



THE MODEL OF FUNDING INVESTMENTS BY RISK CAPITAL IN SMES; ESTABLISHED FACTS, ANALYSIS AND IMPLICATIONS: SPECIFIC CASE OF CAMEROON SMES.

Emmanuel Beyina

PH.D in management, Strasbourg University France (Louis Pasteur 2007), Head of department (HOD) Bamenda University (Cameroon),

ABSTRACT

Summary: Bank debt and informal funding through means of group and associations more often constitute the only sources of SME funding. But if it is already difficult for a big enterprise to have access to bank loans in order to contribute to informal funding groups with the aim of financing its activities, then the difficulty of a small enterprise is bigger because of technological and commercial risks in which it is confronted to and which increases the probability of not being able to pay its debt thus the funding constraints and increasing difficulties in reimbursing debt by SME permit credit establishments to ration their loan requests quantitatively or to have a standardized behavior to all loan requests less compatible with the needs of these enterprises. However, other alternative means of funding exist and notably funding by risk capital. The fundamental specification of risk capital companies compared to other financial intermediaries resides in their participation in the selection, follow up and control of invested projects. The objective aimed at in this article is to show that other efficient and adapted funding formulas exist that accompany the SME in their policy of funding investment projects.

Résumé: L'endettement bancaire et le financement informel par la voie des tontines constituent souvent les seules sources de financement des PME. Or s'il est déjà difficile pour une grande entreprise d'accéder au crédit bancaire et tontinier en vue de financer ses activités, la difficulté d'y parvenir est plus grande pour une petite entreprise en raison surtout des risques d'ordre technologique et commercial auxquels elle est confrontée et qui augmentent sa probabilité de défaut de paiement de sa dette. Ainsi les contraintes de financement et les difficultés croissantes de remboursement de la dette par les PME permettent aux établissements de crédit soit de rationner quantitativement leurs demandes de prêts, soit d'avoir un comportement standardisé pour l'ensemble des demandes de crédit peu compatible avec les besoins de ces entreprises. Pourtant d'autres alternatives de financement existent et notamment le financement par capital risque. La spécificité fondamentale des sociétés de capital risque par rapport aux autres intermédiaires financiers réside dans leur participation dans la sélection, le suivi et le contrôle des projets investis. L'objectif visé dans cet article est de montrer que d'autres formules de financement efficaces et adaptées existent pour accompagner les PME dans leur politique de financement de projets d'investissements.

KEYWORDS : Funding, investments, risk capital, SMEs.

INTRODUCTION

Actually SMEs present specific features giving rise to real constraints and leading to a financial gap (Dietsch, 2014). Finance is often perceived, or defined as a science of the evaluation of assets (Charreaux, 2001). Its natural field of studies covers financial phenomena, meaning the domain of organizations, investment decisions and funding. Its vocation is to explain financial decisions taken by organizations and more precisely in the SME. The SMEs are presented as vehicle of economic development, but are faced with huge difficulties and notably funding, (Levratto, 1990, 1992; Pairault, 1993; Um, 1996; Oloua, 2007). Their funding constraints permit loan granting establishments to ration their loan requests quantitatively or have a standardized behavior to all loan requests less compatible with the needs of these enterprises, (Stiglitz & Weiss A., 1987, 1998; Williamson, 1986; Julien & Marchesnay, 1987; etc.). Evidently, such rationing recalls us and invites us to examine the problems which SMEs are facing to ensure their findings, (Mc Mahon and Al., 1993). Two aspects intimately linked cover the word funding. Investment aspect (Renfrew, 1982; Calof, 1985; Albony, 1984) that initiates the birth, creation and putting in place of all new, small, medium or big enterprise; the aspect of operating funds (Keisser, 1994) that ensures functioning and follow up of affairs. One or the other aspect calls for internal or external funds to the company, personal funds or debts (Creplet, 2001; Petit & Singer, 1985; Charreaux, 1985; Ang, 1992).

The under-developed structure of an economy characterized by the quasi non-existence of saving, easily explains little importance of funding by personal funds, (Lelart, 1990; Hernandez, 1995; Matray, 1992). It also and of course explains the slow profitability of SMEs therefore, a high risk sector that limits funding by cash-flow. That is why the problematic of this article poses evident funding problems in the following manner: what funding strategy can we envisage to fund SMEs in the case of Cameroon?

The prime objective is to show that other efficient and adapted

funding methods exist in accompanying SMEs in the funding policy of their investment projects. In response to the problem posed in the framework of this article, our approach is articulated on the following points: reflexion framework (1) with a literature review substance that will allow us revisit the controversy around the funding in SMEs; research methodology, research hypotheses and way out of indebtedness of Cameroonian SMEs (2); and lastly, the risk capital as weapon for control and development (3).

THE REFLEXION FRAMEWORK

The literature review

A large literature exists concerning the subject of SME funding. However, the different works of empirical research does not lead to real identical results and does not allow for précised theoretical conclusions, because of different approaches and contracts in points of views (YdrissZiane, 2001). Thus, Modigliani and Millet (1958) were the first to make a theoretical analysis of the financial structure on the value of the firm. They also show that under certain hypotheses, all forms of funding are equivalent (in the presence of perfect financial markets). The continuous questioning of these hypotheses has led to the putting in evidence, the influence of several determining factors on the financial structure, which led to the reject of the neutral structure of funding¹.

For Constand and Al. (1991) a relation exists between funding and profitability. These authors report that funding and profitability are negatively linked, and they conclude that the most profitable enterprises resort mostly to internal funding. But Wtterwulge (1998) shows that SMEs often considered as sub-capitalized resort to bank debt as a priority. He concludes that SMEs with regards to their sizes cannot easily resort directly into the financial markets: bank debt constitutes their first source of external funding. There would exist a non-negligible size effect to measure the financial shape, (Suret & Arnoux, 1995). Gagnon and Papillon (1995) otherwise demonstrate that no significant effect of size exist on the total financial external level (indebtedness). They note that

profitability has more influence on capitalization than what size would do; sub-capitalization is after all the result of a slow profitability. Explaining the choice of SME funding is rather complicated considering the difficulties in measuring different components and among others, to separate what really would have been considered as debt and what would have belonged to personal funds² (Ang., 1992).

If it is already difficult for a big enterprise to have access in bank loans in order to finance its activities, the difficulty in managing to do it is much more for small enterprise especially for reasons of technological and commercial risks that increases probability fault of paying back debts. As a result, some authors think that SME funding is efficient only in resorting to a particular and adapted mode of funding (like the funding of innovation) and notably through means of risk capital (Dosi, 1990; Chabbal, 1994), risk capital³ being defined in the framework of this article as a specific funding technique which is not limited only to bringing capital but also management assistance to the company that has to contribute in all the enterprise. It is therefore a type of funding that is accompanied by ad hoc innovations on financial plans, organizational and even piloting of the enterprise that makes opportunists behavior difficult.⁴

Others estimate that there hardly exists a reference model or structured theory of funding in the firms (Lachmann, 1996) and that multiple research works consecrated to funding problems on a whole present a very strong predominance granted to managerial aspect instead of that of the integration of the financial dimension in the development process of the SME. But funding of SME investments as compared to a registered in a perspective of changing global economic environment which to be favorable, requires the creation of specific financial resources in favor of SMEs that have particular difficulties to have access to traditional means of funding.

Hence, sub-capitalization of SMEs, bank rationing, and sub-developed structure in an economy characterized by the quasi inexistence of saving poses problem of resorting to informal sources of funding. To this effect, some researches (Lelart, 1990, 1993; BekoloEbe, 1989, 1993), estimate that many entrepreneurs rather use informal funding through group contributions whose role in the creation of enterprises and funding of their investments appear to be confirmed. Hence, our theoretical approach of analysis concerning the relation between bank funding, group funding and Cameroonian SME are convenient in the first place by Tamari's work (1980), Calof (1985), Julien (1997), Wtterwulge (1998) and al; DonatienEzé (2001), Um (1996), and secondly through the work of Brenner, Fouda, Toulouse (1990, 1993), BekoloEbe (1989, 1993), Hugon (1990), Lelart (1993) and al, fault of clear theoretical conclusions and generalities, all these considerations show that the problem of choice of funding in the SMEs necessities another approach and framework of reflexion, and that reports should be deepen between theoretical hypothesis and empirical characteristics.

METHODOLOGY OF EMPIRICAL FRAMEWORK OF OUR STUDY

The SME being a sample unit of our empirical study, we shall first define this concept in general, in Cameroonian context and lastly, in the empirical framework of our study.

SME IN GENERAL AND IN CAMEROON IN PARTICULAR

In general, the SME can be apprehended quantitatively, by the total number employed, business turnover, level of personal capital and investment as quantitative (Silem, 1994) considered autonomous enterprises in which the manager assumes the financial responsibility, technique and social without disassociating these elements. The absence of the unique and harmonious definition does not make all the Cameroon SME identification exercise easy. However on the basis of retained criteria's of usual SME definitions and the possibility of having easy access to information related to these criteria's, we have considered production units as innovating.

SME that satisfy the following conditions: to be managed by nationals; to be a property of nationals, the number of workers should be 150 or more, to have a business turnover inferior to 1000 million of FCFA, about 1 524 490 euros⁶. Despite of having a précised sample framework responding to the profile of SME retained for our directories and annuals of professional syndicates such as GICAM (Groupement Inter-patronal du Cameroun), Syndustricam (Syndicat des Industriels du Cameroun), Pro-PME (Orgnisme Canadien des PME au Cameroun) pertinent information for the constitution of our sample.

THE EMPIRICAL FRAMEWORK OF OUR STUDY

The methodological approach will permit us thanks to the use of specific tools to obtain interesting information on "sensible"⁷ questions in the Cameroonian context that are relative to quantitative and qualitative inputs. In reply to the research question asked below we have carried out an investigation in the SMEs in the city of Douala in Cameroon. We have chosen as our field of study, all commercial SMEs, industrial and services situated in Douala (Cameroon), where we submitted a standard questionnaire. The table below retraces the repartition of 60 SME of our study by sector of activity.

TABLE 1: REPARTITION OF 60 CAMEROONIAN SME BY SECTOR ACTIVITY

Sectors	Number of establishments	Percentage of establishments
General trade	12	20
Food processing	16	26,6
Commercial services	7	11,6
Chemical transformation	2	3,4
Paper and carton	7	11,6
Textile and clothing	2	3,4
Wood and transformation	3	5
Metallurgical	3	5
Plastic	2	3,4
Material fabrication	3	5
Industrial services	3	5
	60	100%

Internal source

The four principal sectors in our sample are general trade, food processing industry, commercial services, paper and carton industry. These principal sectors represent about 69,8% of all SME commercials, industrials and services in our study. However, our sample is slightly underrepresented in the food processing a developed sector, highly competitive and particularly concerned with the innovation in the city of Douala. The interest of studying SME localized in the city of Douala is triple (Nkakleu, 2001; Beyina, 2003; NdongNtah, 2004): the first advantage is linked to the fact that the study bears on the city of Douala. As a matter of fact, it is the economic capital of Cameroon which regroups principal labor activities, railway and airport of the country. The second advantage is a strong density of SME in this city; hence, the analysis of funding problems effectively allows for validating or invalidating the massive resort of these SME to indebtedness. At last, the choice of the city of Douala as a field for analysis allows for a better understanding of the behavior of SME directors as opposed to the problem of their choice. We took a census of a list of SME⁸ constituting the mother population of our investigation. The mother population is composed of 180 industrial and commercial SME members of organism's employers, property developer, cretes...and of Pro-PME⁹ which is a Canadian structure for the promotion of SME in Cameroon. On the basis of this mother population, we constituted a sample of 70 SME¹⁰ industrial, commercial and assimilated services activities from which seventy SME replied to our questionnaire.

RESEARCH HYPOTHESIS

Our reflexion is linked to the conclusions of synthesis analysis of the

studies on SME access into different funding sources. Conclusions of these studies do not confirm the existence of discrimination in the funding offered to SMEs (Julien, 1994; Holms & Kent, 1990; Balwin and al., 1994; Wtterwulge, 1998). Moreover, different authors seem to agree on the fact that SMEs resort more on short term debt whether short or long term debt must be mastered and a mastered debt is neither excessive nor insufficient (Cieply, 1997; Oloua, 2007). A mastered debt supposes a healthy financial structure and the later will be justified on the existence of a balance between personal funds and debt. It also matter to consider the positive impact that gear on debt can exercise. In this case, a mastered level of debt takes as back on two situations:

Whether it is equal to optimal debt rate defined by the enterprise and corresponding to the financial structure that allows for maximizing net value. All the same it supposes the existence of a financial market and the possibility of having access to it. In such a situation, the optimal debt rate can be defined as one that can permit an enterprise to maintain its financial autonomy and growth without loosing profitability (Parranque&Cieply, 1997), that equally question on the problem of cost linked to debt;

Whether it corresponds to an optimal debt capacity that is a liability structure above which the pain broker refuses to grant new fundings. But all SMEs bank debt and of its growth, the saturation of this debt is composed of short term credits and current banking competition (CBC) not allowing for risked investment of long duration, notably funding of investments.

We observed the importance in volume of these forms of bank indebtedness in the balance sheets of SMEs, but they can be proven inefficient in the funding of investment. If thesis in favor of the renewal of investment projects can by pass the obstacle of delays (short), it seems to ignore negative incidence of high financial charges incurred on expected performances of the investment to be realized. Yet the fundamental problem is there; since lack of long bank fundings in the Cameroonian context or their insufficiency in the financial structure of SMEs does not allow the SME to benefit from the positive gearshift of bank indebtedness. All these analysis leads us to the first hypothesis (H1) of this study knowing that "bank indebtedness adapted to the needs of SMEs and well mastered by their directors can permit the SME to fund and to realize investments with incidences on commercial, financial, economic, social and organizational plans". These analysis come up with two types of problems in bank indebtedness of the SME: the problem of volume and objectives is to show that the present characteristics of bank indebtedness in the Cameroonian context in terms of volume and quality does not facilitate the realization and funding of investment starting from performances in the SMEs; to say it in a different way, on the point of volume and quality, bank indebtedness of the SME does not for development, realization and funding of her investments from where the first sub hypothesis (H1.1) comes up later: "the quality of bank offer towards Cameroonian SME can be an obstacle to the realization of investments of these enterprise". In effect, conditions of bank offers translate the quality of bank indebtedness of SMEs. We observe some inadequacy between needs of expressed funding by SMEs notably in the framework of investments and fundings really obtained. This inadequacy is equally observed between the level (and volume) of funding demanded by SMEs and the level of fundings offered by banks. To say it in a different way, SMEs are badly funded by banks and therefore, they are badly indebted. This is because banks grant only short term loans and hardly in the proportions and conditions which are in favor of the SME.

This bad indebtedness that poses problem of quality cannot really permit SMEs to realize expected performances from where the second sub hypothesis (H1.2) brings thereafter "the slow level of bank indebtedness of Cameroon SMEs leading to low performances in the said SMEs and can be a handicap to funding of their investments". In effect, the balance sheets of Cameroonian SMEs hardly present long and medium term bank loans and when it is the

case, there are debts of low amounts. Hence, the level of bank indebtedness is long and medium terms of SMEs remain relatively low. The consequences are that the SME cannot really benefit from financial profitability gear shift. In the same ways, because bank indebtedness of SME is globally low will have an unfavorable incidence on investments, investment projects, on the growth of assets, improvement of finding a funding strategy adapted to Cameroonian SMEs from which the second hypothesis (H2) of our study: "the funding strategy based on the modalities of appropriate funding to investment (of risk capital) type can contribute to profitability and to the innovation of Cameroonian SME".

The two hypotheses that we have set worth form the core of the study. Elaborated from the pre-investigation (Beyina, 2003, 2009) and the documentary research, this corpus of hypotheses put in relief the principal objectives of the research and constitutes the knot of the systematic investigation which the result will be presented.

RESORTING TO INDEBTEDNESS OF CAMEROONIAN SMEs

We have consecrated on this point to the presentation of some of the results of the investigation that we have carried out within Cameroonian SMEs. The investigation, thanks to plate and crossed sorting as well as tests of a certain number of conclusions.

INDEBTEDNESS OF CAMEROONIAN SMEs (H1)

Generally, let's remember that the financial literature has since tried to measure the power of indebtedness. Modigliani and Miller have shown that indebtedness, in the absence of imposition, does not act on the value of the firm (1958) but that the neutrality was disappearing in the presence of imposition (1963). In the last case, indebtedness was the creator of value (1963). Other authors have shown that indebtedness can be considered at the same time a signal (Ross, 1997) or a means of pressure on directors (Jensen, 1986). The inverse of authors such as Altman (1968, 1984), Collongues (1977), Gilson (1989, 1990) or Wruck (1990) show that excess indebtedness is generator to bankruptcy, of direct and indirect costs. However, the influence of indebtedness on profitability is conditioned by a series of factors such as the economic context (Platt & Platt, 1994), the structure of property (Charreaux, 1987), the capacity and reputation of the director (Pigé, 1997) better still, the activity sector (Titman & Opler, 1994; Oseo, 2006). In Cameroon, indebtedness is an important variable in the life of SMEs (Um Ngeum, 1997; Beyina, 2007). The theoretical approach of the phenomena of indebtedness of SMEs in Cameroon has witnessed significant developments. These developments have created a new reflexion on three essential questions that naturally emerge study on the relation between indebtedness and funding of Cameroonian SMEs. The first question is to know why and especially how someone is indebted, that is to say why and how the Cameroonian SME is indebted? The second question essentially concerns the characteristics of indebtedness of Cameroonian SMEs which in other terms, what is the debt structure of Cameroonian SMEs? The third question is to know the price on which Cameroonian SMEs are indebted.

WHY AND HOW CAMEROONIAN SMEs ARE INDEBTED?

• Why do Cameroonian SMEs indebt themselves?

To know why Cameroonian SMEs indebt themselves, two important purposes are imposed as evidence: indebtedness is sometimes a normal functional service of the SME, and also exceptional operation service (investments). In other terms, Cameroonian SMEs resort to indebtedness in order to fund their activities: funding related to exploitation activities and especially funding related to investment activities.

• How Cameroonian SMEs fund themselves?

It is a matter of giving evidence on the funding modes that were used by Cameroonian SMEs for the past four (04) years, characteristics of interest rates, evolution of financial charges.

Funding modes

Cameroonian SMEs resort to several funding modes but some of these modes are massively and frequently requested as indicated in the table below:

TABLE 2: FUNDING MODES OF 60 SMEs (%)

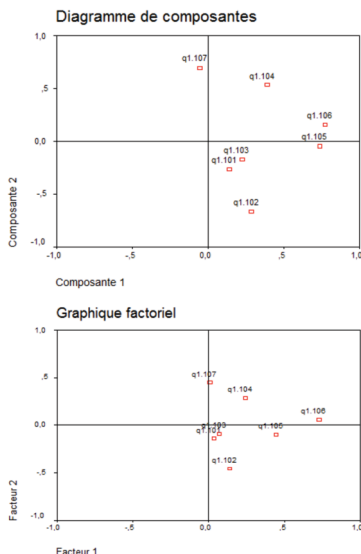
	NSP	Not at all	A little	Average	Many	TOTAL
Auto funding	5,00	31,67	26,67	16,67	20,00	100
Saving	3,33	33,33	38,33	20,00	5,00	100
Contribution	8,33	10,00	11,67	46,67	23,33	100
Association	16,67	41,67	25,00	15,00	1,67	100
Loan	6,67	13,33	16,67	43,33	20,00	100
Cooperative	6,67	80,00	5,00	5,00	3,33	100
Others	8,33	61,67	18,33	10,00	1,67	100

Internal source

We have noticed that the funding modes mostly requested by Cameroonian SMEs are: local contribution and bank loan. 46,67% of SMEs resort averagely to local contribution and bank loan. 23,33% of these SMEs mostly resort to local contribution and 20% to bank loan. The diagram of components and factorial graph below equally confirms it. Results of the investigation show that Q1.105 and Q1.103 are very much piled on the abscise axe. This explains notably the SME resort to two modes of funding as a priority. Moreover, in terms of importance, bank loan arrives in the second position after local contribution. This low level of bank indebtedness as compared to local contribution constitutes a handicap to SMEs that have chosen this mode funding of investments requires important financial means (H1.2).

Dendrogrammes (methodological annex), component diagrams and factorial graphics of funding modes above principally confirm the resort of Cameroonian SMEs to these two modes of funding, meaning, the lecture of result that Cameroonian SMEs resort massively to indebtedness (formal and informal: local contributions and banks). Resorting to bank funding or local contribution explains notably by the insufficiency personal capital. The result of SMEs investigated illustrate elsewhere: 31,67% of SMEs do not have personal capital. 26,67% of SMEs resort a little to their personal funds notably because the weakness of this; 16,67% of SMEs investigated resort averagely to their personal capital that remains insufficient. It must also be noted that 20% of SMEs resort mainly on auto funding.

In total, to fund their activities, the Cameroonian SMEs in priority resort to local contribution and the reasons are multiple, under-capitalization, low level of bank indebtedness, that constitutes a serious handicap to long duration requires important financial means.



Q1.101: Auto funding; **q1.102:** Saving; **q1.103:** contribution (informal funding); **q1.104:** association; **q1.105:** loan to the bank; **q1.106:** cooperatives.

CONDITIONS OF ACESSTO BANK FUNDING

Contrarily to informal funding structures that present a certain flexibility with regards to access conditions, formal bank funding access is submissive to some compelled requirements and which if fulfilled do not guaranty grant of funds demanded, gravely when it is considered as risk customer.

The table below is presenting us successive guaranties furnished by investigated SMEs and other access conditions to indebtedness.

Guaranties at the moment of obtaining a bank loan

Globally, SMEs that have requested bank funding come against the quality of bank offer, and that is the thorny problem of access conditions to indebtedness (H1.1)

Table 3: Access conditions to indebtedness (%)

	NSP	Yes	No	Total
Personal fund	15,00	75,00	10,00	100
Mortgage	10,00	51,67	38,33	100
Profitability project	11,67	83,33	5,00	100
Life insurance	13,33	50,03	36,67	100
Solvency	25,00	88,33	6,67	100
Others	33,33	31,67	35,00	100,00

Internal source

To benefit from bank contest, project profitability is an essential data bank that must have asked almost 83,33% of SMEs investigated to show proof the profit ability of their project. Profitability of the project comes first in access conditions to indebtedness. Personal funding is also important. It comes second in the requirements, about 75%. Solvency is not excluded; 68,33%. Mortgage follow with 51,67%.

On the total, we notice that resorting to bank indebtedness is a result of the warrantees supplied and especially access conditions to this mode of funding (H1.1). In addition to difficult access conditions, banks only grant short-term loans and hardly in the proportions and conditions preferred by SMEs.

Whereas, investments funding from above the balance sheet is risky and requires long and stable funding. The absence of long-term funding is an obstacle to the realization of investments.

RISK CAPITAL AS A NEW CONTROL AND DEVELOPMENT TOOL

Resorting to new loans

Despite costs of indebtedness whether formal or informal, the SMEs investigated prefer to continue to be indebted. Results of the carried out investigations, about 60 Cameroonian SMEs regrouped in the following table are clearly illustrated.

Table 4: New loans envisaged by the investigated SMEs (%)

	NSP	Yes	No	Total
New loans	0,00	86,67	13,33	100

Internal source

Cameroonians SMEs investigated prefer to indebt themselves despite all (86,67%). The whole problem is that of adaptation to this indebtedness to the needs of the SME and mastery of the adaptation by directors.

Inherent financial charges to bank funding and group funding of Cameroonian SMEs

It's a matter of putting the problem of induced costs from bank loan and even group funding in evidence and show the negative impact that it can lead on funding and the realization of investigated SMEs.

It is also a matter of showing that bank loan charges are less than that of group funding.

• Induced cost of bank loan and group funding

Data of the investigation that we have carried out from SMEs in the city of Douala are regrouped in the table below. It is an established fact of repercussions of financial charges on profitability of these SMEs.

Table 5: Influence of financial charges (%)

	NSP	Not at all	A little	Averagely	Much	Total
Final result	6,67	8,33	11,67	15,00	58,33	100
Enterprise development	9,33	21,67	31,67	18,33	20,00	100
Enterprise growth	11,67	15,00	33,33	28,33	11,67	100
Business turnover	3,33	25,00	35,00	26,67	10,00	100

Internal source

11, 67% of investigated SMEs estimate that financial charges have had more or less important impact on the results of their enterprise. 15% of the people in charge reveal that financial charges have had a negative influence on the results of the enterprise to which they depend. 58, 33% estimate this influence to be very significant on the economic results of their enterprises. In sum, it seems evident that indebtedness i.e. bank funding and group funding of Cameroonian SMEs is tied with heavy financial charges. This cost has an impact on profitability and on investment of investigated SMEs. Indebtedness must be adapted to the needs of the SME and well mastered by the directors, taken in consideration of the positive impact that the gear of indebtedness can exercise (investment profitability, mastery of financial charges, mortgage of loan, balance of personal funds and indebtedness). Results of the investigation show us that important costs, heavy, induced to funding (loan) has repercussions on profitability and on investments of Cameroonians SMEs same as the result on intervals of interest rates confirm that the cost of bank loan is less higher than that of group funding. Finally, the link that exists between funding and investments permits us to come up with the problem of stable investment funding.

• Stable investment funding of Cameroonian SMEs.

Table 6: Funding of investment projects

	NSP	Yes	No	Total
Enterprise results	8,33	81,67	10,00	100
Business turnover	8,33	73,33	18,33	100
Auto-funding	10,00	65,00	25,00	100
Reserves	6,67	66,67	26,67	100

Internal source

The enterprise contributes competitive results of 81, 67% to the funding investments projects. 73, 33% estimate to fund their investments with their business turnover. In sum, we establish a fact that if financial charges are high, SMEs that fund their investments with benefits will have serious difficulties.¹¹ Correlation between different variables illustrates and confirms these difficulties. In revenge, if there is a positive return on investment, i.e. indebtedness adapted to, the needs of SME and well mastered by directors, who would be able to fund and realize their investments with benefits obtained. The correlation table below shows clearly that there is correlation between the funding mode and the business turnover; between the funding mode and the final result of the enterprise. All the same, we establish a fact that there is a correlation between the funding mode and financial charges of the enterprise; and evidently between the interest rates and financial charges. Next, there is a significant correlation (see crossed table and Khi- deux test, methodological annex) between the funding mode and the innovation.

In sum, SME and well mastered by directors facilitates funding and realization of investments (H.1). Funded investment can have an impact on social plan, organizational, commercial, economic and financial of the SME.

In reading this table and the analysis that proceeds, induced costs of indebtedness when it is not mastered do not favor profitability and development of Cameroonian SMEs. Mastery of the cost of indebtedness by directors is therefore capital. However, the cost of the means of funding (bank and group) of Cameroonian SMEs is high, as shown by the table below:

Tableaux n°7: corrélations.

		Corrélations					
		Q2.1301	Q2.1304	Mode de financement	Taux d'intérêt	Charges financières	Garanties
Q2.1301	Corrélation de Pearson	1	0,131*	-0,261*	0,097	0,115	-0,022
	Sig. (bilatérale)		,320	,044	,459	,380	,889
	N	60	60	60	60	60	60
Q2.1304	Corrélation de Pearson	0,131*	1	0,268*	0,110	0,209	-0,125
	Sig. (bilatérale)	,320		,025	,401	,109	,340
	N	60	60	60	60	60	60
Mode de financement	Corrélation de Pearson	-0,261*	0,268*	1	0,176	-0,279*	-0,225
	Sig. (bilatérale)	,044	,026		,178	,031	,084
	N	60	60	60	60	60	60
Taux d'intérêt	Corrélation de Pearson	0,097	0,110	0,176	1	-0,443**	-0,120
	Sig. (bilatérale)	,459	,401	,178		,000	,383
	N	60	60	60	60	60	60
Charges financières	Corrélation de Pearson	0,115	0,209	-0,279*	-0,443**	1	0,189
	Sig. (bilatérale)	,380	,109	,031	,000		,148
	N	60	60	60	60	60	60
Garanties	Corrélation de Pearson	-0,022	-0,125	-0,225	-0,120	0,189	1
	Sig. (bilatérale)	,889	,340	,084	,353	,148	
	N	60	60	60	60	60	60

* La corrélation est significative au niveau 0.05 (bilatéral).
 ** La corrélation est significative au niveau 0.01 (bilatéral).

Modes de financement : **funding modes**; Taux d'intérêt: **interest rate**; charges financières: **financial charges**; garanties: **guarantees**:

Q2.1301: **Enterprise results**; q2.1304: **Business turnover**.

Correlation between funding modes and Enterprise results; between funding modes and Business turnover; between funding modes and financial charges.

Table 8: Interval rates

	NSP	0 - 10[10 - 20[20 - 30[30 - 40[40 - +[Total
Bank	6,67	3,38	25,00	58,33	5,00	1,67	100
Cooperative	6,67	3,33	58,33	31,67	0,00	0,00	100
Group funding	8,33	10,00	5,00	20,00	46,67	10,00	100
Association	16,67	11,67	45,00	26,67	0,00	0,00	100
Others	8,33	5,00	46,67	35,00	3,33	1,67	100

Internal source

Above the 30% rate, the cost of bank loan is less higher than group funding (46,67%). High cost of these two funding modes raises research problem in the strategy of funding adapted to real funding needs of Cameroonian innovating SMEs.

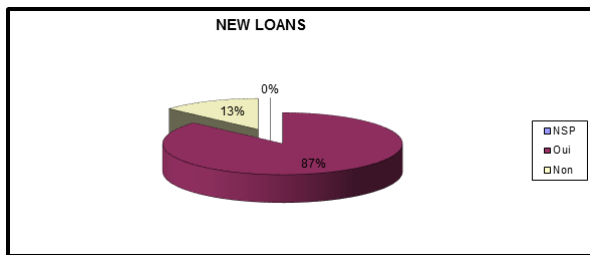
RISK CAPITAL: IMPORTANCE AND CONTRIBUTION TO INVESTMENT AND PROFITABILITY OF CAMEROONIAN SMEs (H.2)

Two principal funding structures characterize the Cameroon country side financier: formal funding and informal funding structures.

It seems necessary and even important to find a funding strategy that could permit structures to be able to minimize all the risk incurred an to develop a serious and efficient partnership based on success criteria's, profitability and development no matter the choice of funding structure: we are thinking of risk capital adapted to realities of Cameroonians. However, SMEs rely on the advices they may receive from funding institutions, necessary. The result to this issue of investigation that we have carried out on Cameroonian SMEs is returnable in graphic below.

• Percentage of acceptance to capital participation of investigated SME

Graphic n°1 : new loans .



The figures are revealing: more than 73% of the SMEs investigated are very much interested in this initiative (H2.). Majority of the SMEs investigated would voluntarily accept a participation in the capital of their enterprise (H2).

PRIVATE RISK-CAPITAL AND OTHER METHODS¹² ASSOCIATING THE PRIVATE AND PUBLIC

Risk capital¹³ as Crowdfunding (Bessière, 2014), is a funding mode of the enterprise, in creation, in the development phase. It constitutes contribution of personal funds that implicates a share of risks and of opportunities between the enterprise and the financial partner (Château, 2012). It is registered in the long term relation through whom the investor's objective is to realize a surplus capital gain or achieve certain socio-economic objectives. The funding mechanism through capital risk permits the reduction of agency problem between investors and entrepreneurs and by its suppleness, considers the needs of the enterprise in function of its stage of development and the evolution of new risk; it is accompanied notably by ad hoc innovations: concerning managerial plan, financial, organizational, etc. this type of new funding is combined with a follow up or partnership (Etoundi, 2003). In the framework of this article we are proposing a funding model by risk capital adapted to in funding SMEs we think that it can contribute to long term funding strategy, efficient solutions to the problems of SMEs.

CONCLUSION

Funding modes that are most appealing to Cameroonian SMEs are: group contribution of funds and bank loan (46, 67% of SMEs resort averagely to group contribution and 43, 33% to bank loan). In order to fund their investments, these SMEs resort to group contribution as a priority. The reasons are multiple:

Under-capitalization (31, 67% of investigated SMEs do not have personal capital), bad quality of bank offer (difficult access conditions : 75% personal contribution, 51% mortgage, 83% project profitability, 68,33% solvency, 50% life insurance...), and low level of bank indebtedness is due to bad quality of indebtedness bank offer being the results of a serious handicap for SMEs that have request this mode of funding under conditions where funding of stable investments requires important financial means. This inadequation of bank funding and group funding leads to resorting to funding by risk capital which is a strategy of funding that combines assembly (financial and legal) and the follow up of operation (73% of investigated SMEs are deeply interested in this mode of funding).

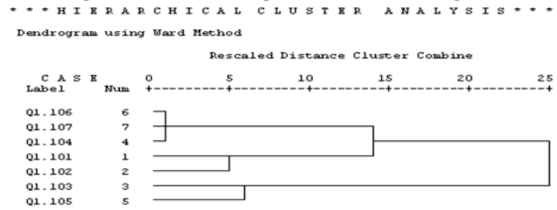
Funding by risk capital strategy that we propose in this article is one way of funding that will allow for re-establishment of confidence among the different partners. Partnership that originates from these types of specific funding permits the different participating and respect the development and payment schedule. This partnership is manifested by can assistance of several stages.

An answer to under-capitalization of enterprises, SMEs in particular and opportunists behaviors of certain leaders of these SMEs. It is equally translated by ad hoc innovations on a strategic plan, managerial, technique, financial and organizational. It is an efficient and fragile solution, risk proven, first to personal objectives, managerial deficiency of directors of SMEs are suffering. Taken as

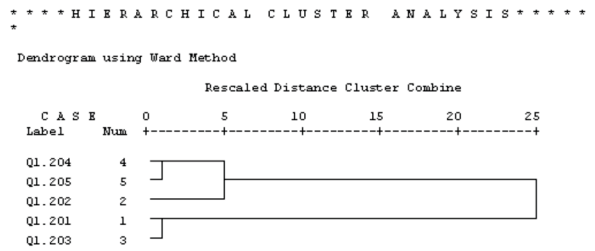
such, risk capital is not only efficient but it is also a means of funding which is a veritable controlling tool of development for SMEs potentially innovating¹⁴ and for ordinary SMEs.

ANNEXS

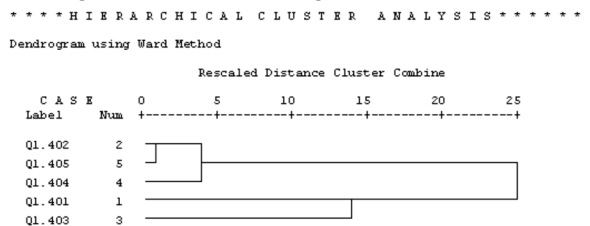
Dendrograms: 1. Dendrogram of the funding modes.



Dendrogramme of the interest rate.



Dendrogramm of the financial charges.



1. The same authors will later demonstrate (in 1963) that the value of the indebted firm is always superior to that of the non-indebted firm.
2. Ang point out the problem of posts such as « ownership advances » and « loans to managers or what he considers as « quasi personal funds » that he defines as “detained debts by individuals or institutions that engage toward ownership of the enterprise, 1) not to exercise their right of putting the enterprise in bankruptcy in case of financial difficulties, and 2) to participate in profit sharing when the enterprise is prospering again (Ang. 1992).
3. The financial technique is fundamentally different to that of bank loan, because the risk capital is reimbursed at the end of an investment program through an “exit” and according to improvement of image that integrates participation in generated benefit (without any guarantee at the moment of participation) and in case of difficulties or decision is lost fully or partially. The specified fundamental of risk-capital companies as compared to other financial intermediaries resides in their participation in the selection, follow up and the control of invested projects.
4. Risk capital in Cameroon is a partnership that is built from financial and legal components. In effect, all risk capital funding in Cameroon necessitates two types of settings: financial and legal. Participation follow up constitutes the investment corner stone. The later constitutes the unique means of verifying appropriate use released funds and registered orientations in the development plan, which is the base of its participation in the capital of the enterprise.
5. Commons definitions are those of FOGARE (Fonds d'Aide et de Garantie de la PME), of BEAC (Banque des Etats de l'Afrique Centrale), of investments code and of the Ministry of Finance. FOGARE is a reputed Cameroonian SME. All infidel or

- collective enterprise no matter the legal form article of decree n°84/510 at least of the capital and directors are Cameroonians; business turnover less or equal to 1 billion of FCFA.
6. Basing on the following exchange rate: 1 euro = 655,957 FCFA
 7. The term « sensible » questions used here refers notably to quantitative inputs, that is to say questions related figured inputs: business turnover net result, financial charges. . .
 8. The 180 SMEs met with the profile required in the framework of our work. 70 SME had investment projects whose acquisition and reinforcement of fabrication tools, the acquisition of property from above the balance sheet of asset this is to say property, packaging, organizational, commercial and financial. On the contrary, 110 SME hadn't investment projects above sheet and had problems of the working capital, accounts, management and good governance. This category was not very useful in the framework of our study.
 9. Pro-PME: Canadian Organism for the promotion of SME in Cameroon.
 10. It's a matter of 70 SME having investments projects : production, process (fabrication tools, properties beyond balance sheet asset meaning real estate) ; commercial (wide range of activity being creation of a new activity).
 11. To note that there is a significant correlation between the modes of funding and investments of SMEs (methodological annex: crossed table and the Khi-deux test)
 12. After the french case on specified funding by risk capital, the hungarian experience is sufficiently remarkable. Hungarian SMEs are efficient but they are suffering of under-capitalization. Majority of these enterprises employ less than ten (10) persons. The principal worry is to find partners who are ready to invest in their business. In order to remedy under-capitalization, the state has put many public investment funds in place. In 2003, the MFB the Hungarian Development Bank created a new product: she invests in an enterprise and participates in a maximum capital of 49%. A payment schedule clarifies the enterprise can necessary. Another case concerns the KVFP (KisvállalkozásfejlesztőPenzugy) a public investment fund. It invests in varied agricultural sectors, and touristic infrastructure. The functioning mechanism of funds consists in entering the capital of the company without functioning as risk capital. It is comfortable with a return of 7% or 8%. In the absence of a veritable network of proximity investments (they are only about ten against 4000 in France), it is the state that plays the role of business Angel. In 2005, the Hungarian government put in place a risk capital fund exclusively consecrated to investment and particularly innovation, the Celin (Corvinus, First Innovations Venture Capital Fond). It belongs to the MFB group. Despite being funded by public funds, it aims at profit making the bureaucracy is reduced, decisions are taken quickly (2 to 3 months)
 13. Risk capital as Crowdfunding plays an increasing role for seed financing. Compared to traditional ways of fundraising, it introduces two new stakeholders: the platform and the crowd. Both are involved in the selection and the valuation of entrepreneurial projects.
 14. Habitually risk capital is a mode of funding adapted to funding of innovation (Beyina, 2009)
 8. BEKOLO C. (2003), Réseaux relationnels et relais entrepreneuriaux dans le processus de décréation d'entreprises, les journées scientifiques du réseau entrepreneurial de l'Agence universitaire de la Francophonie, Université de Rouen.
 9. Bessière, V. & Stephany, E. (2014). Le financement par crowdfunding: Quelles spécificités pour l'évaluation des entreprises ?. *Revue française de gestion*, 242,(5), 149-161.
 10. Betbèze, J. (2014). Financer les PME en France : encore un « papier » I. *Revue d'économie financière*, 114,(2), 31-38.
 11. BEYINA E. (2009), Le financement par capital risque dans les PME innovantes : Le cas spécifique des PME innovantes camerounaises, *revue innovations*, n°29, 2009, p.169-184.
 12. BEYINA E. (2007). Financements et rentabilité des PME innovantes camerounaises », Thèse de Doctorat ès sciences de gestion, ULP, Strasbourg 1.
 13. BEYINA E. (2003). Financements et rentabilité des PME, Mémoire de DEA, Université. Louis Pasteur Strasbourg.
 14. CHARREAUX G. (2001), Image de l'investissement, Ouvrage collectif, édition Vuibert, FNEGE, 413p.
 15. CONSTAND R., J. OSTERYOUING et D. NAST (1990), "Asset-based financing and the determinants of capital structure in the small firm", in R. Yadzipour (cd.), *Advances in small business finance*, Kluwer, Boston.
 16. CHABBAL R. (1994), Un plan d'action pour les PME innovantes, rapport de l'OCDE, Paris. CHARREAUX G. (1987), La théorie positive de l'agence une synthèse de la littérature, dans de nouvelles théories pour gérer l'entreprise, *Economica*, Paris.
 17. Château Terrisse, P. (2012). Le dispositif de gestion des organisations hybrides, régulateur de logiques institutionnelles hétérogènes ? Le cas du capital-risque solidaire. *Management & Avenir*, 54,(4), 145-167.
 18. COLLONGUES Y. (1977), "Ratios financières et prévision des faillites des PME", *Revue banque*.
 19. Dietsch, M. & Mahieux, X. (2014). Comprendre le déficit de financement des PME pour stimuler leur croissance. *Revue d'économie financière*, 114,(2), 17-30. doi:10.3917/ecof.114.0017.
 20. DOSI G. (1990), "Finance, innovation and industrial change", *Journal of Economic Behaviour and Organization*, n° 13, P. 299-319.
 21. Dufourcq, N. (2014). Le financement des PME : un enjeu de compétitivité. *Revue d'économie financière*, 114,(2), 39-54.
 22. ETOUNDI C. (2003), Analyse de l'impact d'un financement par capital risque sur la contrôlabilité de la PME: cas de Cenainvest SA et 18 PME camerounaises; 8es journées scientifiques du réseau entrepreneurial de l'Agence Universitaire de la Francophonie, Université de Rouen.
 23. FREEMAN C. and C. PEREZ (1988), "Structural crises of adjustment, business cycles and investment behaviour", in G. Dosi et al (dir), *Technical Change and Economic Theory*, Pinter Publishers, London, p. 3866.
 24. GAGNON J. M. et B. M. PAPILLON (1984), Risque financier, taux de rendement des entreprises Canadienne et intervention de l'Etat, Conseil économique du Canada, Ottawa.
 25. GIRIN J. (1989), L'opportunisme méthodologique dans les recherches sur la gestion des organisations, communication à la journée d'étude, la recherche-action en action et en question, AFCE, colloque systématique, Ecole centrale de Paris, 10 mars.
 26. GILSON S. C. (1997), "Transactions costs and capital structure choice Evidence from financially distressed firms", *Journal of Finance*.
 27. GOMPERS R. A. et J. LERNER j. (2001), "The venture capital revolution", *Journal of Economic Perspectives*, vol. 15, n° 2, p. 145-168.
 28. GUILHON B. et S. MONTCHAUD (2003), Le capital-risque et les jeunes entreprises innovantes: problématique et enjeux; *Revue internationale PME*, vol. 16, n° 3-4.
 29. HERAUD J. A., F. MUNIER, et F. RONDE (2007), «La densité scientifique et technologique des régions, facteur de la capacité d'innovation des firmes », p. 133-149, in Rallet et Torre (eds), *Quelles proximités pour innover*
 30. HOLMES S. et P. KENT (1990), "An empirical analysis of the financial structure of small and large Australian manufacturing enterprises", 5th National Small Business Research Conference, Toowoomba, Queensland.
 31. HUSSLER C. (2004), Espaces, externalités de connaissances et innovation éclairages théoriques et empiriques, Thèse de doctorat, ULP.
 32. JENSEN M. C. (1986), "Agency costs of free cash flow, corporate finance, and market takeovers", *American Economic Review*.
 33. JULIEN R. A. (1994), Les PME, Bilan et perspectives, *Economica*, GREPME (groupe de recherche en économie et gestion des PME), Paris.
 34. KAMDEM E. (2001), Enracinement socioculturel et innovation managériale en AFRIQUE, *Revue camerounaise de management*.
 35. KAREN HOPPER W. (1990), "Financial distress, reorganization, and organizational efficiency", *Journal of Financial Economics*, vol. 27, n° 2, p. 419-444.
 36. LACHMANN J. (1992), Le seed capital: une nouvelle forme de capital risque, *Economica*, Paris.
 37. LENFLE S. et C. MIDLER C. (2002), Stratégies (l'innovation et organisation de la conception dans les entreprises amont « *Revue française de gestion*, 140 (28), p. 89-105.
 38. LEVRATTO N. (1990), Le financement des PME par les banques : contraintes et limites de la coopération; *Revue Internationale PME*, vol. 3, n° 2, p. 193-213.
 39. MATRAY L. (1992), "Les PME manquent de fonds propres", *Revue Française de gestion*, 95p. 70-76.
 40. MAUNOURY J.-L. (1980), *Encyclopédie Universalis* « vol. 8, Paris.
 41. MYERS S. C. (1977), "Determinants of corporate Borrowing", *Journal of Financial Economics*, vol. 5, p. 147-175.
 42. MODIGLIANI E et M. MILLER (1963), "Corporate Income taxes and the cost of capital: a correction", *American Economic Review*, 53 (3), p. 433-443.
 43. MODIGLIANI F. et M. MILLER (1958), "The Cost of capital, Corporation finance and the theory of investment", *American Economic Review*, 48, p. 261-297.
 44. NKAKEU R. (2001), « Pour une approche contingente des PME au Cameroun », Thèse de Doctorat ès Sciences de Gestion de l'Université Louis Pasteur-Strasbourg 1.
 45. NDONG NTAH M. (2004), « Informatisation et performance dans la PME au Cameroun », *Revue Internationale PME*, vol. 17, n° 2.
 46. PAIRAULTT. (1993), Banques et PME et financement tontinier, in Ponson B. et Schaan J. L., *L'esprit d'entreprise : aspects managériaux dans Le monde francophone*, John Libbey Eurotext, Ottawa, p. 427-446.
 47. OSEO (2006), « PME et innovation technologique. Pour une relation plus naturelle », Regards sur les PME, Paris.
 48. PACITTO J. C. et P. A. JULIEN (2006), Le marketing est-il soluble dans la très petite

BIBLIOGRAPHIC REFERENCES

1. ALTMAN E. (1984), "A Further empirical investigation of the bankruptcy cost question", *Journal of finance*, vol. XXXIX, n° 4, p. 1067-1059
2. AMAPILE T. (1997), "Motivating creativity in organization on doing what you love and living what you do", *California Management Review* 40, p. 39-58.
3. AMABLE B. (1997), « Confiance dans le système bancaire et croissance économique » *Revue économique*, 48 (3), p. 397-407.
4. AMABLE B. J.-B. CHATELAIN et K. RALF (2006), ' Nantissement de brevets et croissance des innovations', *Revue d'économie politique*, 117 (4), p. 523-540.
5. ANG J. S. (1992), "On the theory of finance for privately held firms", *The Journal of Small Business Finance*, vol. 1, n° 1, p. 1-13.
6. BACH L. et G. LAMBERT (2000), « Une étude transversale des facteurs d'innovation forces et faiblesses respectives des PME et des grandes entreprises » séminaire organisation innovation et international sur le thème PME face à l'innovation et à la gestion des connaissances, rôle des grandes entreprises », Compiègne, janvier.
7. BALDWIN J. W., C. CHANDLER et T. PAPAIIADIS (1994). Stratégies de réussite profil des petites et moyennes entreprises en croissance (PMEC) au Canada, *Statistique Canada*, n° 61-523RF, hors-série.

- entreprise?, *Revue internationale PME*, vol. 19, n°3-4.
49. PARANQUE B. et S. CIEPLY S (1997) « Comportement d'endettement et risques : Apports et limites d'une approche en termes de taille », *Bulletin Banque de France*, n° 37 janvier, Paris.
 50. PIGE B. (1997), Le marché boursier réagit-il à l'annonce des changements de dirigeants? » *Revue Finance*, vol. 18, n°2, p. 51-66.
 51. SCHLINK G. (2006), « Les déterminants du partage des idées créatives comme enjeux de l'innovation, une application à la relation entre la nouvelle entreprise innovante et son financeur » Thèse de doctorat ès sciences économiques, Université Louis Pasteur.
 - SCHNEIDER M. (1999), *Analyse contingente du processus d'innovation*, Thèse de doctorat, ULP, Strasbourg.
 52. SURET J. M. et L. ARNOUX (1995), « Capitalisation (les entreprises Québécoises : évolution et état de la situation, *Revue internationale PME*, 1995, vol. 8, n° 3-4, p. 165-179.
 53. ROSS S. (1977), "The Determination of financial structure: the incentive signaling approach", *Bell Journal of Economics*.
 54. TAMARI M. (1980), "The financial structure of the small firm: an international comparison of corporate accounts in the USA, France, U.K., Israel and Japan", *American Journal of Small Business*, vol. 4, n° 4, p. 20-34.
 55. TITMAN S. et T. OPLER (1994), "Financial Distress and Corporate Performance", *Journal of Finance*, vol. 49, n°3, p. 1015-1040.
 56. SILEM A. (éd.) (1994), *Encyclopédie de l'économie et de gestion*, Hachette Education, Paris.
 - STEPHANY E. (2001), « L'évolution des pratiques du capital-risque en France », *Revue française de gestion*, septembre-octobre, p. 62-75.
 57. STIGLITZ J. et A. WEISS A. (1987), "Credit rationing in markets with imperfect information", *The American Economic Review*, June, p. 393-409.
 58. STIGLITZ J. et T. HELLMANN (1998), "Credit and equity Rationing in markets with adverse selection", *European Economic Review*, August, p. 281-304.
 59. WILLIAMSON S. (1986), "Costly monitoring, financial intermediation, and equilibrium credit rationing", *Journal of Monetary Economics*, 18 (2), p. 159-179.
 - WITTERWULGHER. (1998), *La PME, une entreprise humaine*, De Boeck Université, Paris-Bruxelles.
 60. ZIANE Y. (2001), ' La structure d'endettement des PME Françaises une étude sur données de panels e, mémoire de LEA, 2001, Université Paris X Nanterre.