, less poor market segments, and this allowed them to the increase their outreach and revenues as a result. Thus, increased outreach, through products and services offered to less poor clients, supports resource mobilisation.

*On the relationship between increased outreach and legitimacy*

The findings demonstrate that practices aimed at increasing outreach, such as social value creation practices, enable the MFIs to gain social legitimacy. Indeed, increased outreach favours an increasingly strong anchoring of the legitimacy of the MFI, as increasing access to financial services to the excluded provides the MFI with social legitimacy. This resonates with previous studies that argue that embedding a social mission and demonstrating the achievement of social goals are critical sources of legitimacy (Nicholls, 2009; Dacin et al., 2010). Legitimacy in turn will consolidate increased outreach, as the legitimacy acquired by the MFIs allowed them to acquire more clients. Indeed, as the clients perceived the MFIs to be legitimate, they will engage in word-of-mouth recommendations. This will attract more clients, thereby enabling the MFIs to increase the outreach of their services. Consequently, while legitimacy is fundamental to increase outreach, increased outreach on the other side also facilitates legitimacy building.

*On the relationship between legitimacy and resource mobilisation*

As mentioned earlier, the achievement of the social mission through increased outreach to the poor provides the MFIs with social legitimacy. This social legitimacy facilitates the acquisition of resources from donors and other stakeholders. Here, legitimacy in addressing social issues becomes a resource on which the MFIs draw to secure additional resources. In this regard, the findings of this study are in line with other studies claiming that a social mission helps social enterprises in securing financial resources from donors (Austin et al., 2006; Sunley and Pinch, 2012). Also, as my findings demonstrate, relationships with highly legitimate actors help the MFIs in accessing needed resources. As such, legitimacy enables social enterprises, such as MFIs, to acquire resources to achieve their dual social and commercial goals (DiDomenico et al., 2010; Ruebottom, 2013). On the other side, resource mobilisation consolidates the legitimacy of the MFI. For instance, resource mobilisation activities, such as resource bricolage, can help the MFI gain credibility from stakeholders (investors, employees) in terms of using existing resources efficiently and responsibly. As a result, the legitimacy acquired in the process may enable the MFI to secure more resources from these stakeholders. In addition, the MFIs use part of the resources they mobilise to engage in CSR activities, such as charitable donations.

These CSR activities engender positive perceptions from the wider public, who now perceive the MFI as socially legitimate. In this regard, by increasing the resources allocated to CSR activities, resource mobilisation reinforces or consolidates the legitimacy of the MFI.

In summary, while each of the three elements described above (resource mobilisation, legitimacy, increased outreach) may have been discussed individually in the literature, the model of this study stresses that the achievement of dual goals requires that all elements be present simultaneously, as each of these elements reinforce each other. This contribution provides insights into how MFIs have to secure resources, legitimacy and increased outreach of their services in order to achieve their dual goals, thus shedding further light on how MFIs manage competing demands.

## 6.5 Chapter summary

This chapter discussed the findings related to the bricolage practices employed by MFIs in Cameroon to fulfil their dual social and financial goals. The peculiarities of the microfinance sector put practitioners in a situation where they are constantly confronted with diverse challenges that threaten the achievement of their dual goals. They need to be willing to push through these limitations through bricolage in order to create both social and economic value. Bricolage has been used to denote resourcefulness and adaptiveness within an existing context (DiDomenico et al., 2010; Desa, 2012; Jaouen and Nakara, 2014). The MFIs resourcefully created solutions using simple means (Linna, 2017) as a response to their problems. The problem of limited resources added to the rapidly changing business environment has typically pushed MFIs to improvise solutions to achieve their goals. It appears to be this improvisational nature of the MFIs, coupled with their thriftiness, that enabled them to pursue their social and commercial goals.

Similar to the bricoleur, the MFIs made do with what is at hand, drawing on a disparate set of resources in their attempt to achieve their social and commercial missions. They relied on both their internal and external repertoire of resources (practices, assets, experiences and networks). Indeed, in their bricolage practices, the MFIs made do with a wide variety of internal and external resources, including previous experiences in microfinance, religious beliefs, cultural scripts, social norms and networks built in diverse fields. This allowed them to achieve both their social and commercial missions. They leverage different resources at hand in devising possible solutions to their problems, thus using any existing resources that seem useful to responding to a new problem or opportunity (Fisher, 2012; Davidsson et al., 2017). Interestingly, the use of cultural scripts is revealed as an important aspect of bricolage, as cultural elements serve as a resource for microfinance practitioners (Kang, 2017). Similar to Langevang and Namatovu (2019), this study shows that cultural elements are key resources that can be used creatively by bricoleurs to create value. Thus, my findings support previous studies' (Mair and Marti, 2009; Kang, 2017; Langevang and Namatovu, 2019) calls to consider the importance of cultural resources, alongside physical and human resources, in the study of bricolage in organisations. In this regard, I join Mair and Marti (2009) and point to the relevance of Lévi-Strauss' notion of ideational bricolage in the entire bricolage process of organisations, as this may help in the achievement of organisational goals.

Empirical studies on managing conflicting demands are limited in number (Davies and Doherty, 2019). The hybridity literature has focused on identifying the areas of organisations in which hybrid tensions manifest, with limited exploration of the practicalities of how they are managed (Battilana and Lee, 2014; Doherty et al., 2014; Davies and Chambers, 2018). This study makes a clear case for considering bricolage in addressing conflicting demands. Indeed, this study presents new evidence from Cameroon about how MFIs manage their dual goals. I found that the MFIs demonstrated a variety of bricolage practices that helped them achieve their social and commercial goals. As discussed earlier, these bricolage practices lead to three outcomes. It is the combination of these three bricolage outcomes that enables social and commercial activities to be undertaken in a context characterised by a high degree of resource constraints, poverty and informality (Thorgren and Omorede, 2018).

# CHAPTER 7 – CONCLUSION

The increasing commercialisation of the microfinance sector has resulted in debates with regard to mission drift and the risk that MFIs may fail to achieve their social mission. Mission drift remains a major issue in the microfinance sector, and it is important that we keep deepening our understanding of the practices employed by microfinance practitioners to avoid mission drift. However, empirical studies on how MFIs in SSA perceive and manage the threats to their social mission in increasingly resource-constrained environments are limited. Indeed, MFIs in SSA operate in resource-constrained environments but also serve customers who are resource-constrained. The fact is that of the world's 28 poorest countries, 27 are in SSA—all with a poverty rate above 30% (Beegle et al., 2016). My thesis examines how MFIs in Cameroon try to navigate through the waters of competing social and commercial goals, spelling out some of the challenges they face in the process. Cameroonian MFIs provide an ideal setting because of the characteristics of the environment in which they operate. For instance, limited resources in the environment and tight regulations favour the profitability objective. In addition, scholars have noted that there is still limited empirical research on microfinance in SSA (e.g. Siwale and Okoye, 2017), notably Cameroon. This study shines a spotlight on the insights that Cameroonian data can bring to the microfinance literature.

Many studies have pointed to the relevance of the bricolage concept to analyse the dual-mission management process of ventures with a social mission (DiDomenico et al., 2010; Kickul et al., 2011; Bojica et al., 2018). Thus, this study positions itself in this line of research by aiming to understand the bricolage practices in the dual-mission management process of MFIs. Consistent with other studies examining entrepreneurship in penurious environments (Linna, 2013; Cheung et al., 2019), my findings suggest that bricolage plays a crucial role in enabling MFIs to face resource constraints and to achieve their social and commercial goals.

This section of the chapter summarises the main findings of the study in relation to the research objectives. The second section discuss the study's contribution to theory and the practical implications. The third section describes the limitations of the study and areas for future research.

## 7.1 Summary of main findings

This study set out to understand how MFIs operating in a resource-constrained environment in Cameroon manage their dual social and commercial goals. With this overall aim, three research question were formulated (see section 1.2). Answering these three research questions allowed us to gain a better understanding of the Cameroonian microfinance sector, including the challenges faced by MFIs in that sector, and to understand the dual-mission management practices of MFIs operating in resource-constrained environments.

Overall, the findings of this study reveal that MFIs in Cameroon are faced with challenges that threaten the achievement of their social and commercial missions. To respond to those challenges, MFIs engaged in bricolage practices that helped them to mobilise resources, acquire legitimacy and increase outreach. These outcomes allowed the MFIs to advance their dual social and commercial goals. The main findings of this study are summarised in Figure 11 below.

### *7.1.1 Summary of main findings from an empirical context*

To respond to the first research objective, I conducted a thematic analysis of the data collected from microfinance practitioners and regulators in the Cameroonian microfinance sector, exploring the following research questions: What are the different evolutionary phases of the Cameroonian microfinance sector? What are the challenges faced by MFIs in the Cameroonian microfinance sector?

In answering the research questions, I provided a better understanding of the Cameroonian microfinance sector, given the limited information available on the microfinance sector in Cameroon. In this regard, I retraced the history and evolution of the microfinance sector over the years, focusing on major regulatory changes that progressively changed the picture of the Cameroonian microfinance sector. Research focusing on the Cameroonian microfinance context is limited, particularly with regard to regulation of the sector. I also identify the challenges faced by the MFIs in the sector. Overall, I found five main challenges that hinder the ability of the MFIs to sustainably provide financial services to the excluded. First, there are limited resources available to facilitate catering to a poorer clientele. Second, the risky nature of their target clientele greatly hinders the ability of the MFIs to effectively achieve their social mission. Third, the intensity of competition pushes MFIs to focus on the profitability objective. Fourth, the uncertain external environment further accentuates the riskiness of the target clientele. Fifth, regulatory constraints coupled with insufficient supervision of the sector encourage a commercialisation process and thus lead MFIs to drift from their social mission. My findings indicate that MFIs are faced with a certain number of challenges that they have to overcome in order to achieve their dual social and financial goals. Therefore, there is a need for research on how they may do so in a context of severe resource constraints.

### *7.1.2 Summary of main findings from an empirical study on dual-mission management*

I conducted an empirical study that examines the dual-mission management process of MFIs based on the following research question: How do MFIs in Cameroon overcome their challenges in order to achieve their dual mission? This thesis used the theoretical lens of bricolage to discuss how MFIs operating in resource-constrained environments manage their competing social and commercial goals. The theory proved useful for the study of dual-mission management in the microfinance sector of developing economies. In the extant literature, bricolage has been applied in similar conditions to describe entrepreneurial activity (including social entrepreneurs) under conditions of resource constraints (Baker and Nelson, 2005; Linna, 2013). This is why the use of bricolage in this study to analyse the practices of MFIs operating in penurious environments was deemed appropriate.

In this regard, I examined the role bricolage plays in enabling MFIs to manage their dual goals and the resulting outcomes of these bricolages practices, drawing mostly on semi-structured interviews conducted with microfinance practitioners. Based on a thematic analysis of the data collected, I found that eight main bricolage practices were employed by the MFIs in attempting to achieve their social and commercial goals. I also argued that bricolage outcomes in the form of resource mobilisation, legitimacy acquisition and increased outreach strengthen the achievement of the social mission.

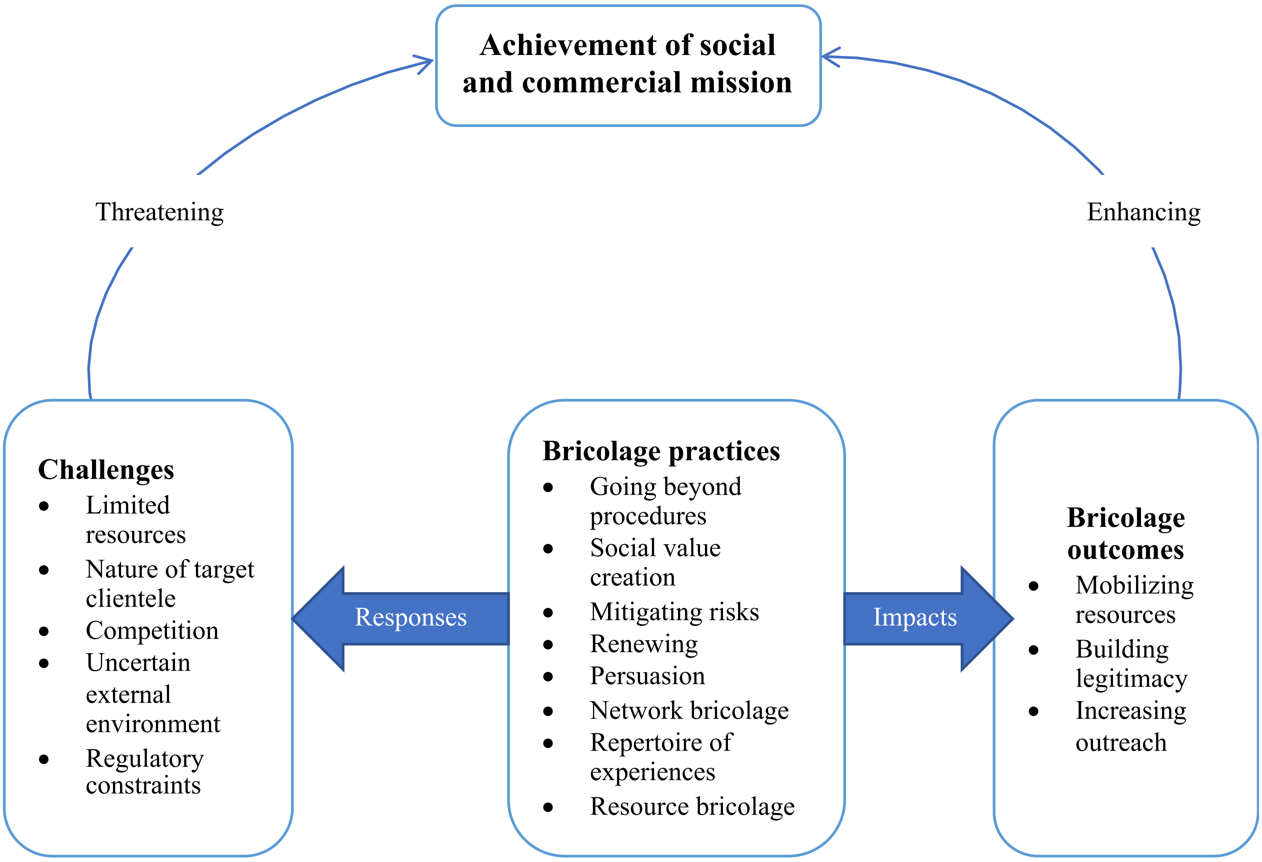



**Figure 11 Summary of main findings**

## 7.2 Theoretical Contributions

This study makes several theoretical contributions to the literature on microfinance and bricolage.

### *7.2.1 Contributions to microfinance literature*

The main contribution to the microfinance literature concerns exploring ways of dealing with the competing social and commercial goals in resource-constrained environments. Indeed, the study provides new empirical evidence of how MFIs mobilise resources, build legitimacy and increase their outreach to advance their dual social and commercial goals. Specifically, with regard to resource mobilisation, I identify four bricolage practices employed by MFIs to mobilise resources to fulfil dual goals in the context of a resource-constrained environment. I identify persuasion, network bricolage, a repertoire of experiences and resource bricolage as bricolage practices used by MFIs to mobilise a wide range of resources, including financial and human resources, for mission fulfilment. Regarding legitimacy building, I identify the practices of persuasion and network bricolage that allow the MFIs to acquire dispositional and consequential legitimacy (Suchman, 1995). Concerning increasing outreach, I identify, confirm and extend several practices that enabled the MFIs to increase the outreach of their services and thus advance their dual social and commercial goals. Overall, I propose a model of dual-mission management where resource mobilisation, legitimacy and increased outreach reinforce each other to strengthen the achievement of both social and commercial goals. There are a few academic studies that describe the dual-mission management practices of MFIs, but they do not link them to the concept of bricolage. This theoretical framework is especially appropriate for MFIs, particularly MFIs in developing economies. Linking both the literature on microfinance and bricolage in this study brings new insights regarding understanding the functioning of MFIs more generally but also understanding the way MFIs deal with their dual goals.

This study makes other contributions to the research on microfinance. First, I provide a better understanding of the Cameroonian microfinance sector, particularly the regulations that govern the sector. Retracing the history and evolution of microfinance in Cameroon and proposing a timeline constitute one of the contributions of this thesis. This contribution allowed me to propose a description of the evolution of the microfinance sector and the rules governing the sector starting from the first law on cooperatives in 1990 until present day, thus offering an in-depth understanding of the Cameroonian microfinance sector. In addition, this study contributes empirically to the identification of challenges faced by MFIs in the Cameroonian setting. To date, there is limited research focusing on microfinance in the SSA region, particularly Cameroon, and therefore a lack of information on the microfinance sector in this region. By providing an in-depth understanding of the Cameroonian microfinance sector and showing how the regulations progressively changed the picture of the sector over the years, this study fills the gap in the literature.

Second, the findings show that MFIs refused to be limited by their constraints and responded to their harsh conditions in positive, creative and entrepreneurial ways. As a result, they were able to make do with the resources to come up with workable solutions to their problems. The study provides insights into the ways in which the MFIs were able to identify and access the necessary resources to achieve their social mission and avoid mission drift. It also shed light on the improvisatory nature of their responses, as they demonstrated flexibility and constantly adapted their standard ways of working to deal with their challenges (DiDomenico et al., 2010; Smith and Blundel, 2014).

In addition, the findings contribute to the hybrid literature more generally, as the study suggests that for firms pursuing social and commercial goals in a resource-constrained environment, instilling values in employees will improve their organisational commitment (Pratt and Foreman, 2000) and make them more likely to accept low salaries. Indeed, as is the case in social enterprises (Ohana and Meyer, 2010), employee retention is a major issue for MFIs with high turnover rates due to low salaries. Gaining the commitment of employees will work towards reducing the turnover rate and thus the costs associated with constantly training new recruits. In addition, a stable workforce will facilitate the fulfilment of organisational goals. This study advances understanding of how MFIs act to acquire the employee commitment necessary to achieve their dual goals. In the same vein, through an analysis of the practices performed by MFIs in Cameroon, this study makes an important contribution to the limited literature on balancing the competing social and commercial goals of hybrid organisations in Cameroon, as well as in SSA more broadly. Thus, the study addresses that gap in knowledge relating to understanding organisational hybridity in the African context (Okpanum, 2016). It also answers the call for more management research in the African context (Zoogah et al., 2015).

Moreover, the study increases understanding of how and why some MFIs succeed in achieving their dual goals in a context characterised by severe resource constraints. In doing so, it contributes to theory by stressing the role of external collaborations as catalysts for social mission achievement. Indeed, I recognise the role of external resources as a key element in the social mission of the MFIs.

Overall, I highlight MFIs' dual-mission management practices in resource-constrained environments and suggest that bricolage is a key aspect in understanding dual-mission management practices in such environments (Witell et al., 2017).

### *7.2.2 Contribution to bricolage literature*

The main contribution with regard to the bricolage literature is the fact that I extend the bricolage concept to a new context, the microfinance context, and thereby identify bricolage practices specific to it. The bricolage concept is still an emerging one in the field of entrepreneurship, and it is important to transfer it to other settings so that we can understand it better and thus advance the field of entrepreneurship. MFIs in Cameroon can be considered entrepreneurial ventures because a great majority of them are created by individuals who seek to engage in a business endeavour. This study extends the bricolage theory by highlighting other types of bricolage practices specific to the microfinance context. I uncover distinctive features of bricolage in MFIs, notably going beyond normal procedures, crafting specialised products and mitigating risks using the resources at hand. The current study further elaborates that bricolage is used by MFIs to mobilise resources, acquire legitimacy and increase outreach of their services. Prior literature recognises the importance of bricolage as a resource mobilisation and legitimation mechanism. In this thesis, I go further and argue the importance of bricolage in enabling entrepreneurs to increase the outreach of their services. In this regard, my study brings additional support to the idea that bricolage is not only an adequate resourcing behaviour (Turturea et al., 2014; Halme et al., 2012) but also a useful way to cope with unexpected situations and to survive in penurious environments.

The study also makes other contributions to the bricolage literature. First, it highlights that both internal and external bricolage are important for a firm's survival. Indeed, external bricolage in the form of networking and collaboration was very important in the resource mobilisation process and thus the achievement of the social goals. More specifically, my findings show that the MFIs that were able to effectively increase their outreach to the poor were those that relied on relationships with external partners through network bricolage. Considering that MFIs are entrepreneurial ventures, this study therefore contributes to the understanding of how not only MFIs behave but also how social entrepreneurs in general behave in resource-constrained environments as they seek to deal with their competing objectives.

Second, most of the bricolage literature has focused on material bricolage leaving beside the important role of ideational bricolage that discusses cultural resources (Mair and Marti, 2009; Kang, 2017). In this study, I found that MFIs not only draw on tangible resources such as labour, technologies and networks but also make use of cultural resources, such as traditions, and socio-cultural values. Cultural elements were critical resources used by practitioners in their day-to-day encounters with clients. Thus, the findings of this study respond to calls in the entrepreneurial bricolage literature to discuss ideational bricolage in more detail.

Third, previous studies on bricolage have discussed the refusal to accept limitations as one of the key aspects of the concept but have not investigated what types of limitations most concern social entrepreneurs (Sunduramurthy et al., 2016). By demonstrating the specific challenges faced by MFIs as they attempt to achieve their social mission, my study helps fill the gap in this literature. Additionally, by demonstrating how the challenges faced by MFIs in the Cameroonian context trigger bricolage practices, I was able to increase understanding of the origins of bricolage behaviours, an issue that still remains poorly understood (Stenholm and Renko, 2016). In the extant literature, resource constraints have most commonly been regarded as the trigger of bricolage behaviour (Baker, 2007; Halme et al, 2012). This study complements the existing literature by identifying other motivations for why bricolage occurs.

Also relating to social bricolage, this study advances the concept by providing a deeper understanding in terms of expanding on the element of persuasion. The social bricolage concept highlights the element of persuasion, referring to tactics aimed at convincing stakeholders of the business case of social value creation (DiDomenico et al., 2010). Based on the study findings, I suggest that in the microfinance context and in a context of resource scarcity, other kinds of persuasive tactics, such as engaging in CSR practices, facilitate the pursuit of dual social and financial goals. This thesis thus responds to calls for documenting other forms of persuasive tactics that can be used to convince relevant stakeholders and acquire legitimacy (DiDomenico et al., 2010).

Moreover, although scholars have empirically demonstrated the importance of bricolage in resource mobilisation (human capital, financial capital, customer base) in diverse settings in developed and emerging economies (Halme et al., 2012; Linna, 2013), my empirical study could well be the first that analyses a wide variety of bricolage practices in MFIs, how these practices are performed and what effect their use has on resource acquisition. In this regard, my findings on the resource mobilisation strategies of MFIs extend insights on the role of bricolage as a resourcefulness strategy for MFIs in a context of resource scarcity to the mobilisation of the human and financial resources necessary to achieve their dual goals, thus contributing to the literature on the resourcefulness behaviours of enterprises with a social mission

(DiDomenico et al., 2010; Linna, 2013). Additionally, I complement research on the actions taken by resource-poor entrepreneurs to acquire resources.

Furthermore, the study advances understanding of bricolage and growth in organisations. Most of the extant studies have focused on the relationship between bricolage and growth in terms of economic and innovation outcomes (Garud and Karnoe, 2003; Halme et al., 2012; Senyard et al., 2014). For example, the study of Tasavori et al. (2018) focused on examining the role of bricolage in expanding product and market scope. Still, there is little research on how bricolage can be linked to growth in terms of the increased outreach of services. My study thus complements the existing literature by examining how MFIs used different forms of bricolage to increase the outreach of their products and services. In the same vein, the study advances understanding of the impact of bricolage on the pursuit of social enterprises' missions, notably the dual mission of MFIs. In line with other studies (Garud and Karnoe, 2003; Kwong et al., 2017), I saw how bricolage led to the development of new products that enabled the MFIs to achieve their social and commercial missions.

Finally, apart from Desa's (2012) work, to our knowledge, few studies have focused on bricolage as a legitimating mechanism. By demonstrating how MFIs were able to gain legitimacy through the bricolage practices they employed, this study addresses the gap in the literature.

## 7.3 Practical Implications

### *7.3.1 Managerial implications*

This study has several implications for practice. First, it is important for managers to understand the role of external resources in helping them overcome resource constraints and achieve growth. This is particularly the case for MFIs that are still struggling to achieve their social mission without external resources or network support. These MFIs are advised to start forming partnerships with different actors, as this will enable them to effectively achieve their social mission. Indeed, some of the MFIs were able to serve rural areas only with the help of external resources. Therefore, managers should actively seek external resources or collaborations, as they prove to be important in the process of bricolage in terms of creating transformative social activities and impact (Tasavori et al., 2018). In addition, because network bricolage played a key role, MFIs should continue to explore ways to efficiently utilise their networks, as this may offer them an alternative competitive advantage (Kwong et al., 2019).

Second, the study highlights some of the challenges MFIs in Cameroon face, which may help deepen our understanding of the challenges of MFIs as they hold competing goals and inform the management of these MFIs and more broadly any organisation that operate in pluralistic environments. In addition, these findings should be considered by aspiring and current Cameroonian microfinance practitioners, as well as policymakers looking to support MFIs.

Third, the strategies discussed for managing dual goals may be taken up by MFIs, with potential benefits for them and their stakeholders. Indeed, this research allowed us to understand the benefits that bricolage can bring to MFIs. Bricolage practices are employed by microfinance practitioners in a conscious or unconscious way. As such, it may be important for them to take note and consciously adopt the bricolage way of thinking or doing as a strategy of its own. Despite the fact that bricolage has sometimes been associated with amateurism and lack of competence (Verjans, 2005), the findings show that bricolage greatly helped MFIs achieve satisfising results in a context of resource constraints.

In a similar vein, in a context of uncertainty and competitive pressure, the findings of this study may inform practitioners on the benefits of bricolage as a creative resource-seeking behaviour that may allow them to have an advantage over their competitors. Indeed, bricolage actions may assist young MFIs through the recombination of existing resources and creating ingenious ways to persist and as a result remain competitive and even grow (Senyard, 2015).

In addition, microfinance practitioners could leverage their bricolage activities to identify new opportunities (An et al., 2018) and increase the scale of their operations. I find that bricolage not only enables the MFIs to overcome resource constraints (and acquire legitimacy) but also pushes them to innovate so as to increase the outreach of their products and services. Therefore, microfinance practitioners are advised to leverage bricolage to identify new opportunities that will enable them to scale their operations.

Moreover, practitioners who engaged in bricolage are dedicated individuals who refused to be limited by their constraints and instead utilise all the means at hand, including persuasive tactics, to overcome their everyday challenges and create both social and economic value. Through persuasion, they were able to acquire legitimacy for their MFIs that then serves as a stepping stone to ensure stakeholders' engagement. Therefore, MFIs are advised to instil in their employees an interest in achieving the social mission, as this will push the employees to come up with solutions and even out-of-the-ordinary ideas to create social value.

Furthermore, this study provides insights on the link between dual-mission management and bricolage theory and demonstrates the bricolage aspect of MFIs' functioning. Organisational members may not be aware of the bricolage aspect of their day-to-day activities. In contexts of resource scarcity and competing demands, the paper emphasises the importance of possessing a mindset of social value creation (Halme et al., 2012; Linna, 2013). Practitioners need to have the motivation and willingness to achieve financial inclusion, as this will push them to make do with the resources at hand in sometimes unconventional ways so as to achieve their objectives.

Finally, the findings of this paper may also be relevant to practitioners in social enterprises or organisations that embed competing demands, as they may derive insights on how to better cope with their pluralistic demands.

*7.3.2. Policy implications*

The study also has important implications for policy makers. As the findings demonstrate, the government plays a major role in the achievement of the social mission through the regulations they implement or the resources they are willing to provide to the MFIs. We saw that a number of MFIs in this study expressed the desire to be supported by the government both in terms of favourable regulations and financial support for their social activities.

Regulators may find this study informative, as they can gain a better understanding of the perceptions of practitioners with regard to regulation. Specifically, Chapter 4 is particularly relevant for regulators as it points to regulatory issues that may hamper the ability of MFIs to effectively serve the poor. As such, regulators are encouraged to take into account the viewpoints of microfinance practitioners so as to better adapt the regulatory framework to the specificities of the microfinance sector.

## 7.4 Limitations and Future Research

Despite its contributions, this study has some limitations that provide opportunities for future research. First, it must be noted that the study was based on the Cameroonian context which may differ from other context in terms of, for instance, the multiplicity of the microfinance organisations, the different associated legal forms and the socio-economic conditions of the country. Further studies on other MFIs in other African countries, particularly those operating in much more penurious environments, would enhance the findings of this study and improve our understanding of the role of bricolage in the dual-mission management process of MFIs.

Indeed, further bricolage strategies might be identified by examining additional MFIs in other SSA countries. This may provide insights regarding the differences across different developing countries (Holt and Littlewood, 2016). In addition, this study focused on the two major urban areas of Cameroon. Probably, MFIs or branches located in rural areas may have a more dominant social mission and thus face real challenges with regard to financial sustainability. Future research may extend the scope to explore the differences and similarities in bricolage practices that may exist within and between MFIs based on the geographical location of their branches. This will probably help to complement the bricolage approaches I identified in this study.

Second, the study showed that bricolage might be a suitable theoretical lens to study dual-mission management in MFIs; therefore, further studies on bricolage in the context of microfinance may advance my research findings. In fact, the study was not able to provide an in-depth understanding of the dynamic between the bricolage practices. I was just able to show through case vignettes how some of the bricolage practices may complement each other in the successful achievement of organisational goals. Therefore, further research should perhaps focus on understanding the relationship and dynamics between the different bricolage practices. In this regard, future studies may adopt a longitudinal approach to examine the bricolage process over time, as this could provide valuable insights. It may allow us to better understand the functioning of MFIs and to better understand the evolution of bricolage practices. This will help strengthen the theory of bricolage.

In addition, more research is needed on how bricolage practices can be combined with other dual-mission management strategies and on how this affects the achievement of social goals. For instance, Desa and Basu (2013) showed how social ventures used both optimisation and bricolage as complementary resource mobilisation approaches to overcome their constraints and effectively implement their social mission. In this study, I consider the general impact of bricolage in the dual-mission management process without differentiating its patterns, that is, whether the MFIs were engaging in parallel or selective bricolage, as discussed in prior literature (Baker and Nelson, 2005; Senyard et al., 2014). Future studies should delve more deeply into the bricolage patterns of MFIs and how they may influence bricolage outcomes, that is, by distinguishing between the two patterns of bricolage and exploring whether they result in different bricolage outcomes.

Moreover, due to the exploratory nature of the research and the fact that I interviewed a large number of MFIs, I was not able to make comparisons between the MFIs to identify the heterogeneity in their bricolage patterns or practices. Rather, the study just provided a general picture of the bricolage practices employed by the MFIs. Therefore, future studies should focus on a few MFIs using an in-depth multiple case study to examine how the MFIs differ in the way they engage in bricolage to achieve their competing social and commercial goals.

Also needed are quantitative studies that will increase the generalisability of the findings. Such studies should examine the relationship between bricolage and performance indicators in MFIs, such as outreach and profitability. In addition, most of the existing research has overlooked the study of the relationship between bricolage and the scaling of social impact (Kickul et al., 2018). In this study, I demonstrated that bricolage allowed the MFIs to increase their outreach. In this regard, future studies should quantitatively investigate the relationship between bricolage and the scale of outreach.

Finally, the findings reveal that some of the MFIs in this study draw on resources such as religious beliefs or existing customs in order to make do, resonating with what Lévi-Strauss termed ideational bricolage. Therefore, similar to Mair and Marti (2009), I call for more studies that will help us understand the concept of ideational bricolage, its uses and its outcomes.

The commercialisation of microfinance has become increasingly prevalent worldwide, and more and more MFIs operate in pluralistic environments. With this study, I hope to inspire more research on bricolage in microfinance to advance theory and provide guidance to the growing number of microfinance practitioners who try to navigate in penurious and pluralistic environments as they combine both social and economic value creation.

## 7.5 Chapter Summary

To reach a massive scale, the MFIs progressively oriented themselves towards commercial banking practices and accordingly adopted a profitability objective in addition to the original objective of financial inclusion. As the microfinance sector became progressively commercialised, the goals and missions of MFIs expanded from the social dimension into the economic one. MFIs now try to strike a balance between their two competing objectives. In the context of commercialisation, MFIs operate like for-profit firms but are driven by a blend of social and economic value creation.

Managing conflicting objectives is difficult, and despite the strategies that can be implemented to achieve a certain balance, there still remains the risk of mission drift. This points to the importance of research that will provide more insight into how MFIs can maintain their social and commercial missions in a productive tension (Battilana and Lee, 2014) so as to increase their chances of avoiding mission drift. In this study, I explored how MFIs in Cameroon deal with their competing social and commercial missions. The Cameroonian microfinance sector can be considered a penurious environment, as there is a lack of subsidies, a target clientele mainly engaged in informal businesses, intense competition that may reduce profit margins and an uncertain external environment. In addition, the regulations that govern the sector are often inadequate and may undermine the MFIs' ability to serve the poor. These characteristics specific to the Cameroonian microfinance sector may actually push MFIs to focus more on their profitability objective by targeting wealthier clients in order to overcome their challenges. However, because of the necessity to fulfil their social mission and thus maintain their legitimacy as an organisation with a social purpose, MFIs refuse to be limited by constraints and employ various bricolage practices that prevent them from drifting totally from their social mission. Overall, the contribution of this research lies in its illustration of bricolage as practiced by MFIs in the course of overcoming the challenges to attaining their dual missions.

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# APPENDICES

## Appendix 1 Cover letter and Interview guide (MFIs)

***Cover letter***

UNIVERSITÉ DE NANTES

Lemna

Monsieur, Madame,

Dans le cadre de notre Doctorat en Sciences de Gestion à l'Université de Nantes, nous menons une étude sur la commercialisation de la microfinance au Cameroun. Ainsi, nous souhaitons vous poser quelques questions autour de cette thématique.

Les entretiens que nous réalisons en ce moment sont exploratoires. C'est à dire que nous souhaitons recueillir le maximum d'idées possibles sur le phénomène de commercialisation en microfinance et plus particulièrement sur la façon dont les EMF arrivent à répondre à la fois aux objectifs sociaux que commerciaux.

Bien entendu, tout ce qui sera dit au cours de cet entretien restera absolument confidentiel. Si nous vous proposons de l'enregistrer, c'est pour faciliter notre discussion et éviter des erreurs dans notre prise de notes.

La durée de l'entretien ne devrait en principe pas excéder une heure. Nous tenons à dire qu'il n'existe pas de bonne ou mauvaise réponse, ce que nous cherchons à savoir c'est les expériences et pratiques quotidiennes des établissements de microfinance.

Dans le cas où vous aurez des questions par rapport à cette étude, n'hésitez pas à nous contacter au +237655598873 ou par email à ssinghe@audencia.com , steffi.singhe@etu.univ-nantes.fr .

Cordialement,

SINGHE S. Sandra

**Interview guide**

**Personal Background**

- Can you tell me a little about your career background?
- What are the reasons that pushed you to work at an MFI rather than another organisation? Are your expectations met?
- What is it like to work at your MFI? What are the positives? What are the challenges? How does your job contribute to the organisation's mission?

**Founding and growth of the organisation**

- Can you tell me briefly about the history of your organisation? (how was it founded, for which mission, in response to which need, how it grew over the years?)
- How did the mission evolved over the years and how will you formulate today the mission being carried out?

**Values, Missions of the organisation**

- According to you, what is the goal of MFIs? what are the objectives and values of your MFI?
- Are these values in line with your own values? Are the values found in the everyday action? How?
- Are the objectives formalised? Are procedures standardised or localised (procedures closely connected to local needs or standard operating procedures)?
- How do you manage both the financial imperatives and the organisation's social goals? What are the challenges you face?
- Example of decisions that the MFI take in order to accomplish their double bottom line
- Who are the main stakeholders of your organisation and what is the character of the relation between these stakeholders and your organisation? What are the demands imposed by these actors? How is your mission linked to the demands imposed by these actors?
- Do you feel any market pressure? What are the consequences?
- How is your organisation different from all the others? What is your target clientele? Do you think an MFI is a social enterprise?
- According to you what are the factors behind your social or/and financial performance?

**Products and Services**

- Loan characteristics: types of loans/ purpose, size, fees, interest rates, conditions, re-imbursement schedule/method, recovery method, target, time to cash
- Client profile: proportion of loans allocated to women/young/start-ups,
- Services to clients: non-financial services (counselling services - coaching), training to beneficiaries
- Pricing policy: are the interest rates negotiable? Differential pricing depending on the size of the loan or the financial situation of the client
- Can you describe the loan decision making process?
- How do you reduce the default risk of clients?

**Ownership, Governance and Management**

- Ownership structure: proportion of ownership, who controls and oversees the organisation, founder influence
- Board composition and structure: board member election/selection, size, area of expertise, rotation, CEO-Chairman duality, motivation of members

- Board operation: presence of sub-committees, frequency of meetings
- Board influence: decisions requiring board approval, tensions between board members and CEO (board-CEO interaction), functions of board members and subcommittees
- Decision-making dynamics: how are key decisions made at each level?
- How do handle difficult situations such as loan recovery especially in case of delay
- Human resources: hiring practices – profile of employee hired (experienced or amateurs), staff incentives, training of employees/board members
- What practices do you put in place to encourage socialisation between employees?
- Partnerships and external collaboration, for what purpose? Give examples
- What are the main sources of funding and refinancing (local or outside capital, proportion of deposits)? what is the dividend distribution policy?
- What do you normally do at work? Describe in detail your activities/responsibilities and your interactions with the rest of the organisation
- How do work meetings look like? Main issues usually discussed in meetings
- Do you have any contact/relationship with the board of your organisation? Can you tell me more about them?
- What can you tell me about collaboration in your organisation? How is your relationship with your manager?
- Do you face difficulties in the process of achieving your objectives? How do you manage to find solutions to these difficulties?
- What is your commercial strategy? How does it differ depending on the clientele targeted?
- Do you have any affiliation with professional networks or organisations? For what purpose?

**Regulation**

- Do you manage to comply with regulation? (ratios…)
- Reporting and monitoring: annual frequency of financial reporting, beneficiaries of financial statements, how is supervision by regulators (frequency, on-site or off site), presence of internal supervisory bodies, which documents are forwarded to the COBAC supervisory bodies
- Perceptions/experiences regarding regulation effectiveness: relative to governance, organisational activities, the recent changes to regulation and the difficulties you faced,
- Is the regulatory framework appropriate?

**Debriefing**

- Is there anything else you think it is important and would like to talk about?

## Appendix 2 Cover letter and Interview guide (Regulators)

***Cover letter***

SINGHE Steffi Sandra
LEMNA
Université de Nantes
Tel: +237655598873
steffi.singhe@etu.univ-nantes.fr

Yaoundé, le 14 Décembre 2017

A L'attention de
Monsieur le Directeur Général du Trésor
et de la coopération monétaire et financière

Objet: Demande d'accès à vos services (Division de la Réglementation et de la Promotion de la Microfinance)

Monsieur,

Dans le cadre de notre Doctorat en Sciences de Gestion à l'Université de Nantes, nous menons une étude sur la commercialisation de la microfinance au Cameroun. Ainsi, nous souhaitons avoir accès à vos services dans le but d'avoir des informations sur la microfinance au Cameroun.

En effet, en plus de la documentation que vous voudriez bien nous fournir, nous souhaitons nous entretenir avec vos collaborateurs sur des questions relatives à la réglementation de la microfinance au Cameroun.

Bien entendu, tout ce qui sera dit au cours des entretiens restera absolument confidentiel. Si nous vous proposons de les enregistrer, c'est pour faciliter nos discussions et éviter des erreurs dans notre prise de notes. La durée des entretiens ne devrait en principe pas excéder une heure. Toutefois, au vu des échéances académiques qui nous sont octroyées, nous souhaitons être reçu avant le 15 Janvier 2018.

Dans l'attente d'une réponse favorable de votre part, recevez, Monsieur, l'assurance de ma sincère considération.

SINGHE Steffi Sandra

## Guide d'Entretien

Ce guide liste les principaux sujets qui seront aborder lors de l'entretien. Selon les participants, les questions posées seront relatives à l'un ou plusieurs de ces sujets.

1. Perception de la microfinance
2. Historique et évolution de la réglementation
3. Promotion et développement du secteur de la microfinance
4. Encadrement et supervision du secteur de la microfinance
5. Contrôle du secteur de la microfinance
6. Partenariats dans le secteur de la microfinance

## Appendix 3 Illustrative quotes on bricolage practices

| Bricolage | Description | Representative quotes from interviews |
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| **Going beyond procedures** | refusing to be constrained by limitations (that hinder their ability to create social value) y trying out different solutions to their challenges/problems. Specifically, they demonstrated flexibility in their loan transactions with clients to increase access to their services. This include renegotiating loan contracts, experimenting different forms of guarantees, and assembling pieces of information | - ‘At one point when we see that the client really has difficulties, we stop the interest, it is useless to increase while he is in trouble, we stop, we say that here you are going to repay this amount, we try to see how you can repay, we do not force, we try to go towards the customer and talk with him, because it (difficulties) can happen.’ (MFI Z)<br>- if for example you are a pusher and a truck has broken your shoot, will you still be able to repay your loan? …When you are in this situation, what we do is that we say you come back do not flee the house, you tell us what suits you in this position. We can say that since you took 200 thousand, and that the truck hit your shoot, here is another 50 thousand to repair your shoot and you make much more effort to repay.’ (Founding member, MFI C)<br>- ‘Also, the guarantee, it is true that we speak of 80%, the credit must represent at least 80% of the value of the guarantee, but on the ground this is not always the case. You go to a customer you see the cars he will give you the price but we do not have an expert who will tell you that right now this car is worth this, it is the value that the customer gives and on that we appreciate a little.’ (internal controller, MFI D)<br>- ‘our main mission is to be able to finance people without requiring a formal guarantee. Its our main strength because we are flexible in terms of guarantee…its this flexibility that allow us to reach the poor because if we want to respect the classical banking model, we would not be able’ (Marketing director, MFI D)<br>- It depends on the person in front of you, like the guarantee, what I can take as a guarantee for you, it's not the same thing that I would take if it's another. It's really not the bank where as soon as you need credit, you need to have this guarantee, it's different we do not do bank, it's another activity’ (CEO, MFI T).<br>- ‘we locate your activity, we try to see if this activity is really profitable, since when you do that, is the place you occupy (in the market) stable, are you a street vendor. Anyway, we avoid street vendors here, but you have someone who has been two, three, four years in a market, everyone knows him, we do a little proximity surveys, we meet your landlord, is he regular in his payments (rent), it is a little bit that.’ (CEO, MFI R) |

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| **Social value creation** | demonstrating determination to generate opportunities for the poor and continually aimed to improve social value creation through products specifically designed for the poor. | - Us we had (at the creation) the specificity of looking for a female clientele because we thought that there was something to do there, that they were also the most excluded. We want to realise inclusion, we look first for the most excluded and especially when you empower them, we are sure that there will be an impact in their family and in the society. In 20 years, we remained in that logic. (MFI W)<br>- 'we have specific products for women, here we have a product that we call *progress credit* that allow buyam sellams to grow in their small business…it means that, that product is based on the disadvantaged, providing investment to people who cannot easily get access to banks' (MFI AA)<br>- 'When you are in an enterprise, its normal to expect revenues. Now, for the social objectives, it all turns around our objectives and products. If we have the objectives of reducing poverty, improving living conditions, we will go at the level of the products, offer customised products to clients and we have a target' (MFI U)<br>- 'Yeah, it is, because it includes everyone, it does not discriminate, somebody with a saving of one thousand can have a place in a microfinance. Somebody with an activity that has not been heard of can have a place in microfinance. So that social aspect of it, I think we are inclusive.' (MFI J)<br>- 'And then You need to prioritise what is the need of the economy, its agriculture so what are we doing, we have to design something to accompany those in that sector. So that's our own contribution to the economy…So, we have designed projects for that and they are benefiting. We have done that and they are benefiting, so it's not just about financing public contracts and, no, we have designed products to meet up, even these daily collectors, they have a product that have been designed for them for credit they consume. So, everybody feels they belong.' (MFI J)<br>- |
| **Renewing** | bricolage as a practice that foster renewal and the creation of new products to grow; extend product range to target new market | - 'And product development as well, you have new products in the market that are very competitive. and like this container clearing, I think what we have entered, the bank now is thinking of how to get that market because you realise those clearing containers is an activity particularly those dealing in fairly used imported items, they sell mostly a wholesale prices for people to buy and resell so they have a really fast turnover…But it's very lucrative, that's what |

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| | segments. This will allow the firm to respond to new challenges and to competition | I realise now and we are making something reasonable from it and the banks are now seeing the need for them to design something to suit that market segment.' (MFI J)<br>- 'the pressure also in the quest for new products. We must constantly innovate to be able to survive because we are at the point where virtually all the MFIs offer the same products' (Assistant CEO, MFI K)<br>- 'Before we were just collecting deposits, and may be giving out some loans and most of these loans were salary loans, you know the most secure kind of a loan that you can give. You mark one or two business persons that you give facility extensions but over the years you realise that business have taken another dimension. Most competitors are going digital and all that, so you need to get into that or get out of the market.' (MFI J)<br>- The mission has evolved in terms of products. For the products we have evolved, even for the target also we have evolved, we have also evolved with the geographic location…We have evolved in terms of products, initially we only had accounts, that is to say we only manage accounts, different types of accounts that we have. Then we integrated the money transfers, today with the evolution we also make the orange money, mtn money, that is to say the magnetic. We have introduced the visa card, even if we do not yet have a counter, but we are marketing the visa cards. This, it is the mission that has evolved (MFI U). |
| **Mitigating risk** | overcoming/addressing the riskiness related to their target clientele to ensure oth sustainability and empowerment of the poor. | - 'the second level of risk mitigation is effectively accompanying the client in the use of the loan. That is, when he take a loan, we always follow-up, asking at which level he is, you were supposed to buy commodities, have they arrive, if you were supposed to order from china, did the ship arrived, did you cleared it from the port, did you started selling them. We go to his shop all the time to remind him to not forget to pay his loans, to know how he manage his business. For the moment, it's at that level, we do not yet go further than that because there are, effectively, other policies for customer support even at the level of business management that are more advanced, but we do not do that yet.' (Strategy director, MFI L)<br>- 'you know, when we arrive for instance in rural areas and we build people in groups, we give them training, its free. How they can do a business plan, how they can manage their activity, how they can calculate their small profit and loan account, those are free trainings. Those are social work, today when we do all that and that tomorrow she grows, that's social. Social is not only going to orphanages, but also to help those people who abandon their children not to do so anymore by showing them how they can do an activity in order to take care of their children' (MFI Q). |

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| | | - ‘for instance if a woman comes with a project…even though her file is not eligible, that is not answer the requirements…show her that, ok in order to benefit from any banking product, you have an activity, do a business plan. We can show how to do a business plan, how you can follow up on your activity, how you can do your small book keeping, in a basic way’ (MFI Q)<br>- And also, in regard to reducing that risk of default, we also try to educate members on the projects that they embark on. To make sure that they actually do something, carry out activities that will end up generating the income for them to be able to repay their loans, interest, and also have something to take back to their homes.’ (MFI S) |
| **Persuasion** | using diverse tactics to persuade relevant stakeholders with the aim of gaining legitimacy and resources. This include engaging in leveraging social legitimacy, leveraging stakeholder participation, using commercial actions, drawing on values to persuade employees, drawing on socio-cultural values to persuade clients. | - ‘We do a lot on the social aspect, we have a foundation through which we give out numerous donations to orphanages, hospitals, refugees camps…well its true we know that when a commercial enterprise does that, there is some communication around but still, besides the publicity around the organisation, there is the fact that we reach a disadvantaged group’ (MFI B)<br>- ‘ we are social also because, through the different activities we do at the end of the year, we have internal associations that allow us to do charitable work at the end of the year, that contributes to our social aspect’ (MFI X)<br>- ‘I will take an example, like this year about three weeks or so ago, the ministry of medium size enterprises, of agriculture, and of finance, they are always trying to think what can we do to encourage financing of the agro pastoral area. Because you know it’s very productive but the entrepreneurs, its more entrepreneurs that do not have all the facilities, financial and technical. So, there are trying to say, how do we boost this area, so when we see that the government is going in a certain area, we also try to increase our investment in that area. because if the government is going in that area, definitely they will give subsidies and stuff like that. So, in order for us to benefit from it we have to explore the area more so that we can benefit from that and be able to help later. So, we must be able to put packages like this is what we are going to do for this area.’(MFI I)<br>- ‘when we have challenges like for instance fund mobilisation, I can meet a board member who I know have that capacity to give me this big customer. So, I meet them, we take a rdv, he calls and then we go to seal the deal, yeah. So, we make them get involved in the activities of the company’ (MFI J) |

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| | | - ‘there are trainings that require professionals, when the cost is too high, we ask contributions for instance to participants. Because if we dig in, into our funds, long term we will only create holes.’ (MFI W)<br>- ‘now we want first to be well known, and to be well known we must do network marketing…we can organise small outings in the cities, we walk in the streets, around us…after go to the markets to inform (that we exist)’ (MFI Z)<br>- ‘So it depends on the customer, that’s why it is important to know your customer, to know where to pinch. we have stuff that we know that here this client when he hears of a lawyer he is afraid, so we will call for an intern that, that customer do not know the voice or something, and a strange number and he will call the client presenting himself as a lawyer, be very firm and then the customer will come and pay.’ (Credit director, MFI I)<br>- ‘recovery is personalised. The method I used to recover here is different from the one I used elsewhere…you have to know what can put pressure on someone’ (MFI T) |
| **Network bricolage** | building partnerships and leveraging strategic relationships to acquire resources | - ‘Usually at the end of the year we an equilibrium subsidy, to indeed balance the accounts. And partners too, who give us money to finance public contracts’ (MFI H)<br>- ‘ For example, you have seen the visa card, it is with a partner, you see its more easy with them. Money transfers, we have to go through partnerships. You see we have a lot of activities, we have to work with the partners.’ (MFI N)<br>- ‘we have commercial partnerships, we partnered with […] for visa cards, we have partners to make international money transfer…so commercial partnerships for products’ (MFI R)<br>- ‘There is school credit, we have another form that we call ‘GESCOL’. gescol is a school credit but in partnership with the heads of schools, primary and secondary.’ (MFI U)<br>- ‘We signed partnerships with people, for example the cost of credit, which was higher when providing loans in villages, now we have signed an agreement with another MFI. It is in this sense that we are under pressure from the market.’ (MFI D) |
| **Repertoire of experiences** | Make do through utilising a repertoire of skills, knowledge, and experience developed over the years. | - The monthly meetings are with all the other controllers in yaoundé, here there are four ranches and the meeting is for the presentation of the monthly reports, it is always a sharing of experience because there can be a problem faced by a controller from a certain ranch and he managed well or not. it is during the meeting with the presentation of this controller, he can say I had the same problem but I rather solved it in such a way . Together we share our experiences and the projections of the month. So for example there are experience sharing where a controller says for example that he received a file, and that he rejected, we say why did you reject and he says |

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| | | that when he took the file of the client, he realises that they had falsified and there he does not report to the loan officer, he himself he takes his break he goes out, as he has the GPS he goes down to the activity, he notices that the activity does not exist. We ask him how you did to find out that it was not right, there in the meeting he shows us examples and his techniques. But being here at the headquarters, I do not have access to information like that and that allows us to learn (internal controller, MFI D).<br>- As for the board of this MFI it is quite varied and when we say varied it is that we have people with not only different functions but also different experiences. This allows us to have a vision overall and with their experience and expertise in other business sectors, they support us to keep us up or to tell us how it was going where they were and that also allows us from time to time have a lot more openness and better reframe or reposition ourselves (Deputy CEO, MFI E). |
| **Resource bricolage** | effective utilisation of existing resources to reduce costs | - So really, it's a big firm that still resists, it's true that competition forces us to carry out a certain number of actions aimed at reducing our charges in order to necessarily maintain ourselves. Because you are going to hear, our MFI has not had a salary problem, in the 11 years that I have been there I have never had this problem. To stay on course and make a win-win, i.e. the employer and employee win, we have to take a certain number of restrictive measures today, at least it is the conjuncture that imposes this on us (MFI b).<br>- Responsibility, the last value, to really use corporate property responsibly so that it is not a burden for the firm. For example, if when going home in the evening I do not bother turning off the computer, it consumes power and the electricity bill will come more expensive. If I take the (company) car, instead of working with it, I go, let's say carry bricks with it in my neighbourhood for my construction site, I am not using it responsibly and it generates costs for the company (MFI D).<br>- it is very difficult because precisely, carrying out social action also has a cost but it is a question of managing rationally. We always have the budgetary constraint when we work, knowing how far to go but sometimes to even ask these people for their contribution (MFI W). |

DOCTORAT BRETAGNE LOIRE ECONOMIE ET GESTION

UNIVERSITÉ DE NANTES

**Titre :** Commercialisation de la microfinance au Cameroun : Comment les Institutions de Microfinance peuvent gérer leur double objectif social et commercial ?

**Mots clés :** Commercialisation, Microfinance, Régulation, Double-objectif, Bricolage, Cameroun

**Résumé :**
La commercialisation de la microfinance a mis au premier plan la performance financière des IMF, les IMF adoptant désormais une logique commerciale de rentabilité en plus de leur logique sociale établie de lutte contre la pauvreté. Cela pose un défi de gestion crucial pour les IMF pour équilibrer l'aspect social et commercial de leur mission.

Cette thèse vise à analyser comment les IMF surmontent leurs défis pour atteindre leur double objectif social et commercial. Elle s'appuie sur le concept de bricolage comme perspective théorique et sur une approche méthodologique abductive, exploratoire et qualitative. La thèse vise également à fournir une meilleure compréhension du secteur de la microfinance camerounaise, en termes de son histoire et évolution, et des défis spécifiques au secteur.

L'étude identifie diverses pratiques de bricolage que les IMF utilisent pour faire avancer la réalisation de leur double mission. Les résultats suggèrent l'utilisation de ces pratiques de bricolage par les IMF pour mobiliser des ressources, renforcer la légitimité et accroître leur *outreach*, dans un contexte caractérisé par des contraintes de ressources. Ces trois résultats de bricolage se renforcent mutuellement pour faciliter la réalisation du double objectif des IMF. Cette recherche a également mis en évidence les quatre phases d'évolution du secteur de la microfinance camerounaise et les cinq principaux défis auxquels sont confrontées les IMF du secteur.

Cette thèse contribue à la littérature sur la microfinance. Elle propose un nouvel regard sur la gestion de la double mission des IMF en montrant comment les IMF mobilisent les stratégies de bricolage pour faire avancer leurs objectifs sociaux et commerciaux. Elle met en lumière le lien entre la littérature sur la microfinance et le bricolage.

**Title:** Commercialization of microfinance in Cameroon: How can Microfinance Institutions manage their dual social and commercial goals?

**Keywords:** Commercialization, Microfinance, Regulation, Dual-mission, Bricolage, Cameroon

**Abstract :**
The commercialization of microfinance has brought to the forefront the financial performance of MFIs, with MFIs now adopting a commercial logic of profitability in addition to their established social logic of poverty alleviation. This poses a crucial management challenge for the MFIs in terms of balancing the social and commercial aspect of their mission.

The main aim of this thesis is to understand how MFIs overcome their challenges so as to achieve their dual social and commercial goals. It draws on the bricolage concept as a theoretical perspective and on an abductive, exploratory and qualitative research approach. The thesis also aimed to provide a better understanding of the Cameroonian microfinance sector, in terms of its history and evolution, and the challenges specific to the sector.

The study identifies various bricolage practices that the MFIs use to advance the fulfilment of their dual mission. The findings suggest the use of these bricolage practices by the MFIs to mobilize resources, build legitimacy, and increase outreach, in a context characterized by resource constraints. These three bricolage outcomes reinforce each other, and they all strengthen the achievement of the MFIs' dual goals. This research also highlighted the four phases of evolution of the Cameroonian microfinance sector and the five main challenges faced by MFIs in the sector.

This thesis contributes to the microfinance literature. It offers a new perspective on MFI dual-mission management by showing how MFIs mobilize bricolage practices to advance their dual social and commercial goals. It brings light on the link between the literature on microfinance and bricolage.