Board features and their effects on financial performance: evidence from microfinance institutions in Cameroon

Les caractéristiques du conseil d'administration et leurs effets sur la performance financière : évidences sur les entreprises de microfinance au Cameroun

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Abstract

The aim of this paper is to analyse the effect that Board of Directors (BOD) features have on the financial performance of Microfinance Institutions (MFIs) in Cameroon. To achieve this goal, a quantitative approach was opted upon and data was collected from 130 category one MFIs in the towns of Bamenda, Bafoussam, Mbouda, Dschang, Buea, Limbe, and Douala of Cameroon using close-ended structured questionnaires. After analysis, the results showed that: the BOD size has a negative but insignificant effect on financial performance; the number of women in the BODs and BOD members' competences have a positive and significant effect on financial performance; the number of BOD meetings has a negative and significant effect on financial performance. It is therefore recommended that the MFIs should strictly respect the norms put in place by the governing bodies and ensure the size of the BODs is sufficient enough to avoid conflicts and steady decision-making. They should try to institute a gender balance not forgetting competent members in their BODs.

Keywords: Board of Directors; Board Features; Corporate Governance; Financial Performance; Microfinance Institutions.

Résumé

L'objectif de cet article est d'analyser l'effet des caractéristiques du conseil d'administration (CA) sur la performance financière des entreprises de microfinance (EMF) au Cameroun. Afin d'atteindre cet objectif, une approche quantitative a été choisie et des données ont été collectées auprès de 130 EMF de catégorie 1 dans les villes de Bamenda, Bafoussam, Mbouda, Dschang, Buea, Limbe et Douala du Cameroun à l'aide des questionnaires structurés fermés. Après analyse, les résultats ont révélé que: la taille du CA a un effet négatif mais insignifiant sur la performance financière; le nombre de femmes dans le CA et les compétences des membres du CA ont un effet positif et significatif sur la performance financière; le nombre de réunions du CA a un effet négatif et significatif sur la performance financière. Il est donc recommandé aux EMF de respecter strictement les normes mises en place par les organes directeurs et de s'assurer que la taille du CA est suffisante pour éviter les conflits et une prise de décision stable. Ils devraient essayer d'instaurer un équilibre entre les sexes, sans oublier les membres compétents dans leurs CA.

Mots clés: Conseil d'administration ; Caractéristiques du Conseil d'administration ; Gouvernance d'entreprise ; Performance financière ; Entreprises de Microfinance.

Introduction

Since the entry of Microfinance Institutions (MFIs) into Cameroon, the number of MFIs has kept growing at a rapid rate. The microfinance reputation is built on its extensive provision of financial services to persons unable to access formal banking services, especially in developing economies. The microfinance sector of Cameroon is quickly expanding, with the exercise of activities beyond savings and lending, and this has permitted MFIs to greatly reach out to a large number of the Cameroonian population, especially those situated in rural areas. As of 30th June 2019, the Ministry of Finance reported a total of 419 registered MFIs. So far, this sector has thus been successful in reaching the population excluded from the classical financial system (Djamaman, 2012). Despite their importance in alleviating poverty and contributing to the country's economic and social growth and development, MFIs are exposed to risks that result in their impending failure. We recall cases of MFI failures like COFINEST and FIFFA in Cameroon. These failures whose common denominator was attributed to poor reliability of their decision-making and operational processes (Wamba et al., 2017) and overall poor governance, raised serious concerns regarding the status and financial health of institutions serving low-income populations (Riquet & Poursat, 2013). As a result, most citizens view MFIs as "chameleon" institutions while others have been fast to classify MFIs as "sunrise and sunset" institutions that go operational at sunrise and at sunset cease to exist. This has weakened customers' faith and confidence in these institutions although MFIs remain the main source of financial services for a large group of the country's population (Fotabong et al., 2016).

According to the 2018 report of the Centre for the study of Financial Innovation, governance risks are ranked amongst the top ten risks that plague MFIs, hence the need to continuously integrate the concept of corporate in microfinance literature. According to the OECD (2004), corporate governance is defined as a set of relationships between a company's management, its board, its shareholders and other stakeholders. Relative to microfinance, Hartarska (2005) defines governance as mechanisms through which donors, equity investors and other fund providers ensure themselves that their funds will be used according to the intended purposes.

Despite the measures put in place by regulatory bodies to control this explosive increase, this pushes researchers to wonder on the best practices that can ensure the effective governance of these MFIs and how their overall performance can be improved. Empirical literature in microfinance studies associating corporate governance with performance of MFIs has been cross-country (Mersland & Strom, 2009; Strom et al., 2014; Tchakoute Tchuigoua, 2014).

Country-specific studies that associate board characteristics to performance of MFIs equally exist but are still limited, particularly in the Cameroon context. The few exceptions, to the best of our knowledge, are Djoufouet (2018) and Wamba et al. (2017) who study the effect of governance on performance of MFIs in Cameroon. Our study attempts to extend this gap, by examining how board attributes affect financial performance of MFIs in Cameroon. In order to do this research, the following question can be asked: "what are the effects of the characteristics of the BODs on the financial performance of MFIs in Cameroon?"

The relevance of MFIs in developing economies and Cameroon in particular make them a suitable sector to be studied. We contribute to the literature in the following ways: Firstly, we complement previous governance literature which encompasses board characteristics as one of the main alignment mechanisms in an agency relationship. Secondly, we contribute to country specific microfinance literature by focusing on a single country for the study. In addition, the study of cooperatives extends the literature of governance in non-profit microfinance institutions.

To be able to test our hypotheses and achieve our results, we intend to use the non-probabilistic sampling technique particularly the convenience sampling method. This will enable us to investigate the effects that board features can have on the performance of MFIs in Cameroon.

The rest of the paper is structured as follows: section one presents literature review, while section two presents the methodology. The presentation and discussion of results feature in section three and the paper ends with a conclusion of the study.

1. Review of related literature

1.1. Conceptual literature review

In corporate governance literature, we have corporate governance mechanisms that are internal and external. In the internal corporate governance mechanisms, we find the board of Directors, hence BODs, the most prominent among other mechanisms. The board serves as a bridge between owners and managers; its duty is to protect shareholders' interest (Veliyath, 1999). These BODs are the individuals responsible for representing the firm's owners by monitoring top-level managers' strategic decisions. The BODs, has a legal authority to hire, fire, compensate top management and safeguard invested capital. As noticed right in the days of Smith (1776) and Adam & Smith (1932), the boards of directors' interests may not fully be in line with those of shareholders. Reason why the question "How do we make boards work better?" in Bebchuk & Weisbach (2010) comes up. The BODs in MFIs are elected by the shareholders at the general meeting and they are supposed to represent their interests. According to the 2018 IFC report, the role of an MFI board is to constructively contribute to and challenge management's strategy and monitor goals, oversee planning and management performance, ensure adequate human and financial resources to achieve the MFI's mission, appoint the CEO and ensure an appropriate succession plan, ensure an appropriate risk management culture and framework; ensure that the institution changes to meet emerging conditions, define and champion the social mission and purpose of the MFI, and represent the MFI publicly. Past research has generally examined a lot of board characteristics and in this study we examine the size of the board, the number of board meetings, the board members' competence, and the number of women in the board as a characteristic.

The banking Commission of Central Africa in article 28 of Regulation No 01/17/CEMAC/UMAC/COBAC states that all MFIs must have a board of directors, and the article 292 of the 2011 OHADA uniform act governing cooperatives stipulates that the board of a cooperative can be composed of a minimum of three and a maximum of twelve members. Article 315, also states that the BODs shall meet when necessary and at least once quarterly. The number of women on the BODs and the competences of board members are not specifically addressed in these regulatory documents.

Performance in MFIs to Akume & Annicet (2017) faces a dual objective, that is, reaching the maximum number of the poor (social performance) while remaining financially sustainable (financial performance). To be able to evaluate financial performance, it is important to know the financial performance indicators which were adopted in past studies, for example Vo & Phan (2013), Felix et al. (2018) Strom et al. (2014).

1.2. Theoretical Background

The theories that lay the foundations for this research are the agency theory, the stewardship theory, and the resource dependency theory.

1.2.1. The agency theory

Over the years, the structure of the BODs has relied heavily on the agency theory which focuses on the control function exerted by the BODs (Fama & Jensen, 1983; Jensen and Meckling, 1976). Agency theory treats the company as a nexus of contracts through which various participants transact with each other (Jensen & Meckling, 1976). Because assets are the property of the shareholders, a principal-agent problem may arise because the managers must make decisions concerning the productive use of these assets. Minimising these agency problems is possible with the use of mechanisms that align the interests of both parties. Installing a BODs can be an effective instrument for monitoring the top managers, coping with this problem and reducing agency costs that may arise (Fama & Jensen, 1983). The board of directors represent the interests of various stakeholders (Mori & Mersland, 2014) by monitoring and replacing management, ratification of major decisions and bringing important networks and knowledge (Mersland, 2011). Thus, agency theory is used to explain the role that the BODs may play in contributing to the performance of the organization (Jackling & Johl, 2009). In MFIs, the particularity of agency problems is associated to their dual mission to meet their financial and social objectives. Because MFIs are generally classified as for-profit and not-for-profit, the interests of their shareholders may vary; for-profit MFIs which have commercial objectives aim to maximise profits, have shareholders who have greater incentives to monitor managerial action because they have pecuniary incentives (Mersland & Strom, 2009) while not-for-profit MFIs are more socially inclined and their shareholders' incentive to monitor may be lower because they are not directly tied to MFI ownership (Galema et al., 2012).

1.2.2. The stewardship theory

The stewardship theory explains the principal-agent interest alignment from a psychological and sociological perspective (Davis et al., 1997). Stewardship theory addresses the principal–agent relationship, under the assumption that collaboration and trust exist between the principal (board members) and agent (executives), in part because of their high identification with the organization (Bernstein et al., 2016). It suggests that the agents (BODs and managers) are essentially trustworthy and good stewards of the resources entrusted to them, which makes monitoring redundant (Donaldson & Davis, 1991; Donaldson & Davis, 1994). Donaldson & Davis (1991) observe, "Organisational role-holders are conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses". As stewards, directors are likely to maximise the shareholders' wealth. Davis et al. (1997) posit how stewards derive a greater utility from satisfying organisational goals than through self-serving behaviour. They also argue that the attainment of organisational success also satisfies the personal needs of the stewards.

1.2.3. The resource dependency theory

The resource dependency theory provides a theoretical foundation to show the role of BODs as a resource provider to the firm (Hillman et al., 2000; Johnson et al., 1996). Board of directors link the firm to the external environment in a way that could facilitate access to various resources and reduce environmental uncertainty (Hillman et al., 2000). A key argument of the resource dependence theory is that organisations attempt to exert control over their environment by co-opting the resources needed to survive (Pfeffer & Salancik, 1978). This theory also embraces a broad view that the skills and knowledge of BODs are resources that could be used to help firms perform better.

1.3. Hypotheses Development

1.3.1. The board size and financial performance

Concerning the size of the board of directors and financial performance, a lot of studies have been carried out bringing different results. In MFI studies, Bassem (2009) stated that large boards with a range of expertise provide better performance for MFIs. However, Yermack (1996) points out that larger boards are related with lower performance for MFIs as large team size hinders teamwork Hoegl (2005) Mueller (2012) also supports this idea by stating that individuals in larger teams perform worse.

Abdulazeez et al. (2016) examined the impact of corporate governance on the financial performance of banks in Nigeria for a period of 7 years using data retrieved from the bank annual reports and accounts. Their regression results revealed that larger board size contributes positively and significantly to the financial performance of listed deposit money banks. Similarly, in the microfinance sector, Kyereboah-Coleman & Osei (2008) and Shettima & Dzolkarnaini (2018) also provided significant evidence that the larger the board size, the more profitable the MFIs are. Wanjau (2007) also reveal that board size was positively correlated with performance of MFIs in Kenya. From the above, the following hypothesis is formulated.

H_1: The board size has a significant effect on the financial performance of MFIs in Cameroon.

1.3.2. The number of board meetings and financial performance

The effect of board meetings on microfinance performance has produced inconclusive findings in literature. On one hand, frequent board meetings result in reinforced monitoring over strategic decisions, managerial discretion as well as the review of management performance (Al-Matari et al., 2014; Tchakoute-Tchuigoua, 2014). On the other hand, too frequent monitoring may be less cost effective for MFIs and hence instead lower MFI performance (Tchakoute-Tchuigoua, 2014). Empirically, Ntim & Osei (2011) provide evidence that boards that meet more frequently tend to generate higher financial performance in South Africa. Similarly, Al-Matari et al. (2014) found a significant positive relationship between board meeting, and Tobin's Q of 162 non-financial companies. Thus, boards should be inclined to increase frequency of meetings if the situation calls for high control and oversight (Khanchel, 2007; Shivdasani & Zenner, 2002). A study conducted by Francis et al. (2012) indicated that firms with poor board attendance at meetings perform significantly worse than boards which have good attendance during financial crisis. In the microfinance sector, Tchakoute Tchuigoua (2014) equally finds a significant positive association between board activity and return on assets. Based on these arguments, we posit that:

H_2: The number of board meetings has a significant effect on the financial performance of MFIs in Cameroon

1.3.3. Female representation in the board and financial performance

The growing literature on gender studies highlight how gender diverse boards as a corporate governance mechanism may improve the effectiveness of the functioning of the board by minimising agency conflicts in a firm. They presume that female directors complement board monitoring (Karavitis et al., 2021) and positively improve tasks related to control and improve group decision making (Huse et al., 2009), hence improve overall performance. According to Smith et al. (2006), women directors improve firm performance because they understand the market better compared to their male counterparts, enhance the understanding of the business environment and the firm image in the perception of the community.

Strom et al., (2014) relate these female director attributes in the microfinance sector, to the matching argument, by assuming that MFI governance and financial performance may be improved due to a better match between MFIs' leadership and market conditions. Empirical testing of the gender diversity financial performance relationship has revealed that female board members are positively associated with return on assets (Alabede, 2016). In the MFI context, Bassem (2009) found that board diversity with a higher percentage of women enhanced MFI social performance. Still in the micro-finance context, Strom et al. (2014) investigate the relationship between female leadership, firm performance and corporate governance. Using a global panel of 329 MFIs in 73 countries over the years of 1998 – 2008, they find out that female leadership is significantly associated with larger boards, younger firms, a non-commercial legal status and a more female clientele.

In a similar study to find out if female leaders (CEOs, chairs and directors) of MFIs give more priority to the poorest families in loan provisions than male leaders do, Strom et al. (2016) use data of 329 MFIs operating in 73 countries ranging from 2001 – 2008. Their findings confirm that female leaders are superior in depth of outreach but not in width outreach. Other studies however show that female directors are not associated with financial performance (Simionescu et al., 2021) or negatively affect performance (Adusei et al., 2017; Boubaker et al., 2014,). Thus, we hypothesize that.

H$_3$: The representation of women on the board has a significant effect on the financial performance MFIs in Cameroon

1.3.4. The competences of BOD members and financial performance

Studies have documented value from having directors with specific expertise. Kroll et al. (2008) document that boards comprising of directors that are vigilant as well as having appropriate knowledge gained through experience are better monitors and more useful advisors to top managers. Also, Kim et al. (2014) showed that a director's tenure with the firm is positively associated with the director's competency to advise and monitor firm performance. On the contrary, Kyereboah-Coleman and Osei (2008) found that board competence positively associated to outreach but negatively associated to profitability of MFIs. More specifically, they contend that "longer director tenures reflect more board and committee meetings attended, likely increased committee assignments, greater experience with the firm's strategies and policies, and greater within-firm deal-level experience (Kim et al., 2004)." Consistent with their hypotheses, they find outside director tenure to be associated with better firm acquisition/investment policy advising performance, lower CEO rent extraction, and higher operating performance measures (Srivastava et al., 2015). Here we formulate the hypothesis that:

H$_4$: BOD members' competence has a significant effect on the financial performance of MFIs in Cameroon.

2. Methodology

2.1. Sample and data collection

The population of study for this research consists of category one MFIs in Cameroon, particularly those authorised by the Ministry of Finance to exercise activities and regulated by the Banking Commission of Central Africa. These are institutions that collect savings and deposits and lend them to their members. This category includes associations, cooperatives and credit unions and is further subdivided into independent and network MFIs. There is no stipulated capital for category one institutions, instead the COBAC texts require the capital to be sufficient to cover and meet up with stipulated prudential norms. The sampling technique is non-probabilistic and is acquired conveniently from category one microfinance institutions in the towns of Bamenda, Bafoussam, Dschang, Mbouda, Buea, Limbe and Douala of Cameroon. These towns were chosen because they have a higher concentration of MFIs in the country.

Regarding the data and its collection procedure, questionnaires were formulated, guided by the main objective of the study. These questionnaires were physically administered to the head offices of the MFIs in the above-mentioned towns in 2020. A total of 152 questionnaires were distributed, some were dropped after collection because they were incomplete. This led to a final sample of 130 used for this research. The questionnaires were addressed to the managers of the MFIs. The first part of the questionnaire was based on the demographic characteristics of the respondents. The second part on the institutional characteristics of the MFIs, the third part queried on the features of the BODs, while the last part focused on the measure of financial performance.

2.2. Variable definition and model specification

The study aims to examine the effect of BOD features on the financial performance of MFIs. We estimate the dependent variable, financial performance using ROA following prior studies like Vo. & Phan, 2013; Felix et al., 2018; Strom et al., 2014; Tchakoute Tchuigoua, 2014; Wamba et al., 2017. The independent variables selected are features of the BODs, which are also drawn from previous studies. They are: board size (Abdulazeez et al., 2016; Hartarska & Nadolnyak, 2012; Tchakoute Tchuigoua, 2014; Yermack 1996), the number of board meetings (Al-Matari et al., 2014; Ntim & Osei, 2011; Tchakoute Tchuigoua, 2014), the representation of women in the BODs (Wamba et al., 2017; Bassem, 2009; Strom et al., 2014), and BOD members' competence (Chakrabarty & Bass, 2017; Ilaboya & Obaretin, 2015). We also control for longevity and the age of the institution, microfinance characteristics that are likely to predict financial performance.

The variables, put together can be expressed in the estimation model below:

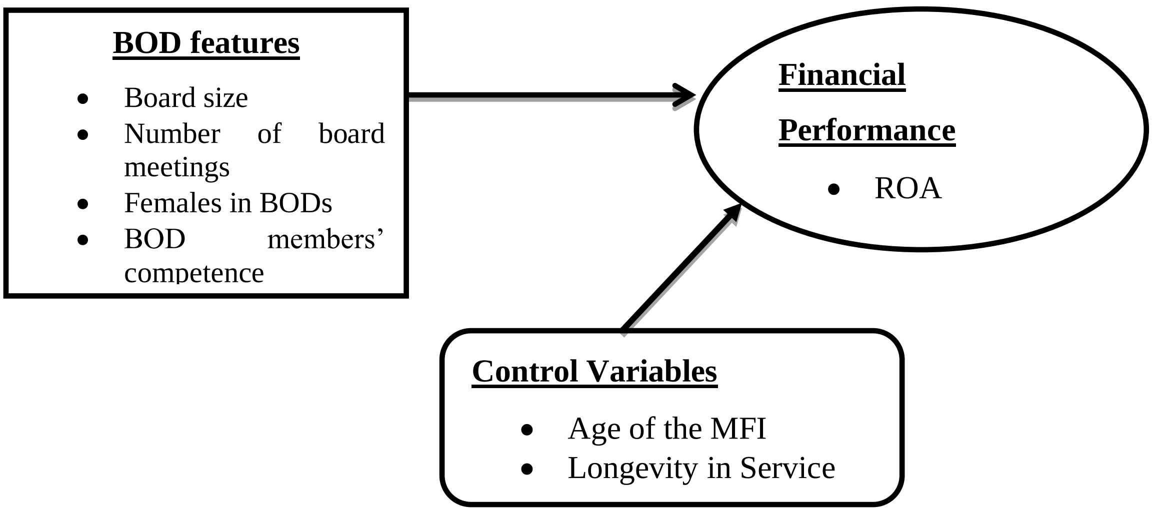
$$FinPer = \beta_0 + \beta_1\, Bsize_i + \beta_2\, Numeet_i + \beta_3\, Ferep_i + \beta_4\, BodComp_i + \beta_5 FA + \beta_6 Long + \varepsilon$$

Where: Bsize=Size of the Board of Directors; Numeet=Number of Board meetings held; Ferep= Number of women in the BODs; BodComp= Board member competence; FA=Age of the Microfinance Institution; Long=Longevity in service; FinPer=Financial Performance; βi=estimators; Ɛ=Error term.

2.3. Estimation framework

Figure 1 is a figure that establishes a relationship between the characteristics of the BODs and financial performance of MFIs to be used in this research.

Figure 1: Research Framework



Source: Authors (2023)

3. Presentation and Discussion of results

3.1. Descriptive results

Table 1 presents some details of the demographic profile of the respondents of the questionnaires.

Table 1: Demographic profile of respondents

Variables	Modalities	N₀	% of Total
Gender	Male	72	55%
	Female	58	45%
Age Range	< 30 years	34	26%
	[30 – 40years[	82	63%

	[40 – 50years[	12	9%
	[50 years and above[	2	2%
Post of responsibility	General or Assistant Manager.	40	31%
	Accounts manager	34	26%
	Loans Manager.	22	17%
	Internal Controller	10	8%
	Branch manager	2	2%
	Cashier	10	8%
	Others	12	9%
Level of education	Secondary.	2	2%
	Higher Education	128	98%
Specialty	Management.	80	62%
	Others	38	29%
	Non-management.	12	9%
Longevity in service	< 5 years.	46	35%
	>= 10 years	16	12%
	[5 - 10 years[	68	52%
Age of the MFI	<=10 years	48	37%
	11-20 years	26	20%
	21-30 years	12	9%
	>=31 years	44	34%

Source: Authors (2023)

The distribution of the sample shows that among the 130 institutions questioned, 55% of the respondents were males while 45% were females. In this distribution, 26% are less than 30years of age, 63% fall between 30years and 40years, 9% ranging from 40years to 50years and for those older than 50 years, 2%. Concerning the post of responsibility occupied by the respondents, 31% of the questionnaires were filled by the general or assistant manager, 26% by the accounts manager, 17% by the loans manager, 8% by the internal controller, 2% by a branch manager, 8% and 9% by cashiers and others respectively. 62% of the respondents have a management specialty, 29% have other specialties and 9% fall in the non-management domain. With the level of experience also called the longevity in service, 35% have worked for less than 5 years, 12% above 10 years and 52% have worked in their institutions between 5 years and 10 years. Majority (98%) of the respondents have a higher education certificate. Concerning the age of the institution, and derived from the firm's year of creation, 37% of the institutions used for the study are less than 10 years, 20%, 9% and 34% correspond to the age of the institutions ranging from 16 to 30years, 31 to 45years and 46 years and above respectively.

3.2. Presentation of the regression results

The table shows a detailed explanation of the various regression relationships. After running the analysis with the use of the ordinary least square estimation, the following results were obtained as shown in Table 2.

Table 2: Regression effects of BOD features on financial performance

FinPer	Estimate	Beta	S.E.	C.R.	P
Intercept	4.131		0.065	63.577	***
Bod_size	-0.049	-0.151	0.032	-1.528	0.127
FeRep	0.183	0.279	0.068	2.707	0.007
Numeet	-0.071	-0.313	0.02	-3.522	***
BodComp	0.2	0.206	0.099	2.011	0.044
Longevity	0.136	0.109	0.093	1.469	0.142
FA	-0.018	-0.285	0.006	-3.081	0.002
N	130				
Adjusted R^2	0.256				

Source: Authors (2023)

The adjusted R^2 based on table 2 shows the degree of variation in financial performance that can be explained by variations in the BODs characteristics. Inferring from the adjusted R^2, 25.6% of variations in the financial performance is accounted for or explained by variations in BODs characteristics.

At a 95% confidence interval, the BOD size has a negative but insignificant effect on financial performance. For each unit increase in the BOD size, financial performance decreases by 4.9%. Inferring from the significance of the critical ratio of -1.528 we will be taking a 12.7% risk in assuming that the BOD size has an insignificant effect on the financial performance which is greater than the level of significance of 5%.

At a 99% confidence interval, the number of women in the BODs has a positive and significant effect on financial performance. For each unit increase in the number of women in the BODs, financial performance decreases by 18.3%. Inferring from the significance of the critical ratio of 2.707, we will be taking a 0.7% risk in assuming that number of women in the BODs has a significant effect on the financial performance which is less than the level of significance of 5%.

Concerning the number of BOD meetings, it has a negative and significant effect on financial performance at a 99% confidence interval. For each unit increase in the number of BOD meetings, financial performance decreases by 7.1%. Inferring from the significance of the critical ratio of -3.522, we will be taking a risk in assuming that the number of BOD meetings has a significant effect on the financial performance which is less than the level of significance of 5%.

Regarding the competences of the BOD members, it has a positive and significant effect on financial performance at a 95% confidence interval. For each unit increase in the competences of the BOD members, financial performance by 20%. Inferring from the significance of the critical ratio of 2.011, we will be taking a 4.4% risk in assuming that the competences of the BOD members has a significant effect on the financial performance which is less than the level of significance of 5%.

At a 95% confidence interval, firm's age has a negative but significant effect on financial performance. For each unit increase in the firm's age, financial performance decreases by -1.8%. Inferring from the significance of the critical ratio of -3.081 we will be taking a 0.02% risk in assuming that the firm's age has a significant effect on the financial performance which is less than the level of significance of 5%.

At a 95% confidence interval, longevity in service has a positive but insignificant effect on financial performance all other variables being constant. For each unit increase in the longevity in service, financial performance increases by 13.6%. Inferring from the significance of the critical ratio of 1.469 we will be taking a 14.2% risk in assuming that the longevity in service have a significant effect on the financial performance which is greater than the level of significance of 5%.

3.3. Discussion of results and verification of hypotheses

H_1: The board size has a significant effect on the financial performance of MFIs in Cameroon.

The findings of this study show that, the BOD size has a negative but insignificant effect on financial performance. So we can conclude that the BOD size does not have a significant effect on social interests and this leads us to reject our H_1. Given that we are in a Cameroonian setting, the Cameroon law number 92 of 1992 relating to cooperative societies ranges the BODs from 3 to 9 even though it may go up to 13. The board size is thus not fixed for all these category one institutions and it explains the large numbers in some and the few numbers in others. The results of this study goes in the direction with the works of Yermack (1996) and Vo & Phan (2013) who think that the board size has a negative effect on the performance of firms. The findings also conform to the findings of Tchakoute Tchuigoua

(2014) who found a negative but non-significant relationship between board size and performance. This is thus contrary to the studies of authors like Abdulazeez et al. (2016) and Hartarska & Nadolnyak (2012) who think in the direction that a larger board size contributes positively and significantly to financial performance.

H_2: The number of board meetings has a significant effect on the financial performance of MFIs in Cameroon

With the number of BOD meetings, the findings of this study reveal that it has a negative and significant effect on financial performance. So we therefore validate H_2. These effects can be due to the fact that, in a developing country like Cameroon which is facing a crisis particularly the Anglophone crisis, meetings can be held infrequently as expected. Given that most MFIs used for this study are found in the North West and South West regions of Cameroon, the frequent ghost town days has contributed to the lessening of the frequency in BOD meetings. Just like there are authors who find a positive effect like Ntim & Osei (2011), some authors also find a negative effect as cited in Al-Matari et al. (2014) where we don't only find a negative relationship, but no relationship at all.

H_3: The representation of women on the board has a significant effect on the financial performance MFIs in Cameroon

Concerning the number of women in the BODs, the findings of this research reveal that, it has a positive and significant effect on financial performance of MFIs. This leads us to accept our H_3. In Cameroon, no law obliges the MFIs to have women in their BODs and some institutions take it as personal initiative to empower women by insisting on a gender balance or at least a certain number of women in their BODs. But, even when they do, women still shy away from posts of responsibilities that is why some institutions do not have any female in their BODs no matter everything done to encourage them. Some of these women even find it difficult to meet up with the criteria of becoming a BOD member. This research is in line to what authors like Vo & Phan. (2013) find because they think that with the presence of female board members, a firm's performance is improved both directly and indirectly. Smith et al., (2006), and Feudjo et al., (2017) also find a significant relationship because they see the importance of having women in the BODs and which can lead to performance of firms as well as improve on stakeholder management. Contrarily, Yassine & El Bakkouchi (2023) find a negative and insignificant effect of women on the board on performance.

H_4: BOD members' competence has a significant effect on the financial performance of MFIs in Cameroon.

As regards the BOD members' competences, it has a positive and significant effect on financial performance. We therefore accept H_4. The positive effect is in line with the works of Kim et al., (2014) and Chakrabarty & Bass (2017). These effects can be due to the fact that, in Cameroon, the BOD members of MFIs are from all forms of life like business people, "buyam sellams" accountants etc. Some have the required set of skills while others do not have any.

Conclusion

The objective of the study was to investigate the effect of board of director features on financial performance of microfinance institutions in Cameroon. Using a sample of 130 category one MFIs, the results revealed that board competence and female representation on the board positively and significantly influence financial performance while board meetings negatively influence financial performance. In addition, board size has no significant effect on financial performance of category one MFIs.

The study contributes to the existing literature by extending microfinance governance studies in Cameroon. It also contributes to the literature on gender inclusion at strategic levels. The recommendations of the study can be seen from two angles. Firstly, the general assembly of the MFIs should be educated to elect competent board of directors that have expertise in management, accounting, finance, law not forgetting experience so that they are open minded to fraudulent activities that can occur, as well as adopt policies that include gender diversity in their BODs. Secondly, regulators and policy makers could encourage gender inclusion at board levels and are called upon to reinforce the regulations that will permit the institutions to do what they were created for which is poverty alleviation. Also, these regulators and policy makers should propose specific characteristics of the quality of directors to be elected because the OHADA text is not specific on minimum qualifications. This will thereby ensure the satisfaction of all the stakeholders of the MFIs. For the recommendations to the state, given the importance played by MFIs in the financing of the Cameroon economy especially in their fight against poverty in both the rural and urban areas, they should design laws that are flexible to ensure the survival and sustainability of these MFIs.

Regarding the managerial and scientific implications, this research provides microfinance practitioners in Cameroon with insight on corporate governance mechanisms and on how to consider the interests of the different stakeholders in the MFIs. The empirical evidence gathered could be useful for the policy-makers in evaluating and improving current corporate governance regulation for better protection of shareholders' interests and greater commitment of corporations to practice responsible corporate governance conducts.

This research faced some limitations: The reduced nature of the size of the sample due to refusal of some MFIs to fill the questionnaires and security challenges in the regions where most of the MFIs are located.

For further research, we propose the use of other corporate governance mechanisms, the consideration of categories two and three MFIs, as well as a larger sample size that will permit the study of the effect of corporate governance on MFI performance over time.

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