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The Impact of Financial Regulation on the SME's Intention to Adopt Mobile Money Lending in Cameroon.

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ABSTRACT

Financial inclusion in a country is the notion of a population's ability to fully use the financial services available in the country to facilitate transactions. Financial inclusion is also an indication of the financial standards of a country and the level of access to financial services. Cameroon's population has low access to financial banking services. Mobile phones penetration in the Sub Sahara African region has given rise to Fintech. This research aims to understand the impact of financial regulation on the SME's intention to adopt mobile money lending service in Cameroon. Access to financial services in today's economy is one of the most important aspects of financial inclusion. With the birth and rise of financial technology, financial services such as mobile money have improved the pace of financial transactions and thereby increased financial inclusion thanks to its access through mobile phones in the Sub-Saharan African region and specifically in Cameroon. Financial regulations are a set of rules implemented to protect and prevent risks towards both the user and the service supplier. Also, these regulations are applied with the objective to ensure compliance of financial institutions. The financial regulatory bodies in Cameroon are reluctant to introduce the mobile lending service in its territory. This study aims to understand how the financial regulation affects the adoption of the service and suggest the possible benefits that could be incurred both by the SMEs and the country's economy in the event the Mobile lending service is granted a license to fully operate in Cameroon**.**

Keywords: Financial Regulation, Financial technology, SMEs, Mobile Money, and mobile lending.

Introduction

Mobile Money payments and lending services has now taken the lead in regards to financial transactions. According to the Financial Sector Deepening Trust's (FSDT) 2017 Fin Scope study, of the 43 percent of Tanzanian adults who save, 35 percent do it using their mobile wallets. Furthermore, 4 percent of adult Tanzanians who borrow do so using mobile money, and a reduction of 3 % borrows via banks. On a global classification, sub-Saharan countries, south Asia and the Middle East, and North Africa are leading in terms of mobile money usage. In 2020 These countries account for 157 providers with 548 million registered users and 159 million active accounts. North Africa and Central Asia are two regions of the world. Mobile money payment and lending services are made with a mobile device rather than credit or debit cards,

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checks, or cash. It has grown in popularity in so-called underbanked or unbanked places such as the majority of Africa and vast parts of Asia, allowing citizens to pay for anything from electricity bills to day-to-day shopping using their mobile phone without having to link it to an existing bank account. While the COVID-19 epidemic presented unprecedented problems in 2020. The mobile money sector experienced significant progress toward cashless societies, innovative alliances to broaden the boundaries of mobile transactions, and the development of new and strong interoperable financial transactions.

Literature Review

Financial Inclusion

Financial inclusion is defined as a situation in which everyone has easy access to a variety of high-quality financial services at reasonable pricing. From 2019 to2021 financial inclusion has acquired a, growing recognition of the importance of financial inclusion for economic growth has propelled the topic to the top of the development agenda (Ahmad et al., 2020). The main factors of financial inclusion are market depth (size and liquidity), efficiency (long-term low-cost financial services), access to financial services (the ability of individuals to access financial services), penetration (financial businesses), availability (of financial services), usage, quality, and impact, are all variables that contribute to inclusion (Senyo et al., 2021).

The adoption of FinTech is one of the ways that financial inclusion may be increased. Fintech refers to the application of technology to the provision of financial services. This has transformed the way institutions pay and given SMEs better financial access. Every day, new methods are developed, and FinTech is clearly gaining traction. FinTech accelerates the process of gaining access to digital financing services.

With Africa's high cellphone penetration, qualifying for a loan and submitting your credentials online has become simple. This has enabled SMEs to flourish, gain more clients, and contribute to economic progress. Mobile phones can help promote financial inclusion by allowing the development of financial services and transmitting market and other information, especially in geographically scattered nations such as Africa, where bank branch penetration is low (Li et al., 2020).

Another factor that highly contributes to financial inclusion. Financial literacy is defined as "Having the skills and information on financial concerns to confidently take effective action that best fulfills an individual's personal, family, and global community goals".

Mobile Money Lending

M-Pesa was released in Kenya by Safaricom in 2007 after the system had been thoroughly piloted and suitable improvements to the architecture of the first system had been made. For a minimal cost, M-Pesa users may deposit money into their accounts and send and receive money (SAFARICOM, 2009). M-Pesa was a big success because of its unique idea, and by 2012, it had

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over 17 million registered accounts.

Mobile money services are financial transactions made with a mobile device rather than credit or debit cards, checks, or cash. It has grown in popularity in so-called underbanked or unbanked places such as the majority of Africa and vast parts of Asia. This service is allowing citizens to pay for anything from electricity bills to day-to-day shopping using their mobile phone without having to link it to an existing bank account (GSMA, 2020)**.**

Kenya has been at the forefront of mobile payment technology for the past 13 years, with Mpesa providing mobile-to-mobile payments through SMS. It has 200 million customers that use its mobile money services, and it handles 16 million transactions every day. Mpesa's success demonstrates that African customers are willing to accept seamless cashless banking solutions.Since 2011, the value of mobile financial service transactions has surged by about 900 percent. The fact that 80 percent of the population owns a mobile device has aided this expansion. It is estimated that two-thirds of people are likely to have a smartphone by 2025 (Shumsky, 2020).

Individuals who don't have official bank accounts or whose earnings aren't solid enough to borrow from conventional financial institutions appear to be bridging the gap using digital lending services. These services have increased loan availability, but there are concerns that the underprivileged are being exploited in the process (Owuor, 2019)**.** Cash deposits, savings, money transfers, micro-loans, and payment for products and services are all possible with mobile money. Furthermore, mobile money has several advantages, including ease, quick payment procedures, security increased accessibility, and lower transaction costs. Throughout around 1.7 billion individuals around the world do not have access to financial services. While mobile money, a type of financial technology (fintech), has helped to reduce financial exclusion, worldwide financial inclusion is still a long way off.

Financial Regulation

These are commonly known as the rules that control and by which systems are set up in a country. They define the ways by which a system should be used and clearly states the dangers incurred if bypassed or any fraudulent activity suspected. This helps to maintain and protect the civilians and possible users of the service.

In Cameroon, the Mobile Money service is controlled under the telecommunication branch of the economy. In addition, the MNO is faced with financial restrictions from the government. These restrictions do not allow MNOs the ability to provide lending services to their subscribers.Cameroon's financial system witnessed a huge gap in access to finance. There is less than 10 % of the population are bank account owners (Talom & Tengeh, 2020). Furthermore, there is a huge gap between men and women in ownership and access to financial services. Regulators should collaborate to create regulatory mechanisms that leverage digital payment and identification technology to advance women's financial inclusion while minimizing the risk associated with these new technologies (Staschen, 2018).

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Compared to other African countries, Cameroon regulation has lagged in terms of implementation, entrenched inequitable access, and use of mobile money financial services. There is a need for a revived and up to date financial services legislation, digital ID systems must be accompanied by strict policy provisions such as adequate data retention, an individual's right of consent, privacy design standards, a recorded privacy policy, and an independent authority for privacy supervision (Joseph J. Atick, 2014).
Furthermore, providing financial services, beginning, or registering a company, and receiving credit or loans often necessitate the provision of capital or properties as collateral. Cameroon's Financial regulatory system has has limitations in regards to SMEs from accruing loans or purchase of properties thereby limiting their financial access and ability to improve their financial situations (Nuno & Proença, 2020). Currently, the country adheres to the Basel core principles financial regulation requirements implemented since 2001. Fintech services and tools, such as bitcoins and other sophisticated monetary forms, do not have legal standing in Cameroon at present.

BEAC, the six-nation financial union's central bank, has yet to give any specific instructions on the use of bitcoins within its boundaries (International Monetary Fund, 2021). The Central Bank of CEMAC established a legal framework for electronic cash. The operator's policy headed "Regulation No. 01/11-CEMAC/UMAC/CM – On the Use of Electronic Money," explains how electronic currency may be used to bank the underbanked population (Cameroon regulation On the Use of Electronic Money, 2011). The government in Cameroon is not eager to foster economic progress and financial stability. The aversion to promoting financial access and enforcing balanced laws is impeding economic progress.
According to the research by Janice Tieguhong Puatwoe* and Serge Mandiefe Piabuo 2017, the necessity of appropriate financial policies in Cameroon is highlighted, and the research on the favorable influence of financial development on economic growth is expanded. The empirical findings, which were associated with the financial development process, have repeatedly shown that financial development is a fundamental predictor of economic growth in many countries, including Cameroon, and that increasing this sector's operations further mitigates progress (Janice Tieguhong Puatwoe* and Serge Mandiefe Piabuo, 2017).

Small and medium-sized businesses (SMEs) play an important role in the economic development of many countries. They contribute to the generation of income, economic growth, and employment, and so play an important part in economic progress. According to a 2016 census of businesses in Cameroon, SMEs account for 99.8% of all businesses in the nation. Furthermore, small, and medium-sized enterprises (SMEs) accounted for 72 % of permanent employment creation in Cameroon. Although they employ roughly 72 % of Cameroon's workers and provide about 35 % of the country's GDP (National Institute of Statistics, 2021).
As a result of low access to financial services by banking institutions, several SMEs in Cameroon resort to Informal Financial Groups (IFG) services. These moneylenders are also included in the

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informal finance group. They are frequently better-off members of their communities. Local moneylenders, it is said, can separate high-risk and low-risk borrowers and impose the necessary interest rate since they are rooted in their localities and have extensive knowledge of borrowers.

Technology Adoption Model

Davis (1986) established the Technology Acceptance Model (TAM), which he utilized to examine the impact of external factors on one's internal beliefs and attitudes. TAM also investigated how personal attitudes regarding utilizing the information system influenced behavioral intentions, according to him. In order to explain and anticipate information technology user behavior better effectively. He believed that system utilization is a reaction that can be characterized or predicted by the user's motivation, which is influenced directly by an external stimulus made up of the system's actual qualities and capabilities (Davis, 1989).
Their findings demonstrated a strong correlation between stated intent and self-reported system usage, with perceived usefulness having the greatest influence on people's intentions.It was discovered that perceived ease of use had a small but significant impact on the behavioral intention that dissipated with time. The most relevant finding was that both perceived utility and perceived ease of use had a direct influence on behavioral intention.

"Perceived usefulness" is defined as "the degree to which a person believes that adopting a certain system would help him or her perform better at work." On the other side, if a user believes that the new technology is advantageous, he or she will be enthusiastic. In the case of the study perceived usefulness would be categorized under the benefits and economic improvement enjoyed by countries such as Uganda, Tanzania which adopted the Mobile lending services. Creating mass development in financial access and financial literacy (Verma et al., 2020).
In Addition, perceived usefulness can be addressed as the various ways in which mobile money services have shown to be useful to the population of the countries that have adopted the service. Such as ease of transaction, immediate and fast-paced transaction processes, and financial security. Kamal A Munir and Hamza Mudassir, 2019, studied the adoption of mobile financial services in Makassar City using the original TAM model with perceived ease of use and perceived utility. The researchers discovered that perceived simplicity of use and usefulness had a substantial impact on mobile banking service uptake. It was shown that perceived utility had a bigger effect on adoption behavior than perceived simplicity of use (Kamal A Munir and Hamza Mudassir, 2019).

Other aspects such as perceived risk and cost are other variables added in the theory to adopt Technology. In researching the adoption of mobile banking at the bottom of the pyramid in South Africa, Napitupulu (2017) developed a model that includes trust, perceived risk, and perceived cost (Napitupulu, 2017). This refers to the cost of providing a service. The higher the cost the less accessible the service, high-cost services can only be accessed by a niche of the population with

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high financial capacity. While service with affordable cost will be used by the mass. In the instance of mobile money, lending service is generally affordable to the basic individual. This contrast when compared to the high entry requirements needed by the established banking institutions in Africa and Cameroon in particular.

Intention Adopt of Mobile Money Lending

The most used Fintech tool in Cameroon is Mobile Money, it is mostly used for opening accounts, timely transfer of cash, while other fintech tools such as lending, investment, and crowdfunding appear to have a low adoption rate in Cameroon. The single option available is mobile payments (Mobile Money and Orange Money) being the sole Fintech aspect in the country. MTN has a (40.7%) market share, followed by Orange (40.3 %), and AfrikPay, a fintech firm owned by King Triple, which has a (40.3%) market share (8.5 %). In this way, it is necessary to comprehend the factors that impede the selection of a Fintech tool for mobile money lending in Cameroon (Tendai, 2021).

Mobile Money's penetration has lately risen in terms of retail customer connections for the digitalization of the whole inter-company value chain. Enterprises have a higher intensity of usage than individuals, indicating that they have penetrated the market (Ahodode, B. G. C., Okala, B. E. E., & Bayiha, 2017).

In other African nations, such as Ghana and Tanzania, mobile network providers have developed credit systems that allow microcredit to be given to SMEs. Meanwhile, in Cameroon, the government is focusing only on creating banks for the benefit of SMEs in 2015, as opposed to nations like Ghana, which have licenses from the central bank. Furthermore, while the usage of mobile money for transfers, sending, and receiving money is well established in Cameroon, the savings and lending facilities are still ineffective (Tumaini Israel Njabu, 2016).
Mobile Money lending refers to the provision of loans by the MNOs to the subscriber following their financial capacity in their Mobile Money accounts. The service aims at providing financial flexibility and reduces loan process time as it is done digitally. This service has been launched by several MNOs in neighboring countries such as Kenya, Tanzania and has successfully improved the economic standards of the underserved population. Contrary to Cameroon, this service is yet to be introduced and is faced with government and regulatory hesitance.

Discussion

One of the main benefits that will be experienced is a better financial inclusion level and a massive reduction in Black money in the economy. In Cameroon, IGFs were mostly made up of women, according to a prior study. According to this study, women are more likely than males to join several IGFs. Women made up a large number (60%) of individuals who were members of at least four IGFs, implying that they play an important role as household leaders (Johnson, 2016).

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According to a 2012 World Bank and IFC research titled "Women, Business, and the Law: Reducing Barriers to Financial Inclusion," Cameroon is one of 21 sub-Saharan African nations out of 28 that does not give "equal capability under the law to women and men.". The launch of Mobile Money has slightly improved the access to payments, launching mobile lending would access to finance and increase financial inclusion through the use of digital financial services (Gosavi, 2017).

The country's 13 million females, or 52% of the total population, have difficulties in gaining access to financial services. Women are the most disadvantaged populations, according to Blakstad 2018, and they are most drawn to informal funding groups. The availability of mobile lending would facilitate the integration of women into the financial system and boost the endeavors of female entrepreneurs (Henriqueta et al., 2020).

Additionally, SMEs in Cameroon would greatly benefit from the mobile lending tool. Considering the instance that most SMEs presently do not have access to financial services due to the lack of proper documentation and lack of collateral securities. SMEs want financial products and services that are tailored to their needs, at the correct price and design, and that are simple to use and process (Talom & Tengeh, 2020). The conventional banking perspective of MSME financing as low-end and unsustainable is based on their credit demands being high in complexities and low in size (Patwardhan, 2018).

With Mobile lending, digitalization will provide specialized services that are typically out of reach for underserved customers. Services such as micro-savings, insurance, working capital financing, and online supply chain finance, may be supplied to acquire considerable market share and income. For banks and financial technology businesses, the financially excluded groups provide a significant new potential.

Furthermore, granting access to mobile lending by the government authorities in Cameroon will develop a trusting relationship with the users. SMEs knowing that the service is approved by the government will act as a trust foundation and motivate the adoption of mobile lending.

Conclusions

Financial improvement and optimization are key concern in developing countries. Banks are slowly noticing the shift in terms of technological advancement and there is the need to adapt to the changing environment. Adapting to the latest standards of financial will provide a better standard of financial inclusion in the country. The rapid adoption of mobile money by the Cameroonian population, gives an indicator of the willingness and their intention to adopt financial technology services if provided to the public. This can be used as a roadmap to predict and understand the needs of the SMEs and unbanked population for financial opportunities that suit their needs.

Mobile money is a service provided by multinational MNOs. These services have created a massive economic improvement in neighboring countries where they have been licensed and approved for use by the public. Mobile lending launching will further reduce the popularity of

costly and risky IFGs that provide funds to the large unbanked population. Approval of the service will boost the sense of financial literacy and entrepreneurship in the country.

Critical financial education programs and finance training should be implemented by the various MNOs to mitigate Over-indebtedness, greater inflation, reduced employment, and slower economic development are all hazards that come with credit degradation for households and the larger economy. Furthermore, the scalability and rapidity of digital lending, along with the inadequate financial literacy of many digital borrowers, have the potential to have serious consequences**.**

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