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Sources of funding and sustainability of Microfinance institutions in Cameroon: an explanation using the pecking order theory

Source de financement et pérennité des institutions de Mircofinance au Cameroun : une explication à l'aide de la théorie de l'ordre hiérarchique financier

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Abstract.
The purpose of this analysis is double. Firstly to Identify sources of funding using hierarchical funding theory and secondly analyzed their impact on the sustainability of Cameroonian MFIs. To achieve this we used panel data on a sample of 62 MFIs whose age varies between 9 years over the period 2009-2015. Our results show us that equity is the primary source of financing for MFIs, followed by grants, debt and deposits from clients (members). Furthermore, MFIs belonging to the first category use members' own funds, debts and deposits as their main funding resources, while the second category use equity and grants. In addition, MFIs located in the French areas only use equity as their main financing resources, while those located in the Anglophone areas use equity and grants. Our results also show us that equity has a positive and significant influence on the sustainability (OSS and FSS), while grants has a negatively significant the sustainability of MFI. Debt is negative and positively significant on the sustainability of MFIs.

Keywords: source of funding; sustainability; MFI; MCG.

Résumé
L'objectif de cet article est double. Premièrement, identifier les sources de financement en utilisant la théorie du financement hiérarchique et deuxièmement analyser leur impact sur la pérennité des IMF camerounaises. Pour ce faire, nous avons utilisé des données de panel sur un échantillon de 62 IMF dont l'âge varie entre 9 ans sur la période 2009-2015. Nos résultats montrent nous que les fonds propres sont la principale source de financement des IMF, suivis des subventions, de la dette et des dépôts des clients (membres). En outre, les IMF appartenant à la première catégorie utilisent les fonds propres, les dettes et les dépôts des membres comme principales ressources de financement, tandis que la seconde catégorie utilise les fonds propres et les subventions. De plus, les IMF situées dans les zones françaises n'utilisent que les fonds propres comme principales ressources de financement, tandis que celles situées dans les zones anglophones utilisent les fonds propres et les subventions. Nos résultats nous montrent également que l'équité a une influence positive et significative sur la pérennité (OSS et FSS), tandis que les subventions ont une influence négativement significative sur la pérennité des IMF. La dette est négative et positivement significative sur la pérennité des IMF
Mots clés: sources de financement ; pérennité ; MCG

Introduction

Many small activities, generally commercial, have always existed. These activities were developed by micro-entrepreneurs facing enormous difficulties or the impossibility of access to financing, which constituted a brake on their development. They lacked the necessary capital for a long time due to a lack of collateral; moreover, the risks associated with the nature of their activities discouraged commercial banks (De Briey, 2005). It is in this context that microfinance institutions interested in this type of clientele have emerged. Microfinance can be considered as a real engine of economic development because it allows the poor to access sources of financing in the form of microcredit and generate the financial resources necessary for repayments. However, the capital structure choice of a manufacturing firm over the years have made us understand that the capital structure of firm is the most significant decision taken by when it's management is concern in terms of profits maximization, and as well looking for a better way to minimize their costs of capital that might leads them to maximize stockholders wealth. Generally, internal and external are the two main sources of finance. The first one represents equity and the second that is external finance stands for debt. Most of the times, firms preferred to combine the two sources in other to form their capital structure. This is because, according to Modigliani and Miller (1963), capital structure stands for the combination between debt and equity that the company may made uses in its operation. Thus, Modigliani and Miller, Jensen and Meckling (1976) discussed on the relationship between capital structure and firm performance. Therefore, this research aims is to enable specialist in the domain of finance to acknowledge the impact of source of capital formation on the firm's sustainability. Moreover, this research will help the MFI's manager and stakeholder to understand more about the influence of sources of capital structure in relation with its sensitivity of both debt and equity in the firm's activities. It will also made available a guideline to the financial manager to design a better source of funding, to reduce the cost of capital, raise firm profitability and ultimately maximized shareholder wealth. Finally, this study will help investor to know more about the effect of source funding on their return and sustainability. It is based on this prelude that this study is designed to actually Identify sources of funding using hierarchical funding theory and secondly analyzed their impact on the sustainability of Cameroonian MFIs. The rest of the paper is as follows: section 1 presents literature review, section 2 methodological framework, section 3 results of the study.

1. Review of the literature on the financial structure of companies

Several theoretical and empirical models have developed around the theme of financial structure following the work of Modigliani and Miller (1958, 1963) thus concluding that there is no link between the financial structure of the company and its value. It must be said that these authors were based on inflexible hypotheses whose successive relaxation leads to the development of new theoretical approaches and the existing determinants relating to the financial structure of companies. These choices are determined by the level of risk and the transaction costs associated with each financing method. Thus, firms will prefer internal financing, which is low risk and inexpensive, to indebtedness insofar as the cost of debt is positively associated with the asymmetry of information between the investor and the borrowing firm. This will see the birth of new theories such as the agency cost theory, and Ross's signal theory (1977) and ultimately that of pecking order theory Myers and Majluf (1984). It is moreover this last theory that we will use to develop our theoretical foundation.

1.1. Explanation of the financial structure using the Pecking Order Theory (POT)

The pecking order theory presented historically by Myers in 1984 teaches us that the company follows a precise financing hierarchy guided by the need for external funds and not by the search for an optimal debt ratio, the Pecking Order Theory is initially for large companies and listed companies. However, as a positive theory (Donaldson, 1961); it quickly appeared that its field of application could extend to small and medium-sized enterprises for which self-financing, indebtedness and, to a lesser extent, the raising of new equity constitute sources of financing of their investments; the general framework described by Myers and Majluf (1984) seems particularly valid since debt is the main source of external financing for small businesses. Furthermore, the capital structure is driven by firm's desire to finance new investments, first internally, then with low-risk debt, and finally if all fails, with equity, according to the Pecking Order Theory (Myers and Majluf (1984)), therefore, the firms prefer internal financing to external financing. This theory is applicable for large firms as well as small firms. Since small firms are opaque and have important adverse selection problems that are explained by credit rationing; they bear high information costs (Psillaki 1995). Also, the quality of small firms financial statements vary, small firms usually have higher levels of asymmetric information (Pettit and Singer (1985)). Even though investors may prefer audited financial statements, small

firms may want to avoid these costs. Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered as none. For debt, the costs are in an intermediate position between equity and internal funds. As a result, firms prefer first internal financing (retained earnings), then debt and they choose equity as a last resort. A negative relation between profitability and leverage for both small and large firms is expected. Small firms may want to avoid these costs. Small firms may want to avoid these costs. Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered as none. For debt, the costs are in an intermediate position between equity and internal funds.

1.2. Equity and sustainability

Equity frees MFIs from periodic contractual payments as opposed to debt. Equity financing is provided by owners (for profit-driven MFIs) or by national and international donor organizations and development banks (NGOs). Retained earnings are part of cheap equity compared to issuing shares. Costs related to equity include dividends (although no legal statute obliges the payment of the dividend - Tehulu 2013) and administrative costs (placement fees) related to raising capital through the stock markets (Kapper 2007). However, equity has remained a scarce resource mainly because few MFIs are listed on the stock exchange. There are few examples where MFIs have been successfully listed on the stock markets especially in Latin America. In most regions MFIs use debt or deposit luring to expand their businesses as investors avoid holding stakes in institutions lending to the poor and women (Cull et al. 2009). Sekabira (2013) wrote on capital structure and its role in the performance of microfinance in Uganda recommends an increased use of equity and discourages reliance on grants and grants.

1.3. Deposits and sustainability

Deposits have become a key funding option for MFIs around the world with the exception of MFIs in the Middle East and North America (MENA) region (MIX, 2013), with special mention of the 'Africa where deposits exceed the volume of loans (Lafourcade et al. 2006). Kinde (2012) indicates that it is through savings that MFIs can increase their loan portfolios, improve its sustainability, reduce loan rates and move towards satisfactory demand. Although Tehulu (2013) finds that deposits have no significant influence on financial

sustainability, in East Africa, Khandker (1996) perceives that savings mobilization indicates the ability of MFIs to be self-sufficient and therefore permanently achieve independence (Khawari 2004).

The attraction of deposits state a great contribution to financial sustainability; therefore, they have become the preferred financing option for MFIs (Lezza (2010)). Therefore they are attracted at a low cost and are used to make loans and to allow MFIs to have significant profit margins from the interest rate differential. Against these costs it takes a long time to attract the right level of deposits which removes the ultimate effect of deposits on financial sustainability (Mwangi et al. 2015). Aspect of the satisfaction of capital reserves is a tax on MFIs so that business models could evolve towards larger loans signalling mission drift (Cull et al. 2009).

1.4. Subsidies and sustainability

The subsidy is a crucial factor in analyzing the sustainability of MFIs in general. The majority of microfinance programs around the world are subsidized in different ways. The sustainability of programs poses a question in the minds of academics and researchers. Even frontline institutions such as the Grameen Bank of Bangladesh can experience a high repayment rate but also depend on grants due to the higher value of the social sector (Morduch 2000). A study by Peter (2007) shows a negative relationship between the financial viability of an institution and the level of grants received each quarter. These results corroborate those of Kemdong and Nzongang (2019), who find that the subsidy has a negative and significant influence on the sustainability of Cameroonian MFIs. Bogan (2012) and Sekabira (2013) found a negative link between donations and financial sustainability.

As the level of grants increases, the financial viability of each institution decreases. Many have argued that the grants help MFIs reach the required operational size. However, as has been discussed in many previous studies these institutions may indeed fare less well as they receive more aid. Kereta (2007) found a negative relationship between the dependency ratio and financial sustainability. In addition, the dependency ratio (dependency ratio measured by the equity / total capital ratio) decreases over time. The MFI industry is an indication that MFIs can be self-sustaining profitable and meets their social missions and enable the sector to be

financially self-sufficient. Although less favored by institutionalists, donations remain popular with new MFIs[1]. Although grants attain preferential rates they still have obligations to donors, requiring MFIs to meet the conditions precedent to extending grants. Although good for start-up MFIs (de Aghion and Morduch 2005) they are doomed, to limit MFI growth, as they are linked to effectiveness with unsustainability to corruption to abuse and to downsizing of operations (Kapper 2007).

1.5. Debt / Equity

Debt is usually provided by private investors which may be non-commercial investors of commercial banks and other multilateral organizations (CGAP (2004)). Therefore, it's can come from local and foreign banks. Governments can hold debts with MFIs or invest in microfinance through international financial institutions (IFIs) (Kapper 2007). According to Tehulu (2013), debt remains expensive in most African markets given the financial underdevelopment of illiquid markets and the opacity of information in the microfinance sector in most countries. On the other hand**,** Sekabira and Tehulu (2013) emphasized on the limitation of the role played by debt on financial sustainability, given the fact of cheap equity capital in Uganda and East Africa, respectively. Kinde (2012) study on the financial sustainability of Ethiopian MFIs, found that the structure of the capital had no effect on financial sustainability; while debt had a negative and insignificant impact on sustainability mainly due to the fact that the cost was associated with financing the debt. This is supported by Kiiru (2008) who finds a negative and significant effect between debt and financial sustainability in Kenya. Uwalomwa and Uadiale (2012) who used 31 companies listed on the Nigerian stock market over a five-year period (2005-2009) found that short-term debt had a significant positive relationship with company performance and therefore Additional short-term debt in the capital structure tends to lead to increased performance of companies. Kemdong and Nzonganrg (2019) in a study on the determinants of sustainability in Cameroon find that debt is not statistically significant on sustainability. Abor (2005) also found a positive and significant relationship between short-term debt and total assets and return on equity.

[1] MFIs whose age varies from 0 to 4 years (de Sousa-Shields et al., 2004)

2. Methodology and measurement of variables

The data used in this study are from secondary sources and come from various sources: statistical services of the CAMCCUL network and the NGO ADAF of the MC2 model for the first categories and of the Mix Market for those of the second category[2]. These databases bring together the accounting and financial information collected from different MFIs from their financial statements at the end of each operating period. These databases bring together the accounting and financial information collected from different MFIs from their financial statements at the end of each operating period. This gives us a total sample of 62 MFIs. Table 1 below shows the distribution in the Littoral, West, North-West and South-West regions.

Table 1:Breakdown by implantation area

Regions of intervention	***Credit unions***
-English speaking area	
North West	12
South West	6
Total 1	**32**
-French-speaking area	
Littoral	7
Where is	7
Far North	2
Total 2	**30**
Total = Total 1 + Total 2	**62**

Source: Author based on our data

This breakdown shows that 53% of MFIs against 47% of our sample are strongly located in the English-speaking area.

[2]Regarding data collection, we have received the letters of authorization for data collection from the CAMCCUL network and the MC2 model. internship within the general management of Camccul located in Bamenda more precisely at AZIRI NEW CHURCH street. This internship allowed us to access the database and extract the data we need for our study. Out of more than 200 union credits in the CAMCCUL network, we were unable to obtain information on 30 union credits ranging from 2009 to 2015. For the MC2 model, we, in collaboration with ADAF, received information from 19 out of the 115 distributed across the country. At the end of the day, 13 second category MFIs came from the Mix Market. This gives us a total sample of 62 MFIs.

2.1. Dependent variables and their measures

2.1.1. Sustainability measurement

In the literature on sustainability, several indicators are distinguished, therefore the most used are return on assets (ROA), return on equity (ROE), operational self-sufficiency (OSS) and financial self-sufficiency (FSS).). The ROA and ROE are considered to be standard for the measure of profitability. According to Lafoucade et al., (2005), the ROE generally used in the banking sector is probably not appropriate in the microfinance industry. According to these authors, the level of equity of MFIs in Africa is exaggeratedly small and even insignificant.

While the ROA is an ideal measure to measure profitability because it is linked directly to the microfinance institution and allows the institution to make a comparison in terms of profitability.

For our analyzes, we are inspired by the work of (Lezza, 2010) for the choice of our variables to be explained, namely: operational self-sufficiency (OA) and financial self-sufficiency (FSS) to measure sustainability.

2.1.2. Independent variables and their measures

The selection of our variables was done in two groupings. First, the characteristics of the financial resources of MFIs namely, debt, equity, deposits and grants; Second, the control variables we chose a set of variables such as: legal status, age, and area of establishment. The table below presents a summary of these variables.

Table 2: Variables linked to the characteristics of financing resources

Nature of the Variable	Identity of the variable	Measures	Expected sign
Characteristics of financial resources	Own funds	Equity / Total assets	(-)
	Deposits	Total deposits / Total assets	(+)
	Subsidies	Grants received / Total assets	(-)
	Debts	Debt / Equity	(+/-)
Control variables	Area	1 = French-speaking area 2 = English speaking area	(+/-)

	Legal status	1 = first category 2 = second category	(+)
	Age	Logarithm Number of years of existence	(+/-)

Author : From literature

2.2. Conceptual frame

Our model is inspired by the work of, Bayai (2017) and is presented as follows:

Yit = *βo* + ∑ *βitXit* + *eit*..... (1)

By introducing the explanatory variables. We thus obtain successively the following equations:

OSSit= βi + β1FP +β2DEBT + β3SUBit + β4DEP it + β5LEGAL STIit + β6AREAit β7Ln_Ageit + εit …… (2)

FSSit = βi + β1FP +β2DEBT + β3SUBit + β4DEP it + β5LEGAL STIit + β6AREAit β7Ln_Ageit + εit …… (3)

Where i and t denote MFI and time respectively. For i = 1 to 62 and t = 2010 to 2016). With βi the individual specific effect, β1, β2, β3, β4, β5 …… .β10 are the parameters to be estimated in this model and εit is the error term.

3. Discussion of results

We will first present the descriptive statistics and finally the results of the regression analysis.

3.1. Descriptive statistics

Table 3: Descriptive statistics of variables

Variables	Obs	Mean	Std. Dev.	Min	Max
OSS	434	.569674	.519325	-.3761308	6.5
FSS	434	1.026047	3.915982	-.8876934	78.6421
FP	434	.9679736	3.794053	-.8876934	78.6421
SUB	434	.1734816	.2117119	0	1.61151
DEBT	434	.7126222	.2611657	.002	.967
DEP	434	3.917191	12.68131	0	168,981

Source: Author from stata

The average descriptive statistic of sustainability when measured by OSS is .569674. According to Berne (2005), if an MFI does not reach 100%, the value of its equity will

eventually be reduced in losses or be simply offset by subsidies. Based on this, with the mean value of the descriptive statistic less than 1, we can state that on average, the MFIs in our sample are not sustainable when measured by OSS. When sustainability is measured by the FSS, the value of the descriptive statistic is 97%. This value is below the recommended threshold which must be greater than 110%[3]. Therefore, on this basis, we can conclude that the MFIs in our sample are not on average sustainable when sustainability is measured by the FSS. Ultimately, on the basis of the results found above, we can conclude that the MFIs in our sample are not on average sustainable.

From this table it emerges the importance of financing by own funds and debts which together constitute respectively more than 96% and 71% on average of the capital mobilized, the low level of subsidy or 17% on average compared to the capital raised. Deposits are on average more than 100%, justifies the liquidity of most MFIs.

3.2. Regression analysis

3.2.1. Characteristics and sustainability of MFIs exit

Table 4: Estimated effects of caracteristics and sustainability

VARIABLES	(1) OSS	(2) Fss
FP	0.0555 ***	0.0793 ***
	(0.00589)	(0.0103)
SUB	-0.266 *	0.734 ***
	(0.136)	(0.238)
DEBT	0.0413	0.382 **
	(0.0867)	(0.152)
DEP	-0.00307 *	0.000477
	(0.00180)	(0.00315)
LEGAL ST	0.203 ***	-0.540 ***
	(0.0587)	(0.103)
AREAS	0.181 **	0.212
	(0.0756)	(0.132)
LnAge	0.0413	0.224 *
	(0.0654)	(0.114)
Constant	-0.101	-1.259 **
	(0.288)	(0.504)
Observations	434	434

[3] Bogan et al (2007)

Number of years	7	7

Standard errors in parentheses

*** p <0.01, ** p <0.05, * p <0.1

Source: Author from stata 13 software

From the outset we note that among the four variables to measure the financial structure of MFIs, equity, grants and deposits significantly influence the sustainability of MFIs when measured by operational self-sufficiency (OSS); while when measured by financial self-sufficiency, they are financed primarily by equity, grants and debt. However, these results are opposed to those of Bayai (2017) who finds rather that it is rather the subsidies, equity and debt that best explain the financial viability of MFIs. Generally speaking, equity is the primary source of financing for MFIs, followed by grants, debt and deposits from clients (members).

Thus authors such as Kinde (2012) and Sekabira (2013), argue that since the law does not oblige MFIs to pay dividends, they believe equity remains the best source of funding and therefore can ensure their financial sustainability. In addition, equity has a positive and significant influence on the sustainability (OSS and FSS) of the MFIs in our sample at the 1% threshold. This result is in line with our expectations and is in close line with those of Bayai (2017). The increased use of grants according to Bogan, (2012) reduces the probability that MFIs are financially viable by 43%. They are mainly used to strengthen MFIs and finance product design. Therefore donations have a limited role in realizing the interests of MFIs. This finding corroborates studies by Bogan (2012) and Sekabira (2013) who found a negative link between donations and financial sustainability. Debt is negative and positively significant for the sustainability of MFIs when measured by FSS. This simply means that debts continue to exist when MFIs reach maturity. Debt represents the third source of financing in our study. Our results show that the debt is positive and statistically significant on sustainability (FSS) at the 5% level. This result corroborates those of Uwalomwa and Uadiale (2012), who find a positive and significant relationship between debt and MFI performance and contrasts with those argued by Kiiru (2008) who finds a negative and significant effect between debt and financial sustainability in Kenya. Deposits represent the fourth source of funding for MFIs. Our results show a negative and significant influence of deposits on durability (OSS) at the 10% level. This is contrary to our

expectations and thus goes against those of Tehulu (2013). The negative sign can be justified by the volatility of deposits received from members (or clients). In other words, the clients of MFIs are constantly moving their accounts, which could from time to time reduce or prevent the financing of the client's project although it is profitable. The legal status (LEGAL ST) for its part has a significant positive and negative influence respectively at the 1% threshold on operational self-sufficiency (0SS) and financial self-sufficiency (FSS); while the area of implantation (AREA) is positive and significant at the 5% level when measured by the OSS. This means that the study on the characteristics of the financial structure of MFIs should take into account the legal status and the area of establishment (French-speaking or English-speaking).

3.2.2. MFI legal status and sustainability

Table 5: Estimated effects of MFI legal status and sustainability

	First category		**Second category**	
VARIABLES	OSS	FSS	OSS	FSS
FP	0.0476 ***	0.0697 ***	0.466 ***	0.411 ***
	(0.00319)	(0.00750)	(0.0991)	(0.0761)
SUB	-0.0240	-0.0924	6.195 ***	-2.134 **
	(0.0798)	(0.186)	(1.145)	(0.884)
DEBT	0.0663	0.353 ***	-0.486	0.487
	(0.0536)	(0.126)	(0.433)	(0.336)
DEP	-0.00137	-0.00414 *	-0.00195	-0.000143
	(0.00104)	(0.00245)	(0.0129)	(0.00995)
ZIMPL	0.132 ***	0.568 ***	-0.252	0.632
	(0.0440)	(0.103)	(0.714)	(0.554)
LnAge	0.139 ***	0.194 **	1.356 **	-0.125
	(0.0389)	(0.0893)	(0.651)	(0.505)
Constant	-0.186	-2.026 ***	-5.419 *	-0.286
	(0.169)	(0.391)	(3.235)	(2.509)
Observations	343	343	91	91
R-squared	0.432	0.589	0.514	0.310
Number of years	7	7	7	7

Standard errors in parentheses

*** p <0.01, ** p <0.05, * p <0.1

Source: Author from stata 13 software

Our results show that first category of MFIs use members' own funds, debts and deposits as their primary funding sources, while the second category of MFIs use equity and grants. These results corroborate those of Kemdong and Nzongang (2019). Indeed, we observe a positive and significant relationship of equity at the 1% threshold on the sustainability of MFIs of the two categories. In addition, our results show that MFIs of the second category are highly dependent on the subsidies received than those of the first category. This means that Cameroonian MFIs do not depend on debts. This is in line with the work of Téhulu (2013) and is opposed to that of Abor (2005) who found a positive and significant relationship between short-term debt and the sustainability of MFIs. The subsidy is negative and positive, respectively significant at the threshold of 1% and 5 for the second categories.

3.2.3. MFI implantation area and sustainability

Table 6: Estimated effects of MFI implantation area and sustainability

	French speaking zone		**English speaking area**	
VARIABLES	**OSS**	**FSS**	**OSS**	**FSS**
FP	0.254 *	0.814 **	0.336 ***	0.609 ***
	(0.136)	(0.355)	(0.0457)	(0.0703)
SUB	-1.980	1.199	-0.503 ***	0.847 ***
	(2,589)	(6.768)	(0.171)	(0.280)
DEBT	-0.541	-0.630	0.0730	0.304
	(0.483)	(1,262)	(0.144)	(0.216)
DEP	-0.00168	0.000369	-0.00242	0.00101
	(0.00276)	(0.00721)	(0.00245)	(0.00372)
LEGAL ST	-1,164	-0.427	-0.466	1,073
	(0.859)	(2.245)	(0.514)	(0.777)
LnAge	-1.529 *	-3.605	0.0928	-0.152
	(0.840)	(2.197)	(0.144)	(0.266)
Constant	6.744 **	13.35	0.229	-1.059
	(3.357)	(8.775)	(0.436)	(0.792)
Observations	21	21	224	224
R-squared	0.547	0.486	0.53	0.347
Number of years	7	7	7	7

Standard errors in parentheses

*** p <0.01, ** p <0.05, * p <0.1

Source: Author from stata 13 software

Our results show that French-speaking MFIs only use equity as their main financing resources, while those in the second category use equity first and then grants. These results are closely related to the study by Kemdong and Nzongang (2019). Indeed, we observe a positive and significant relationship of equity respectively at the threshold of 1, 5 and 10% on the sustainability of MFIs in the two zones. In addition, our results show that MFIs located in the English-speaking zone are highly dependent on subsidies while those located in the French-speaking zone do not use subsidies (Kemdong and Nzongang (2019)). These results oppose those found by That is to say on the whole that at the phase of maturity, Cameroonian MFIs do not depend on debts. This is in line with the work of Téhulu (2013) and is opposed to that of Abor (2005) who found a positive and significant relationship between short-term debt and the sustainability of MFIs. The subsidy is negative and positive, respectively significant at the threshold of 1% and 5 for MFIs established in the English-speaking zone. This means that MFIs in these areas still depend on subsidies received either by donors or by NGOs.

Conclusion

The main objective of this study is to verify, using hierarchical theory, the sources of funding used by MFIs on the one hand and on the other hand, the impact of these sources of funding on the sustainability of the institution. 'a microfinance institution in Cameroon. To achieve this we used panel data on a sample of 62 MFIs whose age varies between 9 years and over the period 2009-2015, and we found several results. It emerges on the one hand from our analysed Generally speaking; equity is the primary source of financing for MFIs, followed by grants, debt and deposits from clients (members). In addition, equity has a positive and significant influence on the sustainability (OSS and FSS) of the MFIs in our sample at the 1% threshold. the subsidy is negatively significant at the 10% threshold when measured by the OSS but positively significant on the sustainability of MFIs when it is measured by FSS at the 1% threshold. Debt is negative and positively significant on the sustainability of MFIs when it is measured by FSS while it is positive and statistically significant on sustainability (FSS) at the 5% threshold. This simply means that debts continue to exist when MFIs reach maturity. The legal status (LEGA ST) for its part has a significant positive and negative influence respectively at the 1% threshold on operational self-sufficiency (0SS) and financial self-sufficiency (FSS);

while the area of implantation (AREA) is positive and significant at the 5% level when measured by the OSS.

At the end of these results, it is judicious to formulate a certain number of recommendations in the direction of improving the sustainability of MFIs by boosting the effectiveness of its action. To do this, we recommend: We recommend that MFIs further develop strategies for mobilizing deposits from their member which will easily enable them to transform into credit and lead their activity over the long term. MFIs should also use their own funds to finance the activities of their clients and by extension significantly reduce their debt in order to break with the dependence on subsidies generally received by NGOs and other structures.

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