Location and Performance of Microfinance Institutions

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ABSTRACT

The objective of this study is to show in which way location is a performance factor in microfinance institutions (MFIs). By highlighting the link between location and performance, it emerges from this research that owing to proximity with customers and suppliers, location is the source of two types of performances. The first type of performance involves the economic, financial, social, and environmental performances of MFIs which are linked to improvement in firm productivity through the reduction of supply costs, the dissemination of knowledge and know-how and their technological repercussions, as well as social and environmental dynamics. Secondly, location is an improvement factor in the structural performances of MFIs through, on the one hand, customer network dynamics which generate positive consumption externalities and the positive feedback effects of the supply of goods on their demand and, on the other hand, the firm and subcontracting network dynamics which, through agglomeration forces, develop the size or scale economies effect, the supply diversity effect or scope economies effect, and the network effect or the organizational gain..

Keywords: Location, Performance, Microfinance Institutions.

1. INTRODUCTION

Field observations during the first decade of the 21st century have highlighted a vast movement of classical banks, which usually prefer to locate in city centres, and the outlying or peripheral areas surrounding urban centres (Essombé Edimo, 2007a and 2007b1, among others). This objective of proximity, which is the traditional prerogative of microfinance institutions (MFIs) and which henceforth has become a major preoccupation for classical banks, has raised a number of interesting questions such as the following: Is the renewed interest of the banks in the proximity of customers a simple problem of fashion? Is it rather a problem related to the conquest of market shares? Or again, might this renewed interest be due to the stakes linked to, among other things, the performance of MFIs located in these peripheral areas?

Lapenu et al. (2000) underline the fact that the functioning of an organization follows a logical chain from intention to actions and to effects. The performance of an institution can thus be defined as the results achieved at each link of the chain. And following the objective of this study, we can have economic and financial performances as well as social performances which take account of the nature of internal relations between the employees of the firm, including the relations it has with its clients and the other actors with whom it interacts. Generally speaking, by social performance, we mean the impact of the institution on the social conditions of its clients such as living standards, housing, health, education, etc., and lastly environmental performances.

The location of firms has been explored in different ways the theoretical and empirical location literature. In classical location theory, we note that from Von Thünen (1830) to Christaller (1933), passing by Weber (1909) or Hostelling (1929), location is the result of a voluntary action which consists in choosing to locate the firm at a given site, considering the relative benefits which the position of this site provides. Location therefore depends on a minimum cost. In neoclassical theory, location is related to space and represents a cost of production. However, location is not linked only to cost aspects, but it also responds to non economic objectives2. In the “new geographical economics” approach of which Krugman (1991) is the initiator, the updating of the « external effects » concept of Marshal (1890) will make it possible later to highlight

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3 In effect, we may choose to locate an activity on a space without necessarily taking account of economic calculations, simply because we would like to pose a citizen action.
the “agglomeration forces” as a fundamental factor in locating activities.

Moreover, the « model » said to be Krugman’s proposes an endogenous mechanism of « cumulative circularity » which, helps sustain a process of self-sustained growth and endowment in factors of production. The latter are largely explained by agglomeration and scale economies which lead to the fact that the main attractiveness of a space for a given activity is the very presence of this activity in that site (Métal, 2003, p.269).

This tends to show the importance of territories and, in territorial economics, space becomes a territory which is no longer neutral in the economic process, since it becomes an economic actor. Thus, it develops not only generic resources, but also and above all, specific resources such as competitiveness, attractiveness, knowledge, networks, etc., resulting from agglomeration effects.

We may therefore be interested in finding out what the impact of MFIs location on their performance is. In other words, does location have an incidence on the level of MFIs performance? And more specifically, what type of performance is it? Such is the purpose of this study, whose main objective is to show in which way location has an incidence on the level of MFIs performance development of activities. Thus, it is nowadays accepted that urban spaces and urban concentration as well as the concentration of humans are no longer prisoners of an initial.

From this point of view, we use the model of Krugman (1991) to analyze this link with a view to bring elements of solution to this problem. To do this, we propose in the second part of the study, to analyze and identify the mechanisms and processes through which location appears as a performance factor in Microfinance Institutions (MFIs), after the presentation of a theoretical reminder of the link between location and MFIs performance.

2. THEORETICAL REMINDER OF THE LINK BETWEEN LOCATION AND PERFORMANCE

The relationship between location and performance has been the subject of a large number studies on classical and neoclassical analyses, on the one hand, and on geographic and territorial economic on the other.

2.1 Location in Classical and Neoclassical Analysis, Economics.

One of the first studies to be interested in location economics date back to the work of Von Thünen (1830) on urban economics, Weber (1909) on his location theories, Hotelling (1929), Christaller (1933) notably on the hierarchy of central places, and Lösch and Walter Isard who examine location through a circular process. In this first approach to the location concept in classical theory, location can be understood in terms of a distance which entails a minimum cost. In the context of a duopoly study, location is proposed as one of the solutions to Bertrand’s paradox simultaneously with capacity which is Edgeworth’s solution, while Hotelling (1929) speaks of horizontal location. The latter’s analyses lead to two industrial economic theories on minimum differentiation and peripheral location.

In the neoclassical approach, location is captured by non pecuniary externalities whose origins go back to Marshall (1920) in a classical presentation of the location concept in which he identifies three motives for intra-industrial geographical location. The first motive is concerned with improvements in the productivity of firms and the utility of workers owing to the proximity of factors of production and the reduction of transport costs. For Marshall in effect, the establishment of a unified market benefits the firms and the utility of workers as well as the proximity of firms to factors of production, just as the reduction of transport costs improves the productivity and the utility of workers. The second motive is the reduction of supply costs through the availability of intermediary goods nearby. For, the concentration of final goods producers attracts firms producing intermediary goods. Thus, by locating near the former, the latter reduce fixed costs through demand effects and enhance the attractiveness of the region. Lastly, location can also be explained by the dissemination of knowledge and know-how and their technological effects because of the proximity of firms and their workers.

Here also, as in the classical approach, location is understood in terms of a space which has a cost of production. In a recent study, Essombé Edimo (2007a) has shown that peripheral location and the creation of...
new centralities in Douala have led to «an expansion of segregative processes. », of which one is an industrialization that commands extension. Finally, we note that for classical and neoclassical authors alike, the key determinant of location is cost.

However, location is not only linked to cost aspects, but also to non-economic aspects such as the selection of uncertainty, and individual preferences which may lead a citizen to decide to locate where he wants without taking account of economic assets (environmental amenities not expressed in terms of costs). It also seems that in classical as in neoclassical location theory, territory is not taken into account, whereas whether it is linked to costs or not, location based on a territory. The new theory of the geographic economics of Krugman (1991, op. cit.) takes territory into consideration, more particularly in his centre-periphery model.

2.2 Location in the New Geographic Economics of Krugman (1991)

By geographic economics, Krugman (1991) means the location of production in space. In other words, it is the field of economics which focuses on the place where things occur and the relationships between them. In effect when Krugman (1991) tackles geographic economics three main concerns come to his mind namely: the determinants of the concentration and location of productive activities in space, the explanation of unequal development or differences in development between regions, and the causes of the origins of crises. His objective is to understand the motives of the American industrial geographic concentration in one region while other regions play the role of a periphery for this industrial centre. For Krugman (1991), the new geographic economics has three characteristics, namely: Marshall’s external effects which lead to agglomeration effects, the organizational effects which lead to the development of firm networks, and the cumulative circularity principle.

To develop his approach to the elaboration of his centre-periphery model, Krugman (1991) takes inspiration from the works of von Thünen (1830) and Christaller (1933), on the one hand, and from the circular principle of Lösch and Isard, the external proximity or agglomeration economies of Marshall (1890), as well as the circular causation concept highlighted for the first time by Gunnar Myrdal (1957) and revisited later on under the expression of “positive feedback effects” by Brian Arthur (1990) on the other. Krugman (1991) also uses the monopolistic competition model originally worked out by Dixit and Stiglitz (1977) to integrate a spatial process into it. In the two-region model of Krugman (1991), location is linked to agglomeration forces or economies, network economies, and knowledge economies. In short, with Krugman we go from the tyranny of distance to the tyranny of proximity.

It is opportune at this point to note that, contrary to the theory of location which does not take account of territory, geographic economics integrates territory since the latter notably plays an important role in foreign trade (Krugman, 1991).

In territorial economics, space becomes territory. It is no longer neutral in firm dynamics. Henceforth, territory is an economic actor which can distinguish itself; for example, through the choice of setting up clusters or production districts, the dynamism of attractiveness, and the development not of generic resources, but of specific resources such as knowledge, competitiveness, and attractiveness which derive from agglomeration effects. Thus, territory tends to create what may be called “differentiating” advantages which means advantages that distinguish locations of activities from one another within the same territory. Consequently, the absolute, relative, and comparative advantages of Ricardo become outdated to the benefit of “differentiating advantages”. In addition, other areas of research such as the economics of proximity (Zimmermann et Pekum, 1998) and social capital theory (Putnam, 1993; Coleman, 1990) strengthen territorial economics.

The concept of location has evolved considerably over time and continues to be at the origin of many areas of research. What about the concept of performance?

3. THE CONCEPT OF MFIS PERFORMANCE

Performance is a polysemous concept. Etymologically, the term performance derives from the Old French «parformance», itself derived from the English verb «to perform» which means to accomplish. If we stand by its original meaning, performance is by analogy, a synonym of accomplishment (Hazebroucq,
In the sporting context, the concept of performance is defined as the result obtained during a competition (Bourguignon, 1996). Therefore, the word performance constantly conveys the result of a comparison following (or not) from a formalized competition. In this sense, Corvellec (1992) underlines the fact that performance in every case implies surpassing other people or oneself.

In the area of management, three meanings are attached to performance, namely: success, the result of an action, and the action itself. Thus, performance becomes confused with success because it is inherent in representations of success which vary not only depending on the firm, but also according to actors. Assimilated to the result of an action, this word designates the result obtained in a precise field by a person or a machine. When it is reduced to action, performance is a process and “not a result which occurs at a point in time” (Baird, 1986). From this point of view, Lapenu et al. (2004) add that the functioning of an organization follows a logical chain from intention to actions to effects. The performances of an institution are defined as “the set of results obtained at each link in the chain”.

The polysemy of the concept may be justified by the fact that performance is a multidimensional concept. In this context, we may also mention, organizational performance or the achievement of organizational objectives, economic performance, i.e. the cover ratio of expenses by firm networks, or the cover ratio of expenses by firms not in networks, and the number of jobs created and offered, financial performance (the turnover), and social performance.

In the present study, we limit ourselves to the performances of microfinance institutions (MFIs), and more particularly to social and environmental performances.

### 3.1 Social Performances of MFIs

The concept of social performance, which emerged at the onset of the 1980s, refers to the idea that it belongs to firms, and specifically to the human resources function, to achieve the satisfaction of wage earners both in their profession and in the working conditions existing in the firms. In this sense, it is underline the fact that the attention given to social relations in firms has become a key factor in the good operation of modern organizations. Consequently, next to the economic profitability objective assigned to any firm, the human resources function must be able to optimize not only the labour and the competences of each worker, but also to succeed in getting the workers involved in the organization.

For Martory and Crozet (1990), the concept of social performance refers to the impacts of social policies on the attitudes of wage earners towards the organization in which they work. That’s the reason why these authors identify social performance with the intensity with which each individual adheres and collaborates with the projects and with the means of the organization, or generally, as the level of satisfaction achieved by the individuals participating in the life of the organization.

In the context of microfinance institutions (MFIs), Lapenu et al. (2000) state that the social performances of an organization relative to economic and financial performances take account of the nature of internal relations between its employees, including those it maintains with its clients and the other actors it interact with. Generally speaking, social performance may be thought of as the impacts of the institution on the social conditions of its clients, namely: the impact on their living standards (housing, health, education, etc.). In this context, Cérise (2008) notes that social responsibility must be understood as the concern of the stakeholders (MFIs, networks, investors, financial backers) have in ensuring that their actions are transparent, that they contribute to the supply of financial services, and that they don’t have any negative impacts on their partners (employees, clients, the community, the environment). The concept of social performance goes a little farther insofar as the MFIs by their actions seek to achieve a social mission in favour of their clients and to make sure that their families benefit from it.

The social performances of MFIs have been the object of many studies carried out in several dimensions depending on the objectives aimed at such as: targeting the poor and the excluded, adaptation of services and products to targeted customers, improvement in the

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equity capital of customers and social responsibility of the MFIs.

Analyzing the social performances of MFIs as a function of social objectives such as targeting of the poor and the excluded, the adaptation of services and products to target customers, and improvement in the equity capital of beneficiaries through the creation and strengthening of community relations, Lapenu (2004) shows that these social objectives have had positive consequences on the clients and communities benefiting from MFIs services. For, building the capacities of individuals and the gain in confidence resulting from them help the latter to take new responsibilities and to recognize other people; and they are the channels which make it possible to improve the living conditions of their customers and the development of their communities.

A number of impact studies converge to show that the effects of MFIs loans are positive in about 70 to 80% of the cases, and that they permit among others things, to increase the agricultural output of small farmers, to create viable businesses, to improve their access to health care and education, and to reduce their vulnerability when facing social events such as child birth, death, etc. In addition to credit, microfinance develops the gathering of savings which reduces the hoarding of in-kind savings, and contributes to the expansion of monetization in the economy. By helping millions of individuals or families develop small economic activities most often through self-employment, microfinance ensures for them an improvement in their income and living standards, and contributes to overall social stability.

It seems that this approach to MFIs social performances through social objectives is very limited. For it excludes not only the social objectives targeted towards the employees, but it is also very partial although it is concerned with the clients, whereas the approach in terms of MFIs social responsibility completes these aspects. Social responsibility means that the firm must be concerned not only with its financial profitability, but also with its social and environmental impacts. It captures performances in terms of responsible practices.

Concerning social responsibility towards customers, de Serres, Gendron, and Ramboarisata (2006) note that in addition to access to credit and social inclusion, responsible practices towards customers may include improvement in distribution networks, access to products and services, and access to credit.

Improvement in distribution networks and access to them such as the addition of branches, the extension of the business hours of the branches, the rearrangement of the branches for the reception of persons with restricted mobility, the improvement and distribution of services on line and by telephone, to provide an easy access policy by making, insofar as possible, all the new banking centres entirely accessible to persons in wheelchairs. Access to products and services at reduced costs and tailored to the specific needs of a category of customers, the elderly, the natives, students, etc. The consulting service and financial education consist of seminars of financial education for private persons, and training for the beneficiaries of credit to improve the reimbursement of the loan (Tchamanbe Djiné, 2009).

As regards social responsibility towards employees, de Serres, Gendron, and Ramboarisata (2006) reveal that responsible practices relative to this component generally apply to three main themes: the training of employees, the promotion of diversity in the workforce, and the provision of advantageous pay conditions. Concerning employee training first, it may be said that it consists in providing them with the opportunity to learn more and to make progress in their careers. The initiatives on this subject mainly concern the expenses that are linked to it, as well as the variety of tools offered both internally and externally. This aims at achieving improvement in the acquisition of the competences, knowledge, experience, and attitudes employees need in their roles and their careers.

As to the promotion of the diversity of labour and initiatives for equity, it aims to gather the initiatives whose purpose is to take account of: (i) the diversity of employees (for instance, setting down objectives for the representation of traditionally disadvantaged groups such as women and visible minorities at the level of management and the workforce); (ii) the specific needs of certain employees (for example, the rearrangement of working places for employees with specific needs); and (iii) equity towards all employees, without considering the groups to which they belong. In short, the objective here is to ensure that the number of employees in the

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7 Lapenu (2004) notes that some Credit and Savings Cooperatives networks, for instance, in Benin, Côte d’Ivoire, and Burkina Faso, the amount of savings gathered from populations reckoned to be poor and without saving capacity, is far from being negligible and may reach 20 billion CFA Francs.

8 De Serres A., Gendron C., Ramboarisata L, 2006

9 For internal tools we have, for instance, seminars, courses, a documentation centre; and external tools such as paying for school fees for studies leading to certificate or a diploma.
workforce reflects the diversity of customers who can obtain their services in the language of their choice. The provision of a working environment which ensures comprehension and respect for diversity is indispensable for serving the clients well, and for attracting and retaining employees, as well as customers.

Lastly, the provision of favourable pay conditions does not limit itself to competitive wages and social benefits, but also includes the recognition of merit and the participation of employees in shareholding. Salaries are comparable to those of similar organizations and competitors, and depends on the competences, knowledge, and efficiency of each employee. To keep on being competitive, we evaluate the external market each year, and adjust our practices if need be. The responsible practices of MFIs may also consist of the provision of regimes of basic social benefits (health, life insurance and basic professional accident-insurance, and short- and long term income protection) at low cost for employees, even for free, thus ensuring a financial safety net for them in case illness or serious injury. Retirement plans secure some flexibility for employees to satisfy their own needs.

When all is said and done, responsible practices towards employees unquestionably increase their competences, the social performances of firms and improve the functioning of the institution. However, social performances are not only limited to the internal level of the firm, they also extend to society at large, in which case we speak of « societal » performances as referring to responsible practices towards the stakeholders who include shareholders, customers, suppliers, communities or local governments as well as the environment, which we deal with below.

3.2 The Environmental Performances of MFIs

We speak of « societal » responsibility when an institution or a firm assumes responsibility for the impacts of its activities on society and the environment (ISO 26000). To assume them, it may rely on principles such as accountability, transparency, and recognition of the interests of stakeholders. The firm tackles a number of key questions among which we can mention: the governance of organizations, Human Rights, labour conditions and relations, the environment, loyal practices, including the fight against corruption, and issues linked to consumers, communities, and local development. It is based on two fundamentals: the willingness of the organization to assume responsibility for the impacts of its activities and decisions on the environment and society, and to realize it. In the context of microfinance analyzed in this study, the « societal » responsibility of MFIs should be directed towards its stakeholders.

For MFIs to achieve good environmental performances they should conceive and implement environmental policies comprising among others the creation of a division in charge of the environment to manage the indirect environmental risks associated with costumers and suppliers, and the direct ecological impacts of the MFIs activities linked to bad ecological practices in accordance with the rules and regulations in force as far as the environment is concerned. De Serres et al (2006) specify that this practice is in line with the recommendations of the Équateur Principles² which stipulate that projects funded by financing institutions must develop in a socially and environmentally responsible way.

The management of environmental risks mainly concerns credit decisions. Consequently, with regard to customers, the management of environmental risks may involve the inclusion of social and environmental criteria in the credit granting process. To do this, management, for instance, may require that for certain loan and investment operations, an environmental evaluation of the sites by a third party must be made. For suppliers, the management of environmental risks can be carried out by including ecological criteria in supply policies, calls for tenders, as well as in purchasing conditions. However, it is opportune at this point of the analysis to ask ourselves whether or not the MFIs performances analyzed above are determined by the location factor?

4. LOCATION: A PERFORMANCE FACTOR IN MFIS

The economic literature reveals the fact that location may be a performance factor in MFIs through social, environmental, and network dynamics which create specific resources.

4.1 Social Dynamics: A Determinant of the Performances of MFIs

The social performances of MFIs generally follow from analyzing the relations between MFIs and their employees, and the relations of employees between themselves and customers. In addition to these relations, social dynamics imply that MFIs get involved with communities in which they live and work. From this perspective, social dynamics improve the level of MFIs performance in terms of geographic location when they get involve in the local development projects of their communities. This direct MFIs involvement in local development can be the financial support of local
governments, partnership in local development projects initiated by local governments, the sponsorship of educational, health, cultural, and sporting events – creation of playgrounds, for instance.

In the regulatory context moreover, MFIs have relations with local governments. In general, these links are limited to the fiscal framework – communal taxes, government subsidies to municipalities – and they don’t extend to the whole community. Here, social dynamics may consist of the promotion of initiatives for equity. Thus, to better serve local governments and the development of communities, MFIs may offer products and services that satisfy the needs of the population, and particularly Small and Medium enterprises (SMEs), which are considered as the engines of the local economy. Such a development also passes by job creation in the form of subcontracting and the training of the workforce.

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In sum, the social dynamics of MFIs involve the generous support of local government and community initiatives as a partner or sponsor for the provision of products adapted to the needs of the community, to contribute in making life better in the locality chosen for their clients, colleagues, neighbours and families, as well as to enhance the image of MFIs which must also get involved in the protection of the environment.

4.2 Environmental Dynamics: A Lever of the Structural Performance of MFIs

Environmental Dynamics as a factor of MFIs performance require their involvement in the protection of the environment through the management of direct impacts on the environment, and their adhesion to international norms and standards as far as the environment is concerned.

The management of direct impacts on the environment gathers together the practices said to be ecological whose establishment aims at the reduction of energy consumption (including electricity) in order to contribute to the reduction of greenhouse gases, the reduction of the use of paper, and the garbage recycling programme.

Concerning ecological practices, MFIs may encourage and even require of the customers to have ethical commercial practices vis-à-vis the environment by using biodegradable packaging paper, for instance. In addition, in several localities where MFIs are located in Cameroon, mounds of domestic garbage litter the streets, the pipes of wastewater not function and the treatment of wastewater practically does not exist anymore. MFIs support to the community for the treatment of domestic garbage and wastewater which pollute the watercourses contributes to the protection of the environment.

Environmental dynamics as a lever of MFIs performance also implies not only conformity to the norms in force in the country, but also their adhesion to the international norms and standards which can guide MFIs environmental policy.

In sum, environmental dynamics enable MFIs to have responsible practices regarding the environment, which express their contribution to, and participation in durable development.

4.3 Network Dynamics: A Determinant of the Structural Performance of MFIs

The network is perceived as a way of organizing exchange between legally independent firms linked to forms of diverse and varied complementarities which are territorial and industrial in the case of districts, commercial and geographic in the case of franchises, and financial in the case of cooperatives (Assens, Bouteiller, 2006, P.3). From a social network standpoint, such a structure may be related to an internal market of potential partners and a set of enshrined inter-organizational links (Meschi, 2006).

10 It is the case of norms such as the Déclaration du PNUEFI, les Principes Équateurs, and ISO 14001.
Network dynamics as a determinant of MFIs performance rests cumulatively on two types of dynamics: customer network dynamics or consumer network, and firm network dynamics or subcontracting network.

Consumer network dynamics can be a performance lever owing to the effects generated such as positive consumption externalities, the positive feedback effects of the supply of the good on its demand, and the effects of the links between consumers. In effect, consumer network dynamics generates the effects of positive consumption externalities. They manifest themselves when each actor in the market takes advantage, not only of his own consumption, but also those of other actors. There is externality insofar as the satisfaction of one individual does not depend exclusively on his decision to become a member of the network, but on decisions which are external to him, i.e. those of other individuals. The externality is positive because individual satisfaction increases with membership (Curien, 2005). These positive consumption externalities in turn generate the positive feedback effects of the supply of the good considered on the demand for this good knowing that, the more it is supplied on a large scale, the more it gives rise to a greater demand.

Owing to the upstream and downstream linkage effects on positive feedbacks, the positive consumption externalities expand through the channel of the links established between consumers, either by relations of affinity between individuals or by their connection with the same technical system, or through an unconscious imitation effect self-sustained by the reciprocal observation of consumer behaviour.

The positive consumption externalities increase the number of MFIs network customers, thus enhancing their performances for this reason. Network dynamics are also a source of performance for institutions through three types of effects which combine: the effects of size or scale economies, the diversity of supply effects or scope economies resting on supply synergies between several products, and network effects. These effects result from agglomeration forces and from the endogenous mechanism of « cumulative circularity » which, combined with upstream-downstream linkage effects, make it possible to maintain self-sustained growth and activity development dynamics (Krugman, 1991).

In effect, the concentration of firms generates the competition which leads to a fall in the price of industrial goods and a rise in the number and varieties of products available in the largest region. Consequently, the additional cost generated by transport costs encourages consumers to go towards this region. The trip towards this region results in an increase in demand which also concentrates and in turn, attracts other firms. In addition, network dynamics confer a competitive advantage to enterprises in networks relative to enterprises outside networks.

5. CONCLUSION

From the preceding analysis of the link between location and the performance of microfinance institutions (MFIs), there emerge two main lessons: firstly, location is both a source of economic, financial, social, and environmental performances, and secondly, it is a source of structural performance for MFIs. Owing to proximity with customers and suppliers, location is a source of economic, financial, social, and environmental performance, for it improves productivity through supply costs, the dissemination of knowledge and know-how, and their technological repercussions.

Furthermore, location is a determinant of the structural performance of MFIs via two network dynamics. On the one hand, there are customer network dynamics or consumer networks which generate positive consumption externalities, and the positive supply feedbacks of goods on their demands. On the other hand, there exist firm dynamics or subcontracting networks through agglomeration effects which generate three combined effects, namely the size effect or scale economies, the supply diversity effect or scope economies, and the network effect or organizational gain.

One of the major economic policy implication which emerges from the present study is that MFIs are concentrated in urban centres and the outlying or peripheral areas surrounding city centres, whereas in Cameroon as well as in other developing countries, a large number of MFIs should be located in rural areas where they could engage in agricultural development finance to help farmers buy the inputs needed to increase farm output and ensure the marketing of this output at fair prices to improve the level of their incomes and living standards.

In effect, previous studies have shown that despite the rapid urbanization rate of Cameroon which, since the 1960s, has been driven by a large and continuous migration of mainly young people towards the cities in search of jobs, the majority of the population of this country still resides in rural areas and still lives on subsistence agriculture; hence the majority of these rural dwellers are poor, particularly relative to their urban counterparts.

It should therefore be obvious that any policy designed to reduce poverty in Cameroon should encourage the location of MFIs in rural areas close to their customers, the farmers who need their services the most. Government policy actions may participate in this movement basically by implementing rapid rural development through, among others, the construction and maintenance of road and communications networks to open rural areas to increased trade, the provision of an incentive package to MFIs which locate in rural areas such as tax reductions or even channelling government financial assistance through microfinance institutions, which may be more efficient in managing this assistance than government bodies, as is often the case, etc.

As far as the need for further research is concerned, the present study is essentially theoretical in nature, but its contribution would gain in precision and usefulness to decision makers and MFIs alike, if it were followed by an empirical study based on a survey of microfinance institutions, which may be more efficient in managing this assistance than government bodies, as is often the case, etc.

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