

SME FINANCING AND GOVERNANCE REQUIREMENTS OF INTERNATIONAL BANKS: ANALYSIS OF OBSTACLES SPECIFIC TO THE CAMEROONIAN CONTEXT

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Abstract

This study analyzes the obstacles that prevent Cameroonian small and medium-sized enterprises (SMEs) from meeting the governance requirements of international banks in order to access financing. The results reveal structural and informational weaknesses, as well as limited public support and policies. To improve this situation, the study recommends that SMEs strengthen their internal controls and adopt recognized accounting standards, while the state should intensify its support and put in place comprehensive public policies as well as effective guarantee and risk-sharing mechanisms.

1. INTRODUCTION

In Cameroon, as in other developing countries, small and medium-sized enterprises (SMEs) are essential to the economy, employment, and poverty reduction (Torres, 2001) and promote inclusive development

(Mahaillet, 2019). Nevertheless, their growth is frequently limited by obstacles, notably bank financing.

Bank financing for SMEs represents a major challenge for economic development (Hefnaoui & Darkawi, 2020). It is exacerbated by banks' perceived risk (St-Pierre & Fadil, 2011) and lack of collateral (Hefnaoui and Darkawi, 2020). International banks further intensify the importance of governance criteria, namely: structure, management, financial reporting, internal control, risks, stakeholders, etc. For these institutions, good governance signals sound management and sustainability (Nana Kuindja, 2022), thus reducing perceived risk (Bédu & Granier, 2018).

The governance requirements of international banks hinder SMEs' access to financing (Machiche & Maalemi, 2024). Characterized by informal structures and limited financial information, local SMEs are perceived as risky (Mbama & Éloundou, 2024; Bocquet & Mothe, 2009), leading to high interest rates and credit refusals. Improving their governance is crucial for access to international financing (Moungou Mbenda & Niyonsaba Sebigunda, 2015), but structural and informational deficiencies (Allegret & Dulbecco, 1998) as well as inadequate public support (Nana Kuindja, 2022; Mbama, 2021), complicate this task. Theories such as information asymmetry (Spence, 1978) and agency (Jensen & Meckling, 1976) help to understand this situation.

Based on a sample of 345 Cameroonian SMEs in 2025, this study analyzes managers' perceptions of the obstacles they encounter in their attempts to comply with the governance requirements of international banks, in order to facilitate their access to financing.

2. LITERATURE REVIEW

In developing countries, SMEs struggle to meet the governance requirements of international banks, which complicates their access to financing. Obtaining credit increasingly requires compliance with these rules. However, their small size and internal organization lead to structural and informational problems, making compliance difficult. These financing difficulties are amplified by the often-limited role of public support actors in these economies.

According to Ngoungo (2023), establishing effective internal controls is a major challenge for these SMEs, hampering their good governance. Their limited financial resources (Robert-Huot & Cloutier, 2020) restrict investment in sophisticated systems and skilled personnel. Their culture also favors flexibility over formalization (Mazra et al., 2019) and oversight (Moungou Mbenda & Niyonsaba Sebigunda, 2015), exposing them to operational and financial risks. Arbitrary decisions, inadequate performance monitoring (Bédu & Granier, 2018), and financial mismanagement (Bocquet & Mothe, 2009) result. Hence, their disadvantages in accessing international financing limit their growth.

According to Hoarau and Teller (2007), the adoption of reliable accounting standards is also a major challenge for SME access to international financing, as banks rely on transparent financial information (Mbama & Éloundou, 2024). Thus, non-compliance with the International Financial Reporting Standards (IFRS) makes it difficult to assess performance and solvency (Maimoun & Billal, 2024), leading to refusals or less favorable terms. Compliance with this requirement is complicated for SMEs with limited resources due to the cost and complexity of implementation (Hoarau & Teller, 2007), requiring specific skills and huge investments (Feudjo, 2010). Yet non-compliance with standards makes financial statements difficult for banks to interpret (Maimoun & Billal, 2024; Mbama & Éloundou, 2024), increasing perceived risk.

According to Gallais and Boutary (2014), adequate institutional support, characterized by access to information, training, markets, etc., supports SME development. Its inadequacy leaves them vulnerable to economic challenges. This exposes them to administrative and legal difficulties (Mbama, 2021), financial (Pouka Pouka & Nomo, 2022), competitiveness (Cueille & Recasens, 2010), and international credibility (Boutillier & Dokou, 2006). Yet international banks rigorously assess the financial strength, management, potential, and compliance of companies. Thus, SMEs operating in an environment of weak institutional support present structural weaknesses (Pouka Pouka & Nomo, 2022; Mbama, 2021), increasing the risk perceived by these banks.

The absence of strong government measures for transparency and good governance (Nana Kuindja, 2022; Mbama, 2021) is also a major obstacle. The lack of regulatory frameworks and support specific to SMEs (Gallais & Boutary, 2014), with inappropriate macroeconomic policies (Mahaillet, 2019), hinders their financial management and compliance with their obligations. Insufficient public investment in infrastructure (Lanneau, 2023) also affects the competitiveness and profitability of SMEs, increasing their operating costs and reducing their repayment capacity (Lanneau, 2023). The lack of effective mechanisms for resolving commercial and financial disputes (Ouchekkir & Ndinga, 2021) leads to collection difficulties (Collectif, 2005). In addition, limited access to reliable economic and financial information (Mbama & Éloundou, 2024) puts SMEs in emerging countries at a disadvantage. The lack of accurate data and efficient information systems (Ngongang, 2005) makes it difficult to present a convincing financial profile to banks. All these developments show why international banks are reluctant to finance companies operating in such an environment (Haddad, 2010).

Based on these ideas, the following hypotheses are put forward:

H1: SMEs' difficulties in setting up solid internal control structures make international banks less willing to grant them financing.

H2: The less rigorously an SME adopts and applies reliable accounting and financial standards, the less likely it is to be financed by an international bank.

H3: Insufficient support for SMEs from public institutions significantly reduces their chances of accessing financing from international banks.

H4: The more government policies and actions are insufficient, the more SMEs have limited access to financing from international banks.

3. METHODOLOGY

The quantitative study was carried out in 2025 among Cameroonian SMEs by means of a questionnaire. The aim was to identify the obstacles hindering their compliance with international banks' governance requirements for financing. A preliminary phase, carried out in December 2024, made it possible to adjust a questionnaire initially based on existing models and enriched by contributions from banking experts and SME managers. In February 2025, 350 SMEs in Douala were targeted for questionnaire distribution. Collection was completed in March 2025, with a high response rate of 99.4% (348 questionnaires returned). Analysis of these questionnaires revealed a usability rate of 99.1%, i.e., 345 questionnaires usable for the study.

4. RESULTS

The results of this study reveal a strong link between the weakness of internal controls in Cameroonian SMEs and the reluctance of international banks to finance them, thus confirming *H1*. This is in line with El khamlichi's (2015) analysis of banks' perceived risk. This lack of financing, compounded by weak governance (Allegret & Dulbecco, 1998), hampers their growth.

Furthermore, failure to comply with accounting and financial standards hinders access to international financing, a point emphasized by Mbama and Eloundou (2024) regarding the importance of transparency. This confirms *H2*. Accounting standardization is therefore crucial to the credibility of SMEs (Maimoun & Billal, 2024), requiring targeted support (Moussa, 2020).

The study also confirms *H3*, as insufficient public support hinders access to financing from international banks. The absence of effective public support does not strengthen the credibility of SMEs (Gallais & Boutary, 2014), thus underlining the need for active public involvement (Pouka Pouka & Nomo, 2022) for a favorable institutional environment.

Finally, *H4* is also confirmed, as insufficient government policies significantly limit access to international financing, in line with the work of Hefnaoui and Darkawi (2020). A clear policy framework and concrete government action (Mbama, 2021) are essential to improve access and unlock the potential of Cameroon's SMEs.

5. CONCLUSION

This study sought to identify the obstacles to compliance by Cameroonian SMEs with the governance requirements of international commercial banks, in order to facilitate their access to financing.

The results revealed that the difficulty these SMEs have in proving good governance by international standards, notably due to fragile internal control linked to limited capital and resources, difficulties in adopting reliable accounting standards, and insufficient public support, explains the rationing of credit by international banks.

Although the study's objective was achieved, it focuses solely on the obstacles from the managers' point of view. Future research could explore the factors that facilitate access to finance and incorporate the bankers' perspective. Despite these limitations, this study is essential for understanding SME governance. It recommends that SMEs invest in robust internal control systems and comply with accounting standards. It also suggests that public institutions strengthen their support and set up guarantee and risk-sharing mechanisms.

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