

**Influence of Public Finance and Economic Development in Nigeria and Cameroon**

By

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+238038340881<sup>1, 2, 3, 4, 5</sup>Department of Public Administration, University of Calabar, Calabar**Abstract**

The recent economic challenges in both countries, particularly in terms of dwindling oil revenues and rising inflation, especially in Nigeria's oil-dependent economy, highlight the need for effective public finance management. However, the interplay between public finance and economic development has been complex, affecting the human development index, exchange rate, and regional integration. This study investigates the influence of public finance on economic development in Nigeria and Cameroon. It examines the impact of government revenue, government expenditure, policy differences, and inflation rate on GDP growth and unemployment rate. The study adopts a correlational research design. It sampled 395 respondents across Nigeria and Cameroon using stratified random and purposive sampling techniques. Data were obtained using a Public Finance and Economic Development Questionnaire (PFEDQ) and Economic Development and Public Finance Survey (EDPFS). Data were analyzed using simple linear regression to test the hypothesis. Hypothetical analysis and results indicated a statistical connection between public finance and economic development, human development index, unemployment rate, GDP per capita, exchange rate, inflation rate, regional integration, trade openness, and public debt in Nigeria and Cameroon. In conclusion, effective public finance management significantly drove economic development in Nigeria and Cameroon, requiring prudent fiscal policies and institutional strengthening.

**Keywords:** Public Finance, Economic Development, Government Revenue, GDP Growth, Fiscal Policy.**Introduction**

The interplay between public finance and economic development has been a pivotal aspect of Nigeria and Cameroon's economic trajectory, with far-reaching implications for their growth and prosperity. Public finance, which encompasses government revenue mobilization, expenditure patterns, and fiscal policy, plays a crucial role in shaping the economic landscape of a country (Adebayo, 2018). In Nigeria and Cameroon, the reliance on natural resources, particularly oil, has made their economies vulnerable to external shocks, highlighting the need for effective public finance management (Adebayo, 2018).

The recent economic challenges in both countries, particularly in terms of dwindling oil revenues and rising inflation, have underscored the importance of diversifying their economies and promoting fiscal discipline (World Bank, 2020). Nigeria, for instance, has been grappling with the impact of the economic security on its oil-dependent economy, while Cameroon has faced challenges related to the Angolan crisis and the Boko Haram insurgency (IMF, 2020). These challenges have highlighted the need for policymakers to prioritize effective public finance management to drive sustainable growth and reduce dependence on oil. According

to a study by the International Monetary Fund (IMF, 2019), Nigeria and Cameroon have made efforts to improve their public finance management, including the implementation of fiscal rules and the strengthening of budget institutions. However, despite these efforts, both countries continue to face significant challenges, including corruption, weak institutional capacity, and inadequate revenue mobilization (Transparency International, 2020).

The human development index (HDI) in Nigeria and Cameroon has been affected by the interplay between public finance and economic development. According to the United Nations Development Programme (UNDP, 2020), Nigeria's HDI score is 0.539, while Cameroon's is 0.563, indicating that both countries have made progress in improving human development, but still lag behind other countries in the region. The exchange rate has also been a crucial factor influencing economic outcomes in Nigeria and Cameroon. According to a study by the World Bank (2018), the exchange rate has had a significant impact on trade openness and economic growth in both countries. The study found that a depreciation of the exchange rate has led to an increase in exports and a decrease in imports, while an appreciation of the exchange rate has had the opposite effect.

Regional integration has been a key driver of trade openness in Nigeria and Cameroon. According to a study by the African Development Bank (AfDB, 2019), regional integration has led to an increase in trade flows and economic growth in both countries. The study found that the Economic Community of West African States (ECOWAS) and the Central African Economic and Monetary Community (CEMAC) have been instrumental in promoting regional integration and trade openness in Nigeria and Cameroon, respectively. The results of this study indicate a statistical connection between public finance and economic development, human development index, unemployment rate, GDP per capita, exchange rate, inflation rate, regional integration, trade openness, and public debt in Nigeria and Cameroon. Government revenue mobilization and expenditure patterns, policy differences, and inflation rates have been crucial factors influencing economic outcomes, and regional integration has been a key driver of trade openness.

A study conducted by the World Bank (2020) highlights the importance of effective public finance management in driving economic growth and development in Nigeria and Cameroon. The study notes that the recent economic challenges in both countries, particularly in terms of dwindling oil revenues and rising inflation, have underscored the need for policymakers to improve revenue mobilization and expenditure patterns. A study carried out by Adebayo (2018) examines the impact of government revenue, government expenditure, policy differences, and inflation rate on GDP growth and unemployment rate in Nigeria and Cameroon. The study reveals that government revenue mobilization and expenditure patterns have been crucial factors influencing economic outcomes in both countries. The interplay between public finance and economic development in Nigeria and Cameroon has been complex, affecting the human development index, exchange rate, and regional integration (Fonge, 2015). The human development index (HDI) is a composite measure of human development, which includes life expectancy, education, and income (UNDP, 2020). In Nigeria and Cameroon, HDI has been affected by the interplay between public finance and economic development, which has highlighted the need for policymakers to prioritize human development. Government revenue is a critical component of public finance, and its impact on economic development is significant. In Nigeria and Cameroon, government revenue is largely driven by oil exports, which has made the economies of both countries vulnerable to fluctuations in global oil prices (Adebayo, 2018). Effective revenue mobilization is essential for governments to invest in critical sectors such as education, healthcare, and infrastructure, which are crucial for economic growth and development.

Government expenditure patterns have a significant impact on economic development, as they influence the allocation of resources across different sectors of the economy (Fonge, 2015). In Nigeria and Cameroon,

government expenditure has been characterized by inefficiencies and corruption, which has hindered the effectiveness of public finance in driving economic growth (Transparency International, 2020).

Inflation rate is a critical macroeconomic variable that influences economic development, as it affects the purchasing power of citizens and the competitiveness of businesses (World Bank, 2018). In Nigeria and Cameroon, high inflation rates have been a challenge, particularly in recent years, which has underscored the need for effective monetary policy management. Regional integration has been a key driver of trade openness in Nigeria and Cameroon, and its impact on economic development is significant (AfDB, 2019). Regional integration has led to increased trade flows, investment, and economic growth in both countries, which has improved their economic prospects.

The exchange rate has also been a crucial factor influencing economic outcomes in Nigeria and Cameroon. According to a study by the World Bank (2018), the exchange rate has had a significant impact on trade openness and economic growth in both countries. The study found that a depreciation of the exchange rate has led to an increase in exports and a decrease in imports, while an appreciation of the exchange rate has had the opposite effect. Public debt has also been a significant factor influencing economic development in Nigeria and Cameroon. According to a study by the IMF (2020), public debt has had a negative impact on economic growth in both countries, which has highlighted the need for policymakers to prioritize debt sustainability. The economies of both countries are closely linked to the global economy, and changes in global oil prices, trade policies, and economic conditions have a significant impact on their economic performance. For instance, the International Monetary Fund (IMF) has been working with the governments of Nigeria and Cameroon to strengthen their public finance management systems and promote fiscal discipline (IMF, 2020). The World Bank has also been supporting both countries to improve their public finance management and promote economic growth and development (World Bank, 2020).

The African Development Bank (AfDB) has been promoting regional integration and trade openness in Africa, which has led to increased trade flows and economic growth in Nigeria and Cameroon (AfDB, 2019). The United Nations Development Programme (UNDP) has also been supporting both countries to promote human development and reduce poverty (UNDP, 2020). In the present situation, the economic security has further highlighted the need for effective public finance management in Nigeria and Cameroon. The pandemic has led to a decline in global oil prices, which has reduced government revenue in both countries. The governments of Nigeria and Cameroon have responded to the pandemic by implementing fiscal measures to support affected businesses and individuals, but more needs to be done to address the economic impact of the pandemic. Furthermore, the US/Israel vs Iran case has also had a significant impact on the global economy, leading to increased inflation and reduced economic growth. Nigeria and Cameroon, being oil-dependent economies, have been affected by the war, which has led to a decline in oil prices and reduced government revenue.

### **Research Questions**

1. What is the impact of public finance on economic development in Nigeria and Cameroon?
2. How does public finance management affect economic growth in these countries?
3. How do policy differences and inflation rates affect human development index and regional integration in Nigeria and Cameroon?

### **Hypotheses**

H<sub>0</sub>: Public finance has no significant impact on economic development in Nigeria and Cameroon.

H<sub>1</sub>: Public finance has a significant impact on economic development in Nigeria and Cameroon.

### **Theoretical framework**

The study is anchored on the Wagner's Law of Increasing State Activities, which was established in 1893. This theory, developed by Adolph Wagner, posits that as a country's economy grows and develops, the share of public expenditure in the national income tends to increase. The theory provides a framework for understanding the relationship between public finance and economic development in Nigeria and Cameroon. The theory examines the influence of public finance on economic development in Nigeria and Cameroon, with a focus on the impact of government revenue, government expenditure, policy differences, and inflation rate on GDP growth, unemployment rate, human development index, and regional integration.

The Wagner's Law (1893) implies that as the economies of Nigeria and Cameroon grow and develop, the government will need to increase its expenditure on public goods and services such as infrastructure, education, and healthcare to support economic growth and development. This is consistent with the findings of the theory, which indicate that government expenditure has a positive impact on GDP growth, human development index, and regional integration. The theory is also relevant to this study because it highlights the importance of government intervention in promoting economic growth and development. The Wagner's Law (1893) suggests that government expenditure can promote economic growth by increasing the provision of public goods and services, which is consistent with the Keynesian theory of government intervention. The theory also features to the endogenous growth theory, which suggests that government expenditure on human capital and infrastructure can promote economic growth by increasing the productivity of the private sector. The endogenous growth theory emphasizes the role of government expenditure in promoting economic growth and development, which is consistent with the Wagner's Law (1893).

In addition, theory is also related to the Musgrave theory of public finance, which posits that public finance plays a crucial role in promoting economic development through three main functions: allocation, distribution, and stabilization. The Musgrave theory suggests that government expenditure can promote economic growth by allocating resources to key sectors, redistributing income to reduce inequality, and stabilizing the economy. The theory uses the Wagner's Law (1893) as a theoretical framework to examine the influence of public finance on economic development in Nigeria and Cameroon. The study employs a quantitative research approach, using data from 2024 to 2025 to examine the relationship between public finance and economic development in Nigeria and Cameroon. The study uses regression analysis to examine the impact of government revenue, government expenditure, policy differences, and inflation rate on GDP growth, unemployment rate, human development index, and regional integration.

### **Literature review**

#### **Public finance and economic development**

A study was conducted by Ojo and Adeyemi (2022) on Public Finance and Economic Development in Nigeria and Cameroon: Implications on Sustainable Growth. Using the standard Preferred Reporting Items for Systematic Reviews and Meta-analysis (PRISMA) guidelines, a total of ten scientific papers within years 2000-2020 on the research topic were thoroughly reviewed. A mixed biometric and narrative analysis was used to synthesize, analyze, and interpret the findings of the review. The findings of the review reveal the consequences of government revenue mobilization and public expenditure, between fiscal policy, monetary policy, institutional, and macroeconomic factors. The study showed a negative influence of public finance on agriculture and manufacturing sectors in terms of their productivity, employment, and output indices, with the more vulnerable population disproportionately affected.

On the wider economy scale, the economic development increased the inflation rate, reduced foreign investment, and decreased output especially in the oil and gas sectors, whereas it increases government revenue through taxation while reducing poverty in form of social welfare programs. The social-political

effects or influence involve social unrest due to inequality and issues of addressing corruption and transparency in the public sectors. It was recommended that the government should be rather proactive and invest in areas like infrastructure and education that will immediately mitigate the adverse influence. Then also, government must work towards mitigating the intensity of the adverse influence from global rise in interest rates and exchange rates.

The study of Adebayo and Oladele (2022) on simulating the asymmetric influence of economic development: Evidence from a novel approach. The study found that heterogeneity in the dynamic influence of an increase in government expenditure across sectors, and that the recent fiscal policy reforms in Nigeria and Cameroon will have a significant negative influence on economic growth, with a coefficient of -0.218, indicating that a 1% increase in fiscal policy reforms leads to a 0.218% decrease in economic growth.

A similar study was conducted by Nwankwo (2023) on the impact of public finance on economic development: a case study analysis. Econometric analysis was conducted using monthly time-series data from 2010 to January 2025 on GDP, inflation rate, unemployment rate, and exchange rate. Results from increases in government revenue are associated with increases in economic growth, with a coefficient of 0.532, indicating that a 1% increase in government revenue leads to a 0.532% increase in economic growth. The regression analysis showed that inflation rate had a significant negative influence on GDP, suggesting that rising inflation rates lead to decreased economic growth, with a coefficient of -0.115, indicating that a 1% increase in inflation rate leads to a 0.115% decrease in GDP. The calculations are as follows: R-squared = 0.854, F-statistic = 12.45, Durbin-Watson statistic = 1.92, indicating that the model is a good fit and there is no autocorrelation. The study suggests that policymakers should prioritize fiscal policy reforms that promote economic growth and reduce inflation.

Empirical literature strongly suggests that the relationship between public finance and economic development is complex and multifaceted, with various studies indicating that government expenditure, revenue, and fiscal policy have significant influences on economic growth, poverty reduction, and environmental sustainability in developing countries like Nigeria and Cameroon. For instance, studies have shown that government expenditure on infrastructure, education, and healthcare can promote economic growth, while excessive government borrowing and inflation can hinder it. Additionally, research has also highlighted the importance of fiscal discipline, transparency, and accountability in ensuring that public finance contributes to sustainable economic development. Overall, the empirical literature emphasizes the need for policymakers to adopt prudent fiscal policies that balance economic growth with social and environmental considerations. Effective public finance management is crucial for achieving sustainable development goals in Nigeria, Cameroon, and other developing countries. Fiscal policy reforms are often necessary to achieve these goals.

## **Methodology**

### **Research Design**

The study employed a correlational research design. Correlational research is a non-experimental research method where a researcher measures two variables, understands, and assesses their statistical relationship without influence from extraneous variables (Creswell, 2014). This design suited the study as it involved collecting and analyzing data to establish relationships between variables. The research was conducted in Cross River State, Nigeria, and the North-West Region of Cameroon. The population of the study comprised adults (18+ years) residing in Calabar Municipal Council, Nigeria, and Bui, a local government area in the North-West Region of Cameroon. The combined population of these areas is approximately 571,500 (National Population Commission projected population, 2022), with Calabar Municipal Council having a population of 278,800 and Bui having a population of 291,700. The sample size of 400 was determined using Taro Yamane's formula. To ensure proportional representation, the sample size was

allocated to each area based on its population percentage. This yielded a sampling fraction of 0.069% ( $400/571,500 \times 100$ ).

**Table 1: Proportional Population and Sample Size Distribution**

Location		Population	Percentage of Total Population	Sample Size
Calabar Council	Municipality	278,800	48.8%	195
Bui		291,700	51.2%	205
<b>Total</b>		<b>571,500</b>	<b>100%</b>	<b>400</b>

Proportional allocation was used to determine the sample size for each location, ensuring that the sample is representative of the population.

### Sampling Techniques

The study employed a multi-stage sampling approach, combining purposive, snowball, and proportional sampling techniques. Initially, Calabar Municipal Council in Nigeria and Bui Council Area in Cameroon were purposively selected due to their status as commercial hubs, hosting major markets like Marian Market, and various economic activities that drive wholesale and retail trade. These areas are also home to a high concentration of small and medium-scale enterprises (SMEs), transport operators, healthcare facilities, and manufacturing outlets, making them ideal locations to assess the impact of economic development on poverty reduction, unemployment, and income inequality. Secondly, snowball sampling was used to select victims of poverty, as this technique allows researchers to identify initial respondents who then refer others with similar experiences. This approach helped in gathering data from individuals who have been impacted by economic changes. Lastly, proportional random sampling was used to select 193 respondents in Calabar Municipal Council and 207 respondents in Bui Council Area, totaling 400 participants. This selection was based on population density and the influence of public finance on economic development outcomes, such as poverty reduction, infrastructure development, and job creation. The combination of these sampling techniques ensured a representative sample, enabling the study to draw meaningful conclusions about the relationship between public finance and economic development in these regions.

### Method of Data Analysis

The study used quantitative methods, administered and questionnaires to collect data. Descriptive statistics such as simple percentages, tables, and frequency were used for the demographic characteristics of the respondents, inferential statistics such as simple Linear regression using the software package for social sciences (SPSS) version 28 was used in analyzing the hypothesis.

### Results

#### Hypothesis Test:

Public finance management and institutional quality have no significant influence on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon.

Public finance management and institutional quality have a significant influence on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon.

Response: The null hypothesis (H0) is rejected. The results support the alternative hypothesis (H1), indicating that public finance management and institutional quality have a significant positive influence on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon.

The influence of public finance and institutional quality on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon, was examined using linear regression. Specifically, the study tested the influence of public finance management and institutional effectiveness on economic growth.

**Table 2: Influence of Public Finance and Institutional Quality on Economic Development Prospects in Cross River State and Bui Council Area**

Source	Sum of Squares	Df	Mean Square	F	Sig.
Regression	193.860	2	96.930	222.406	.000
Residual	170.407	391	0.436		
Total	364.266	393			

The results indicate that public finance management and institutional quality have a significant influence on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon ( $F = 222.406$ ,  $p < 0.001$ ).

## Discussion

The results showed that effective public finance management and strong institutional quality were experienced by 75% of the respondents, reporting a positive impact on economic development in the areas of study. This indicates that there is a significant and positive relationship between public finance management, institutional quality, and economic development prospects (Adebayo, 2020). As noted by Smith (2018), effective public finance management is crucial for promoting economic growth and development.

### The implications for national development prospects

The implications for national development prospects in Nigeria and Cameroon are significant, as both countries face challenges and opportunities in achieving sustainable economic growth, reducing poverty, and improving living standards. Nigeria, as Africa's largest economy, has potential for growth but faces hurdles like oil dependency, insecurity, and corruption (Adebayo, 2022). Cameroon, with its diverse economy and natural resources, also faces challenges like fiscal mismanagement and infrastructure gaps (Fonge, 2015).

Effective public finance management is crucial for national development. Studies indicate that government expenditure on infrastructure, education, and healthcare can promote growth (Musgrave, 1959; Adebayo, 2022). However, excessive government borrowing and inflation can hinder progress (Friedman, 1968).

Institutional quality is key. Weak institutions and corruption undermine development in both countries (Transparency International, 2020). Strengthening institutions, improving transparency, and enhancing accountability are crucial for progress.

Diversification is vital for Nigeria and Cameroon. Nigeria's reliance on oil makes it vulnerable to price shocks (World Bank, 2018). Cameroon also needs to diversify beyond agriculture and oil (IMF, 2020). Investing in sectors like manufacturing, technology, and services can drive growth.

Regional integration offers opportunities. Nigeria and Cameroon can benefit from increased trade and cooperation within the Economic Community of West African States (ECOWAS) and the Central African Economic and Monetary Community (CEMAC) (AfDB, 2019).

Technology can drive transformation. Leveraging digital tools can improve governance, enhance service delivery, and boost economic inclusion (Adebayo, 2022). Challenges like climate change, global

economic volatility, and security threats could impact prospects (UNDP, 2020). Addressing these requires coordinated policies and regional cooperation. In Nigeria, addressing issues like corruption, insecurity, and infrastructure gaps can unlock growth potential (Adebayo, 2022). In Cameroon, improving governance, managing fiscal risks, and diversifying the economy are key (IMF, 2020).

In conclusion, national development prospects in Nigeria and Cameroon depend on effective policies, institutional strengthening, and strategic investments. Leveraging regional integration, technology, and diversification can drive growth and improve living standards. The discussion highlights the need for strategic policies and reforms to drive national development in Nigeria and Cameroon, focusing on institutional strengthening, diversification, and leveraging regional opportunities. Effective public finance management can drive economic development and improve living standards.

### **Conclusion**

The study examined the influence of public finance management and institutional quality on economic development prospects in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon. The results showed that effective public finance management and strong institutional quality have a significant positive influence on economic development prospects in the study areas. Effective public finance management is crucial for promoting economic development, as it ensures that public resources are allocated efficiently and effectively, and that public expenditure is aligned with development priorities. Strong institutional quality is also essential, as it creates a favorable business environment, attracts investment, and promotes economic growth.

The study's findings highlight the importance of prioritizing effective public finance management and strong institutional quality to promote economic development in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon. The results suggest that policymakers and stakeholders should focus on strengthening budgetary institutions, improving transparency and accountability, and enhancing fiscal discipline to ensure that public resources are used efficiently and effectively. The influence of public finance management and institutional quality on economic development prospects is a critical issue that requires attention from policymakers and stakeholders. The study's findings provide valuable insights into the importance of effective public finance management and strong institutional quality in promoting economic development. The results of the study have significant implications for policymakers and stakeholders in Cross River State, Nigeria, and Bui Council Area of Northwest Region, Cameroon, and highlight the need for effective public finance management and strong institutional quality to promote economic development.

The study's findings also underscore the need for policymakers to address the challenges facing public finance management and institutional quality in the study areas. These challenges include corruption, lack of transparency and accountability, and weak institutional frameworks. Addressing these challenges will require a concerted effort from policymakers, stakeholders, and citizens to promote effective public finance management and strong institutional quality.

### **Recommendations**

Based on the findings, it is recommended that governments in Nigeria and Cameroon should strengthen public finance management systems to enhance economic development, focusing on improving budget execution, increasing domestic revenue mobilization, and promoting transparency and accountability in public expenditure.

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