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Original Article

Corporate Governance Mechanisms and Financial Performance of Microfinance Institutions: A Multicase Analysis

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Abstract - Against a backdrop of structural tensions in the African financial sector, this study examines the governance mechanisms implemented in twelve Cameroonian microfinance institutions (MFIs) and their impact on financial performance. Based on a qualitative abductive approach, the investigation draws on a composite theoretical framework that combines agency theory (Jensen & Meckling, 1976), corporate governance (Charreaux, 1997), and the neo-institutionalist perspective (North, 1990). The methodological approach is based on 12 case-studies enriched by semi-structured interviews, a regulatory document analysis (COBAC standards), and a triangulated analysis of financial statements. Thematic content analysis assisted by NVivo allows us to identify structuring empirical categories (role of the founder, formality/informality of bodies, dynamics of control bodies). The results reveal that governance is highly centralized around the founders, control bodies with little autonomy, and incomplete application of regulatory standards. This configuration produces organisational weaknesses, which translate into a deterioration in performance indicators (ROE, PAR30, intermediation margin). Governance mechanisms appear to be weakly institutionalized, and their coordination with external regulation remains limited. At the managerial level, the study proposes effectively strengthening audit committees, redefining the role of the board of directors, and gradually professionalising management practices. It also recommends proactive supervision by regulators to reduce systemic risks in a sector exposed to increasing disintermediation. These findings contribute to a more contextualized understanding of financial governance in African MFIs, while laying the foundations for a dialogue between the regulatory framework and informal practices.

Keywords - Corporate Governance, Financial Performance, Microfinance Institutions, Case Study, Category of MFIs.

1. Introduction

Over the past two decades, the microfinance sector has established itself as an essential lever for financing the economy in sub-Saharan Africa, particularly in Cameroon. Driven by a logic of financial inclusion, it aims to compensate for the shortcomings of the traditional banking system by offering services tailored to the most vulnerable segments, including low-income populations, informal micro-entrepreneurs, and very small, small, and medium-sized enterprises (VSEMEs). According to the BEAC annual report (2023), microfinance institutions (MFIs) now account for more than 16% of demand deposits and over 18% of short-term loans in some CEMAC countries, demonstrating their growing significance in the real economy.

This rapid development, although beneficial, is accompanied by structural tensions and persistent weaknesses. The quantitative expansion of the sector has not always been accompanied by a qualitative strengthening of internal structures, particularly in terms of governance. Several studies, including those by Tsafack Nanfosso (2017) and Ndokang Esone (2022), highlight the financial vulnerability of many MFIs, reflected in a lack of capital, poor risk management, weak governance and increased exposure to credit risk. When these weaknesses are not addressed, they undermine the sustainability of institutions, affect customer confidence and reduce the expected social impact of the model.

In theory, corporate governance encompasses all the processes, regulatory frameworks and institutional mechanisms that guide how decisions are made, resources are mobilised, and risks are controlled. In contrast, financial performance refers to an organisation's ability to transform invested capital into sustainable profits. The issue of governance, therefore, becomes central. It can no longer be viewed as merely a regulatory requirement or administrative formality. As Lemoine et al. (2020) found in a comparative study of African MFIs, it is a fundamental factor in explaining the financial and social performance of institutions. Indeed, internal control mechanisms, management transparency, the independence of supervisory bodies and the competence of top management are structural variables that influence, sometimes decisively, the profitability and resilience of MFIs.

In Cameroon, the case of second-tier microfinance institutions perfectly illustrates this reality. The microfinance sector has witnessed a wave of closures since the beginning of the 2000s. Since 2008, it appears that this sector of the economy has been in crisis. Indeed, we are witnessing the closure of several of these establishments, such as the GBF (Goldy Businessmen Fund), which closed on 7 July 2008; COFINEST (Compagnie Financière de l'Estuaire), which suffered a similar fate on 21 February 2011; FIFFA (First Investment for Financial Assistance), which closed in August 2012; and CAPCOL (Caisse Populaire Coopérative du Littoral), which recently closed its doors on 23 October 2012.

In 2024, the microfinance institution (MFI) sector in Cameroon faced high levels of non-performing loans, which represented a significant proportion of total loans granted. This situation, particularly pronounced in Cameroon, which accounted for 81% of non-performing loans in the CEMAC zone in 2024, indicates that MFIs are struggling to recover their loans, partly due to borrowers' repayment difficulties and sometimes due to poor corporate governance. This major disruption highlighted an often underestimated point: when governance is weakened, it acts as a catalyst for systemic risk, even in institutions that were previously considered stable.

This observation raises a key question: to what extent does the quality of governance mechanisms influence the financial performance of microfinance institutions in a context of institutional vulnerability in the CEMAC zone? In other words, to what extent do decision-making structure dysfunctions, board of directors' shortcomings, the absence of an active audit committee, or inadequate internal control mechanisms explain the deterioration of financial indicators such as ROE, ROA, or net interest margin?

This question is all the more relevant in the context of a regulatory framework imposed by COBAC, although rigorous (in terms of solvency ratios, governance rules, and transparency requirements), it remains insufficient on its own to ensure the stability of MFIs. Authors like Djeudja and Wandji (2023), but also Mecagni and Marchettini (2021), point out that compliance with prudential standards does not guarantee managerial efficiency, nor financial profitability. Conversely, robust, contextualized and proactive organizational governance can correct information asymmetries, increase market discipline and strengthen stakeholder confidence.

Based on this observation, this paper takes an analytical approach to examine the link between governance and the financial performance of twelve second-category microfinance institutions. The paper first allows us to understand governance in its operational and concrete dimension by observing its direct effects on accounting and financial data. Above all, it highlights the flaws of an institutional model that is too often based on the charisma of a promoter, to the detriment of collegial decision-making structures.

The overall objective of this research is therefore to highlight the impact of corporate governance mechanisms on the financial profitability of microfinance institutions facing an institutional crisis. More specifically, it will involve:

- Assessing the governance structures and practices implemented within the chosen MFIs;

- Analyze the evolution of the main financial profitability indicators (ROE, ROA, net margin, etc.) before and during (or after) the crisis;
- Identify the most significant corporate governance failures in explaining the deterioration in performance.
- Propose areas of improvement adapted to the institutional context in Cameroon and the reality of MFIs.

To this end, the study employs a methodological approach based on qualitative analysis (semi-structured interviews, review of internal documents and audit reports). This approach aims to provide empirically based, verifiable results that can be directly used by decision-makers. Ultimately, this study aims to provide theoretical and practical insights into the relationship between corporate governance and financial performance in MFIs. It is intended for a broad audience, including researchers, regulators, microfinance managers, and public decision-makers. Through its scope, it aims to contribute to the academic debate on governance in emerging economies, while providing concrete answers to the challenges encountered on the field by inclusive finance actors.

2. Litterature review

2.1. An overview of corporate governance and financial profitability of MFIs

2.1.1. A contextual reality of corporate governance of MFIs within the CEMAC region

Governance in microfinance institutions (MFIs) refers to all the mechanisms put in place to supervise, control and guide the management of these institutions with a view to ensuring their sustainability, performance and regulatory compliance. It encompasses both formal structures (board of directors, senior management, specialized committees) and informal practices (interpersonal relationships, founding leadership, organizational culture) that influence decisions within the organization.

In the CEMAC area, the governance of MFIs is based on a common regulatory framework, but its application varies according to national contexts, the size of institutions, and their level of structuring. It remains strongly influenced by local dynamics, managerial capacities and internal power relations.

2.1.1.1. Institutional Governance Tools Supervised by CEMAC

The regulatory framework in force in CEMAC, defined by the COBAC (Central African Banking Commission), imposes several governance mechanisms designed to ensure the transparency and soundness of MFIs. These mechanisms include the mandatory establishment of a board of directors, the appointment of audit committees, the requirement to separate executive and control functions, and the strengthening of internal control. These elements are set out in COBAC Regulation R-2002/01 and aim to prevent management abuses, conflicts of interest, and internal fraud.

In theory, these requirements structure the functioning of MFIs. In practice, their application often remains incomplete or formal. Several studies, notably those by Tsafack Nanfosso (2017) and Ndokang Esone (2021), highlight that many MFIs operating in rural or peri-urban areas do not have truly functional governance mechanisms, and that boards of directors, where they exist, lack technical expertise or are not very active.

2.1.1.2. The Strategic Role of the Board of Directors: Between Standards and Reality

The board of directors (BoD) is one of the pillars of governance in MFIs. It is intended to provide strategic guidance, supervise management, and ensure compliance with the rules of good conduct. In the ideal model, as proposed by the Organization for Economic Co-operation and Development (OECD) (2004) and taken up in the field of microfinance by Labie and Armendáriz (2011), the BoD must play a strategic watchdog role, ensuring alignment between the institution's social and financial objectives.

However, in the CEMAC context, this role is often weakened. Several MFIs still operate according to a community or associative logic, where board members are appointed based on social, relational, or customary criteria, rather than their expertise in financial management. Thus, as noted by Wandji (2023) and Claude Lontchi (2021), many boards of directors are dominated by individuals who are poorly qualified or closely linked to the founders, limiting their ability to exercise independent and effective control.

2.1.1.3. Executive Management: Skills, Practices and Abuses

The other essential aspect of governance is represented by the management team, and in particular, the chief executive officer. In CEMAC MFIs, managers often have atypical backgrounds, sometimes without advanced training in finance or risk management. This affects the quality of decisions, especially in terms of credit granting, debt management and financial structuring. According to Foka Tagne and Bikay Bi Batoum (2022), inadequate managerial skills pose a significant obstacle to the professionalisation of the sector.

Furthermore, the lack of formalized procedures in several first and second-category MFIs paves the way for personalized management practices, which are sometimes incompatible with modern governance requirements. In some structures, the managing director has multiple responsibilities without any real countervailing power, which increases the risk of failure.

2.1.1.4. Internal Control And Supervision: Often A Weak Link

Internal control is another major governance lever. It includes the implementation of mechanisms to monitor operations, detect anomalies and ensure compliance with internal procedures. COBAC regulations make this a basic requirement. However, in most small MFIs, this system remains in its infancy. The work of Aurélien Fomekong (2021) shows that the lack of qualified personnel, low digitalization and the high cost of audits explain the fragility of control systems in CEMAC MFIs.

In addition, external supervision by COBAC, although institutionalized, suffers from logistical and budgetary constraints. It therefore remains periodic, sometimes late, and insufficient to quickly identify signs of poor governance.

2.1.1.5. Informal Logic and the Influence of Local Practices

Beyond regulatory mechanisms, effective governance of MFIs is often determined by informal factors that are difficult to quantify but are very much present. These include, for example, the influence of founders, family networks or community leaders on strategic decisions. These forms of de facto governance create a gap between theory and practice, as observed by Armendáriz and Szafarz (2011) in their study on microfinance in developing countries.

In some cases, these informal practices allow for adaptation to the local context. In others, they create grey areas that are conducive to abuse, conflicts of interest or misallocation of resources. This is particularly highlighted by Mvogo and Bedzeme (2021) in their analysis of the duality between regulatory governance and community governance in rural MFIs in Cameroon.

The governance of MFIs in the CEMAC is based on well-defined regulatory tools; however, their implementation remains limited by several factors, including weak internal skills, the influence of informal logic, heterogeneous practices, and supervision-related constraints. While progress has been made thanks to COBAC guidelines, the professionalization of governance bodies, the upskilling of managers and the consolidation of internal control systems remain priority areas for action.

2.1.2. Financial performance in the context of MFIs

In the literature specific to MFIs, the financial performance of MFIs is generally considered from two perspectives: financial sustainability and operational self-sufficiency. Other dimensions are added to this distinction, such as liquidity, portfolio quality and efficiency in resource allocation (Ledgerwood, 1999; Rosenberg, 2009).

For Cull, Demirgüç-Kunt and Morduch (2007), analyzing the performance of MFIs involves balancing two approaches: pure financial efficiency, measured by return on assets (ROA) or return on equity (ROE), and social impact, measured by the scope or depth of inclusion. However, from an exclusively financial perspective, it is crucial to rely on more traditional indicators, without neglecting the specific characteristics of the sector.

The first group of indicators includes profitability ratios, such as ROA (Return on Assets) and ROE (Return on Equity), which provide information on an MFI's ability to generate profit from the resources at its disposal. Although widely used, these indicators have certain limitations in the case of social MFIs, where profit is not the sole objective.

However, their relevance remains indisputable when it comes to measuring the ability to cover operating expenses and ensure long-term viability (CGAP, 2005).

The second group concerns portfolio ratios, in particular the portfolio at risk ratio (PAR30), a key indicator in credit risk assessment. In the context of CEMAC, studies by Zamo Akono and Dumas Tsambou (2023) indicate that this ratio is often high due to lax risk management, poor governance (see previous section), and inadequate customer monitoring.

A third category includes efficiency indicators, such as operating cost per dollar lent or the ratio of operating expenses to financial income. These tools make it possible to assess the extent to which MFIs use their resources efficiently. As noted by Labie and Laure Fangue Ndjioze (2021), African MFIs, particularly those in the CEMAC zone, struggle to control their expenses due to low automation and high structural costs.

Finally, liquidity indicators (cash ratio, liquid assets/deposits ratio) and solvency indicators (equity/risk-weighted assets ratio) complete the analysis by assessing the institution's ability to meet its short- and long-term commitments.

2.2. Theoretical influence of corporate governance on the financial performance of MFIs

The scientific literature on the governance of financial institutions, particularly microfinance institutions (MFIs), highlights the fundamental role that governance mechanisms play in determining financial performance. This link is all the more critical in the African context, and especially in the CEMAC zone, where institutional vulnerabilities, political risks, weaknesses in judicial systems and informal practices erode the structures of trust necessary for the stability of alternative banking systems such as MFIs.

2.2.1. Theoretical framework of the relationship between corporate governance and the financial performance of MFIs

The theoretical approaches used to understand the link between governance and performance mainly include:

The **agency theory** (Jensen & Meckling, 1976) which posits that governance mechanisms serve to reduce agency costs between stakeholders (shareholders, managers, depositors, regulators), in particular through effective oversight of strategic decisions, limiting opportunistic behavior and promoting transparency.

The **resource-based theory** (Barney, 1991), which emphasizes that the competence, diversity and stability of governance bodies (board of directors, specialized committees) constitute strategic resources that can produce a sustainable competitive advantage.

The **institutional theory** (North, 1990; Scott, 2001) encourages us to integrate the formal and informal rules that structure the behavior of actors. In developing countries, customary practices, clientelism and political influences profoundly shape the reality of governance within MFIs.

In MFIs, where ownership structures are often concentrated, governance takes on a dual character: it is both an instrument of internal discipline and external legitimization. Thus, the presence of an independent board of directors, clear roles between executive and non-executive functions, and the establishment of internal control, audit and compliance committees are key levers for mitigating managerial abuses and strengthening financial performance.

2.2.2. Corporate Governance and Financial Performance: Intermediary Variables and Contingency Factors

In the CEMAC context, these mechanisms remain largely theoretical or ineffective. As Wandji (2023) points out, several Cameroonian MFIs suffer from chronic governance deficits: passive boards of directors, cumulative leadership, lack of separation of powers, and sometimes political or family interference as far as management is concerned. These shortcomings directly affect the quality of the portfolio (increase in risky loans), liquidity management (massive withdrawals), and even the financial sustainability of the institution.

The link between governance and performance is therefore not linear, but is influenced by several mediating variables and contextual factors. Among the mediators identified are:

- The quality of the loan portfolio;
- The level of financial transparency;

- The effectiveness of information and internal control systems;
- The perception of governance by stakeholders (customers, regulators, lenders).

In addition, the governance structure itself is contingent on several factors: the size of the MFI, its legal status, its institutional environment, and its dependence on deposits versus external financing.

2.2.3. The Stakes of Corporate Governance for the Financial Performance of MFIs

In the CEMAC region, governance mechanisms are often weakened by a centralized organizational culture, dependence on iconic figures, and the low effectiveness of internal supervisory bodies. These failures have a domino effect on financial performance, affecting MFIs' ability to mobilize savings, maintain public confidence and access refinancing.

The case of VISION FINANCE SA, a second-tier microfinance institution authorized by COBAC, perfectly illustrates this dynamic. In 2022, its promoter was arrested for being accused of the murder of a journalist. This major legal scandal had a direct impact on the company's reputation, leading to massive withdrawals of deposits, a decline in liquidity and the freezing of certain lines of credit. It reveals how governance, when weakened by conflicts of interest, a lack of checks and balances and excessive dependence on the founder, can become a systemic risk factor.

In this case, governance is not limited to an organizational chart or legal statutes, but is also based on personal relationships, allegiances, clientelism and networks of influence. It is these invisible but real dimensions that, when they go awry, trigger a negative spiral of mistrust, disintermediation and deposit withdrawals. This link between poor governance and poor performance is documented in several African studies (Zamo Akono, 2022; Tsambou, 2020; Bekolo, 2009).

Analysis of this case and many others in the CEMAC context highlights the complex interactions between governance, reputational risk, depositor confidence and financial performance. It suggests that governance mechanisms need to be rethought not only in terms of regulatory compliance, but also in light of local institutional, cultural and political realities.

This analysis leads us to formulate the following research proposal: "*The fragility of governance mechanisms contributes significantly to the deterioration of the financial performance of microfinance institutions*". This research proposal will guide the qualitative analysis of the cases studied through an examination of governance structures, critical events, and variations observed in these institutions' financial indicators.

3. Methodological Approach

3.1. Operational Framework and Justification of the Methodological Approach

As part of this research, a qualitative exploratory approach was adopted, based on case studies (Yin, 2014), in order to conduct an in-depth analysis of the links between governance mechanisms and financial performance in a dozen microfinance institutions (MFIs). This methodological approach is particularly appropriate when seeking to understand a complex phenomenon rooted in a specific context, as is the case with governance practices within Cameroonian MFIs, where institutional, cultural and political dynamics interact closely with managerial choices.

The choice of case studies is part of a comprehensive approach (Miles & Huberman, 1994), which not only allows the mechanisms observed to be contextualized, but also enables the underlying logic to be identified by cross-referencing documentary data, stakeholder discourse and organizational observations. This approach also has the advantage of facilitating the identification of moderating or mediating variables that more normative quantitative approaches tend to overlook.

The methodology consisted of triangulating data to strengthen the internal validity of the study (Denzin, 1978). Semi-structured interviews were conducted with senior executives, board members, compliance officers, and a few institutional and individual clients. At the same time, internal documents (audit reports, financial statements, board minutes) were consulted where available, and non-participatory observations were made at the companies' sites to capture actual governance practices. This plurality of sources reduces interpretative bias and allows for the cross-referencing of perspectives on the same phenomenon.

Finally, the analysis strategy employed a thematic approach based on the principles of grounded theory (Glaser & Strauss, 1967), allowing emerging categories to be identified in the field without imposing them a priori. The dimensions of governance were analyzed along the following axes: structure of decision-making bodies, roles and responsibilities, control mechanisms, transparency, dynamics of stakeholder relations, and external perception of the institution.

3.2. Sampling Techniques

As mentioned earlier, the population of this study is that of second-tier microfinance institutions. That is, MFIs with a minimum equity of 300 000 000 XAF, irrespective of their belonging to a network.

In line with qualitative research methodology, the sampling plan was designed to be reasoned and intentional (Patton, 2002), targeting profiles of stakeholders deemed relevant to shed light on the research issue. The sample consisted of 12 individuals within the MFIs, selected on the basis of their decision-making role, their knowledge of governance mechanisms, or their strategic position within these institutions. More precisely, our sample is built as follows.

Table 1. Sample Size and Quality

MFIs	Respondents	Number	Selection criteria
MFI$_1$	Members of the board of directors	01	Seniority, involvement in key decisions
MFI$_2$		01	
MFI$_3$	CEO	01	
MFI$_4$	Chief financial officer	01	Involvement in financial strategy and processes
MFI$_5$		01	
MFI$_6$		01	
MFI$_7$		01	
MFI$_8$	Credit manager	01	Expertise in internal regulatory practices
MFI$_9$		01	
MFI$_{10}$		01	
MFI$_{11}$	Head control and compliance	01	
MFI$_{12}$		01	

Source: The Authors

The interviews, which lasted an average of 60 minutes each, were recorded, transcribed and coded. The analysis revealed redundancies by the tenth interview, suggesting sufficient theoretical saturation. The profile of the actors selected made it possible to examine governance from different perspectives – internal and external – thereby enhancing the depth of the analysis. The data were analyzed using NVivo software, which facilitated the coding and identification of thematic patterns.

4. Research Results: Empirical Effect of Corporate Governance on the Financial Performance of the Targeted MFIs

4.1. The Weight of Internal Governance Mechanisms: Between Strategic Centralisation and Structural Fragility

The data reveals a governance structure that is heavily centralized around the founder, who combines the roles of strategic leader and operational supervisor. This concentration of decision-making power, which is characteristic of many entrepreneurial structures in Central Africa (Ndong Ondo, 2014; Zambo Akono et al., 2017), has two sides: on the one hand, it promotes rapid, contextual decision-making that is connected to empirical realities; on the other hand, it leads to a low level of formalization of decision-making processes, a virtual absence of delegation and excessive dependence on informal leadership.

This personalized governance model appears to have a direct impact on certain financial indicators, particularly operational profitability and liquidity management, as decisions are sometimes taken intuitively, without formal reference or collegial validation. The Board of Directors, although present on paper, plays a limited advisory role, with irregular meetings and few strategic evaluation mechanisms.

In addition, the study highlights the absence of specialized committees – such as audit, risk or compliance committees – which are crucial in the governance model of financial institutions (Tricker, 2015). This structural deficiency makes it more difficult to detect credit risks and undermines the rigor of internal controls. In this regard, the rise in non-performing loans, measured by a PAR30 rate of over 11%, clearly illustrates the link between poor governance and deteriorating financial performance.

However, the gradual implementation of a functional organization, with increasingly clear responsibilities (particularly between the credit department, customer monitoring and accounting), is creating positive momentum. This internal restructuring, although still in its infancy, is promoting strategic alignment, budgetary discipline and skills development among teams, which, according to the documents analyzed, has contributed to a 6-point reduction in the cost of risk over two consecutive financial years.

4.2. External Governance Mechanisms: Regulatory Constraints and Institutional Legitimacy

Outside these microfinance institutions, several regulatory mechanisms have a significant impact on financial performance. The role of the Central African Banking Commission (COBAC) appears to be central here. Through its prudential standards, unannounced inspections and reporting requirements, COBAC forces these institutions to comply with a rigid but stabilizing framework. This regulatory framework, while representing a significant organizational burden (particularly in terms of adaptation costs and administrative constraints), acts as an essential disciplinary lever to manage risks and ensure medium-term financial viability (Mvogo, 2021).

For example, by imposing a minimum equity threshold and a solvency ratio of 15%, external regulation forces institutions to strengthen their financial management practices. These requirements have led MFIs to revise their credit policy, formalize their reporting channels, and gradually integrate budget monitoring tools. This move towards institutionalization indirectly improves the perception of MFIs by customers and partners, which translates into a steady increase in deposits and a higher savings mobilization rate, two key indicators of liquidity.

In addition, the competitive environment and pressure from stakeholders, particularly institutional customers, play an indirect governance role. In a local market that is increasingly focused on transparency and organizational reputation, the need to publish regular and readable financial statements is becoming a strategic issue. This quest for external credibility has prompted the targeted MFIs to initiate voluntary accounting certification procedures, which, according to the managers interviewed, have helped to consolidate the confidence of financial partners.

4.3. Causal Validity of Findings: An Interpretation Rooted in the Realities of the Field

The casual approach adopted here is not based on conventional statistical significance, but on the logical, empirical and theoretical consistency of the relationships observed. Three validity criteria reinforce the interpretation: the recurrence of the testimonies collected, documentary triangulation (internal reports, financial records, minutes), and the consistency of the observations with the conceptual frameworks used.

Thus, it is possible to establish a robust causal chain between the weak formalization of internal governance structures and the volatility of profitability indicators. Similarly, external regulatory pressures play an obvious structuring role in financial discipline, despite sometimes ambivalent effects on decision-making flexibility.

In short, this study reveals that the financial performance of MFIs is the product of a fragile balance between informal governance based on entrepreneurial leadership and institutional governance imposed by the external framework. The organization's ability to articulate these two dimensions – often perceived as antagonistic – is a determining factor in its financial sustainability.

5. Discussion of results

Analysis of the results highlights contrasting dynamics between certain governance mechanisms and the financial performance of microfinance institutions (MFIs) in Cameroon. Although these results are consistent with several traditional theoretical foundations, they also reveal specific features of the institutional and structural context of Cameroonian MFIs.

5.1. Similarities and Differences with the Literature

The results obtained partially confirm the work of Fama and Jensen (1983), according to which the separation between ownership and control requires effective governance mechanisms to limit agency costs. In the case of Cameroonian MFIs, the concentration of power in the hands of founders and long-standing managers often hinders the implementation of independent control mechanisms, such as audit committees or active boards of directors. This configuration reinforces the observations of Cuevas and Fischer (2006), who point out that in non-profit or cooperative financial institutions, formal governance mechanisms are often weakened by informal practices dominated by the initial leaders.

The effective participation of directors, which is often symbolic or limited by their lack of technical expertise in finance, seems to corroborate the findings of Mersland and Strøm (2009), who emphasise the importance of the board's financial expertise in improving the performance of MFIs. In Cameroon, this deficit is exacerbated by the co-opting of board members, which reduces their independence and hinders their role as a counterweight.

Similarly, financial transparency and formal reporting practices, although developed in this paper, appear to be weakly correlated with performance, due in particular to a lack of external control and limited regulatory pressure. This situation contrasts with the findings of Hartarska (2005), who identifies a positive relationship between governance quality and financial performance in Eastern European MFIs, where the institutional framework is more coercive. In Cameroon, the sometimes lax enforcement of COBAC (Central African Banking Commission) regulations makes this dynamic less effective.

5.2. Moderator Effect of Structural and Institutional Variables

The study reveals that certain variables amplify or mitigate the effect of governance mechanisms. The size of the MFI, measured by asset volume or number of clients, has a significant moderating effect. In large structures, formal governance tends to be more structured, with more robust compliance functions and more sophisticated accountability mechanisms. This confirms the observations of Abor and Biekpe (2007) on the positive relationship between company size and the effectiveness of governance mechanisms in the African context.

Conversely, in small MFIs, often second or third tier, interpersonal relationships and community ties take precedence over formal procedures. This informality, although sometimes a factor of flexibility, weakens control mechanisms and limits performance, as shown by Zeller and Meyer (2002) in the context of rural MFIs.

Another key moderating factor is dependence on founding capital. The results show that the more financially and symbolically dependent an MFE is on its founder, the more personalized its governance becomes, thereby reducing the effectiveness of collegial mechanisms. This personalization of power can lead to sub-optimal decisions, particularly in terms of credit allocation and risk management. These observations are consistent with those of D'Espallier, Guérin and Mersland (2011) on the risk of mission drift and conflicts of interest in a context of highly personalized governance.

5.3. Organizational Interpretation and Institutional Dynamics

Beyond structural variables, the study highlights the central role of the founder in shaping governance. In several cases, founders continue to exert a decisive influence on strategic decisions, often outside formal institutional channels. This phenomenon, similar to the 'charismatic leadership' conceptualized by Weber (1922), creates a strong organizational dependency that limits the empowerment of other governance bodies.

The organizational dimension is compounded by a specific institutional context: the Cameroonian EMF operates in an environment where regulation is perceived as distant and sometimes ineffective. This low level of institutional coercion encourages the persistence of informal practices and fuels superficial governance. In this context, regulation by COBAC, although present, struggles to translate into lasting structural change.

5.4. Contextual Specificities and Implications

The Cameroonian case thus illustrates several specific features: the predominant influence of the founders in the structuring of MFIs; persistent informality in governance practices; financial dependence on internal resources (contributions, member savings); and weak or non-binding regulation. These factors strongly influence the effectiveness of governance mechanisms, which cannot be assessed solely by Western standards.

From this perspective, it seems necessary to rethink the governance of MFIs not only in terms of compliance with international standards, but also taking into account local socio-cultural logic, the reality of the institutional environment and the way in which community financial structures emerge. This approach is in line with the calls made by Brinkerhoff (2004) and Hyden (2006) for the contextualization of governance concepts in companies with a high degree of institutional informality.

6. Conclusion

This study aimed to analyze the links between governance mechanisms and the financial performance of microfinance institutions (MFIs) in Cameroon, highlighting the moderating role of structural and contextual variables. Using a multiple case study approach, combining qualitative data and secondary quantitative elements, the survey identified specific dynamics that challenge traditional governance models applied to financial institutions.

The results show that, far from being simple normative or bureaucratic devices, governance mechanisms in Cameroonian MFIs are shaped by endogenous logics: the centrality of the founder, dependence on informality, weak control bodies, and moderate regulatory constraints. These characteristics explain why, in some cases, formal governance mechanisms do not significantly improve performance, or even prove counterproductive if they are not adapted to the realities on the field.

The main contribution of this research lies in its ability to contextualise the analysis of governance in the informal financial sector, highlighting the institutional specificities of MFIs in Central Africa, and more particularly in Cameroon. In this sense, the study reinforces the work of Bruton, Filatotchev, Si and Wright (2013), who call for an institutionalist reading of governance models in emerging economies, taking into account the historical, social and cultural constraints specific to each ecosystem.

On a theoretical level, the results suggest that traditional approaches based on agency theory (Jensen & Meckling, 1976) or on monitoring and incentive mechanisms need to be revisited when dealing with hybrid organizations with a strong community footprint, such as MFIs. The integration of neo-institutional theory (DiMaggio & Powell, 1983) and resource dependence logic (Pfeffer & Salancik, 1978) would better capture the trade-offs between institutional legitimacy and economic efficiency in these low-regulation environments.

At the managerial level, the study calls on EMF executives and supervisory authorities (notably COBAC) to adopt a differentiated approach to governance, which is not limited to the mechanical application of external standards, but which promotes the gradual development of internal self-regulation mechanisms tailored to the size, business model and historical trajectory of each structure. This implies, in particular, strengthening the skills of directors, professionalizing control functions, and better articulating transparency requirements with organizational realities.

Finally, this research opens up fruitful prospects for future work. On the one hand, extending the study to other countries in the CEMAC sub-region would make it possible to test the robustness of the results in similar but differentiated contexts. On the other hand, exploring the role of digital technologies in transforming governance mechanisms – through the digitization of accounting, reporting, and internal control – is a promising avenue of investigation in the current context of MFI modernization.

Ultimately, understanding the governance of MFIs in countries with incomplete institutionalisation is not simply a matter of measuring their shortcomings in relation to a standard model, but of understanding their internal logic, systemic constraints and opportunities for hybridisation between the formal and informal sectors. Only then can structural reforms promote sustainable improvement in financial performance while consolidating the social mission of these key players in inclusive finance in Africa.

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