

Multinational activities and economic growth in Cameroon

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Abstract. Supporters of globalisation claimed that it has contributed significantly to the inflow of foreign capital from advanced to developing countries through the activities of Multinational corporations (MNCs), and has created an avenue for technological transfer. Given the numerous controversies in the potential benefits of MNCs, this study aims at examining the effects of the activities of multinational corporations on the economic growth of Cameroon. Thus, secondary data were collected from 1975 - 2015 and with the use of the Two-Stage Least Squares Estimation Technique, the coefficients of the variables were estimated. The main findings reveal that Gross Domestic Product Per Capita and Political Stability positively and significantly determined Foreign Direct Investment (used as proxy to measure the effect of MNCs) in Cameroon. While Foreign Direct Investment and Gross Fixed Capital Formation significantly influence economic growth in Cameroon, Gross Fixed Capital Formation influenced GDP (Gross Domestic Product) Per Capita positively than FDI. In conclusion, the contribution of MNCs to economic growth was enhanced by its interaction with the level of infrastructural development, return on investment and political stability in the host country. On the basis of these findings, it was therefore recommended that economic growth policy that aims at increasing GDP per capita both at the short run and long run should be pursued in order to heighten MNCs in Cameroon. Also, efforts should be directed in deepening the activities of the stock market since increased level of capital formation in Cameroon has the potential to drive the economy positively. Finally the quality of the workforce should be improved upon through quality education. Diversification especially in the tertiary education in favour of technical and commercial profession oriented education should be reinforced for targeted growth.

Key Words: Multinational Corporations, Foreign Direct Investment, Economic Growth, Two-Stage Least Squares, Political Stability, Per Capital Income.

INTRODUCTION

The first multinational business organisation observed to have been founded in the 12th century was called the Knights Templar. This was followed in 1600 by the British East India Company and then the Dutch East India Company, founded in 1602, which remained the largest company in the world for nearly 200 years (Addison, 2009) Levitt (1983) was the first to discuss issues patterning to global markets and global giant firms, today

called Multinational Corporations (MNCs) or simply put as multinationals. According to the United Nations Conference on Trade and Development (UNCTAD), (2001), over 7.000 MNCs were established by 1969 and by 2014 the number went up to over 90.000. This increase in the number of MNCs was encouraged amongst others, by the high import tariffs imposed by some governments that forced MNCs to relocate their

operations to the country imposing the tariff in order to avoid such huge tariffs and therefore become domestic producers. The situation in the 21st century is so alarming that MNCs now have become part of our daily lives and also exhibiting significant contributions to economic performance.

In an attempt to facilitate economic performance in Cameroon, the government in compliance with the World Trade Organisation (WTO), International Monetary Fund (IMF), and the World Bank, put in place a podium that guarantees the basic rules and regulations of economic, monetary, and trade relations in the country. The 1990 Investment Code of Cameroon, governed by Ordinance No 80/1 of 29 January 1990 (relating to the free zone regime of Cameroon as ratified by law No 90/23 of 10 August 1990) and Ordinance No 90/7 of 8 November 1990 and its subsequent amendments is aimed at encouraging and promoting investments in Cameroon. These have led to the realisation of foreign investments such as the \$3.7 billion project of the Chad-Cameroon pipeline, which runs over 1,070 kilometres from Chad's Doba oil fields to the sea port at Kribi; which is the largest U.S. investment in sub-Saharan Africa. Exxon/Mobil and Chevron/Texaco jointly hold a majority interest in the pipeline company; this single project accounts for over 65% share of American investment in Cameroon, (Ndika, 2007).

Furthermore, the effect of globalisation through the inflow of multinational corporations can be seen in Cameroon through French exports of pharmaceuticals that make up 70% of the Cameroonian market share. Also there are more than 110 French branch companies employing some 30,000 people, and more than 200 enterprises are owned by French nationals in Cameroon (UNCTAD, 2001). China, South Korea, South Africa, Morocco and India are increasing their involvement in Cameroon's economy. Royal Air Maroc has regular flights to Douala and Yaounde, and a Moroccan company was awarded the management contract for the national water utility. South African firm MTN (mobile telephone network) operates one of Cameroon's four mobile telephone licenses and even dominate the other three in terms of users (UNCTAD, 2001).

The favourable climate in Cameroon accounts today for the number of MNCs that have spread widely on the nation's territory. These multinationals contribute to the economic performance of the Cameroon's economy. An illustration shows that between 2000 and 2015, Gross Domestic Product (GDP) annual growth rate in Cameroon averaged 4.16%, GDP expanded to 5.70% in the second quarter of 2014.

According to the World Bank Doing Business (2015), Cameroon is ranked third out of the six countries in the Central African Economic and Monetary Committee (CEMAC), when it comes to ease of doing business. In a report of the U.S. Department of State (2011), for over a

quarter century, following independence, Cameroon is one of the most prosperous countries in Africa. According to this same report, the government of Cameroon is professedly determined to foster urgent growth and job creation with special interest in the mining sector and infrastructural development.

Many MNCs have annual sales volume in excess of the entire Gross National Products (GNPs) of developing countries in which they operate and as such have greater impact on the development process of these developing economies (Greer and Singh, 2000). By taxing the profits of these MNCs, developing countries are able to mobilise public financial resources for developmental projects and also filling the revenue gap and as a consequence, we expect economic growth. Also, an inflow of foreign capital through net positive flow of export earnings generated by MNCs would contribute positively to the balance of payment of the country. UNCTAD (2001) reported that net private capital flows to developing countries have sharply increased in the past 15 years with much of the investment in the form of Foreign Direct Investment and that, France and the USA invest highly in Cameroon. This therefore, implies that substantial growth of an economy where MNCs have become major employers and wealth creators should be investigated. Surprisingly, according to the index of economic freedom, Cameroon's economic freedom has been stagnant near the lower boundary of the "mostly unfree" category, and its overall score has improved only by 1.3 points (Index of Economic Freedom, 2014).

Though, considerable actions have been made to salvage some of these problems in order to increase performance such as the provisions in the 2002 investment charter which is designed to build a competitive and prosperous economy through boosting investment and savings, substantial growth of the economy still remains questionable. The government of Cameroon however has enacted laws and decrees to encourage foreign capital inflows prior to the advent of the Structural Adjustment Program (SAP) of 1988/1989 and the adoption of the Growth and Employment Strategy Paper (GESP) instruments of 2009. Cameroon is a signatory to both The New York Convention on the Recognition and Enforcement of International Arbitral Awards to set up the International Centre for Settlement of Investment Disputes (ICSID). She is also a signatory to the Seoul Convention to set up the Multilateral Investment Guarantee Agency (MIGA) aimed at safeguarding non-commercial risks and the Organisation for the Harmonisation of Business Law in Africa (OHADA) treaty that is concerned with the legal provisions based on drafting business laws (U.S. Dept. of State, 2013).

However, most of these decrees, laws and policies mentioned above have been put in place or enacted and re-enacted but substantial challenges still remain in the struggle to promote stable long-term economic growth

and development in Cameroon. Institutional weaknesses, call for much greater commitment to growth. It is also observed that in 1970, multinational corporations' (MNCs) investment in Cameroon stood at 9.42 billion Africa Financial Corporation (FCFA) while GDP growth per capita was 6.42%. Ten years later, while Foreign Direct Investment (FDI) rose to 59.90 billion FCFA, growth of GDP per capita recorded a negative value of 2.04%. Between 1986 and 1993 the overall trend of FDI (that is, MNCs investment) was positive while that of GDP per capita growth maintained a negative value of 6.14 on the average. Both trends were positive between 1994 and 2007 but for 1995, 1996 and 1999, the net FDI recorded negative values of 227.93 billion, 154.22 billion, and 49.83 billion FCFA respectively (Forgha, 2009). The proportionate difference between growth of FDI and GDP over the years, as illustrated above, is a clarion call for an investigation of this nature to help ascertain whether determinants of FDI by themselves are hazards of economic growth in Cameroon. The fundamental role played by MNCs through FDI in the growth and development process of Cameroon is therefore questionable, and as such a call for concern.

In an attempt to provide answers to some of these worries, this paper aims at investigating the role of MNCs on the economic growth of Cameroon. Specifically this study wishes to:

- 1) Evaluate the extent to which GDP per capita, infrastructural development, total debt services, return on investment on capital, openness of the economy and political stability determine the inflow of FDI in to Cameroon,
- 2) Investigate into the extent to which FDI, gross fixed capital formation, government expenditure, human capital and inflation influence the economic growth of Cameroon (GDP per capita), and
- 3) Suggest possible recommendations.

LITERATURE REVIEW

Meier and Schier (2001), defined Multinational Corporations (MNCs) as organisations owning or controlling enterprises or physical and financial assets in at least two countries of the global economy and opting for a multi domestic strategy founded on social-economic differences of these countries (as a reply to specific local demand). Explicitly, MNCs are firms that operate in several countries at the same time and are the primary drivers of globalisation (Jones, 2005). MNCs have become massive in scale and have exercised major influence in the political, economic and social development throughout the world. World trade organisation (WTO), General Agreement on Trade and Tariff (GATT) and other international trade organisations

have re-echoed the spread of MNCs worldwide. It is therefore evident that such corporations can influence the life of such nation-state politically, economically and otherwise (Greer and Singh, 2000).

In this paper, economic performance vis-à-vis economic growth is used interchangeably to connote the same meaning. Economic performance could be defined as an improvement in the state of productive activities of the economy that is in terms of the increase in the production of goods and services, and the availability of these goods and services to the general public. Like economic performance, economic growth according to Nafziger (2006), refers to an increase in a country's production or income per capita measure by its GNP. The terms economic performance and economic growth used in this paper, suggest the same meaning and is captured by the trend of real per capital income of Cameroon within period of this study.

EMPIRICAL LITERATURE

According to Abdul-Gafaru, (2006) and Meyer, (2004), MNCs play a great role in creating new kind of jobs and therefore contributes to economic growth and increase welfare. The infiltration of MNCs in developing countries has a potential to augment the salary level of employed people, hence increasing the buying power of the local citizens, which in turn leads to increased tax payments. The availability of more resources allows the government to spend more money in social welfare such as in education, health care, and infrastructure building. Investments by foreign companies make the developing countries more receptive to social and economic changes as they enter in the global market and they have to adopt modern values and business practices.

Borensztein *et al.*, (1998) conducted a study on the effect of FDI on economic growth for 69 developing countries over the last decade. In a framework of cross-country regressions, their results suggested that investments by multinationals were in fact an important vehicle than domestic investment for the transfer of technology, contributing to growth. They concluded that there is a strong complementary effect between FDI and human capital, that is, the contribution of MNCs to economic growth was enhanced by its interaction with the level of human capital in the host countries. Similarly, Campos and Kinoshita (2002) tested the effect of FDI on 25 transitional economies of the former Soviet Bloc and their results were in line with that of Borensztein *et al.*, (1998).

Using data from 25 local and 25 US firms in Mexico from the period 1966 – 1973, Fairchild (1977), analysed export performance of both the local and the foreign US firms in Mexico. He applied the two-tailed t-tests to determine whether or not the mean differences of the two

groups were significantly different. The findings suggested that Mexican firms were competing successfully with US firms in export markets during the period of study. This was attributed to both the internal innovative activities and the use of domestic consultants rather than imported foreign technology. Similarly, Wang (2002) using data from 12 Asian economies over the period of 1987-1997 found that only total FDI inflows in the manufacturing sector significantly and positively affected economic growth. She attributed this contribution to MNCs' 'spill over' effects. Bende-Nabende, *et al.* (2000) in a study conducted in the Asia-Pacific Economic Cooperation region found that MNCs positively affect output either directly or indirectly through spill over effects. Using Co-integration and vector auto-regressive (VAR) techniques, in studying the long-run dynamics of FDI and its spill over to output, they also found that less advanced countries' output responded more to FDI, human capital, capital formation, international trade, and new technology than those of advanced countries.

Forgha (2009), examined the link between FDI and economic performance in Cameroon using data for the period 1970 - 2007. Based on the Ordinary Least Squares (OLS) technique and the Co-integration Error Correction Mechanism, it was observed that FDI responds to industrialisation positively and faster than it does to political stability, gross domestic product, debt servicing, skilled labour force and terms of trade. The study also reveals that FDI impact positively, the economic performance of Cameroon and responds faster to growth than any of the variable specified in the economic performance model.

Rehman *et al.*, (2010), in analysing the role of infrastructure, and ascertaining captivations of foreign direct investment, investigated the effects of host country's infrastructure availability along with exchange rate and market size on inflows of FDI in Pakistan. While employing the autoregressive distributed lag (ARDL) based on time series data for the period 1975 – 2008, the case of Pakistan, revealed a strong positive impact of infrastructure on Foreign Direct Investment, in the short and long run.

Aisen and Veiga (2011), empirically determined the effects of political instability on economic growth. Using the system generalised method of moments (GMM) estimator for linear dynamic panel data models on a sample of 169 countries for the period 1960 - 2004, they found that higher degrees of political instability are associated with lower growth rates of GDP per capita and that political instability adversely affects growth by lowering the rates of productivity growth and, to a smaller degree, physical and human capital accumulation. They concluded that economic freedom and ethnic homogeneity are beneficial to growth, while democracy may have a small negative effect.

In examining the impact of foreign direct investment on

economic growth in Nigeria using a time series data for the period 1976 – 2006, Awe (2013) employed a two-stage least squares (2SLS) method of simultaneous equation estimation technique and found a negative relationship between economic growth, GDP and FDI. According to him, the negative relationship was due to insufficient FDI flow into the Nigerian economy. Employing a similar approach, Ayanwale (2007) also used OLS and 2SLS method to ascertain the relationship between FDI, its determinants and economic growth in Nigeria. The results suggested that the determinants of FDI in Nigeria are market size, infrastructure development and stable macroeconomic policy. Openness to trade and available human capital, however, are not FDI inducing.

Bang (2009), examined the contribution of FDI in Cameroon from a sample of 398 economic operators who responded to the questionnaire and employing a chi-square test of independence at 0.05 alpha level of significance. He discovered that the value for FDI as a percentage of GDP (which is the measure of economic performance) is approximately 1% and that contributions made by some multinationals to the Cameroon's GDP were more realistic at the microeconomic level than at the macroeconomic level. The finding further suggested that FDI contributes significantly in alleviating poverty, advanced technological progress and attracts the interest of donor countries. He thus concluded that MNCs contributed positively in the recovery of the economy of Cameroon during the period of study (1994 – 2003).

METHODOLOGY

This paper looks at the multinationals in Cameroon and their contributions to economic growth. It covers a period of 41 years (1975 - 2015 inclusive). First, this period is considered long enough to capture the effects of multinational corporations on the economy of Cameroon. Within this period, there have been increases in net private capital flows to Cameroon in the form of Foreign Direct Investment. More so, most policies such as the Marrakesh Agreement Establishing the World Trade Organisation of 15th April 1994 which entered into force on 1 January 1995 and the Investment Code of November 1990 which was later amended in April, 2002, amongst others, geared towards attracting multinational corporations (and hence Foreign Direct Investment) in Cameroon, were adopted within this period. This paper is delimited to assessing the impact of multinational corporations, captured through the effects of Foreign Direct Investment on the host country, Cameroon. We consider only the inflows of Foreign Direct Investment into Cameroon because this gives a true measure of the effects of direct foreign investment on the economy of Cameroon. This study adopted the causal comparative or

ex post facto research design because the events captured by the economic variables have already occurred and we cannot alter them in any way. The effects of explanatory variables on the dependent variable have been felt already. Time series data for over a period of 41years (from 1975 to 2015) is used and a System Estimation Approach is employed (the Two-Stage Least Squares (2SLS)) technique to estimate the coefficients of the specified variables.

Given the behaviour of economic variables, it is difficult to carry out a study of this nature using a single equation. The high degree of inter relationship existing between the set of variables used in this study necessitated that we employed a System Estimation Approach (SAL) on two independent equations which are- the MNC and the economic growth equations. The endogenous variables introduced in the work are the FDI and real GDP as proxies to both MNCs and economic growth respectively. Since FDI affects Cameroon’s economy, the determinants of FDI in Cameroon were carefully selected given that they are likely to influence the country’s economic growth. The models introduced in this paper therefore captured such independent variables that are relevant to economic performance in Cameroon and also on the bases of data availability. However, the choices of the variables included in the models were based mostly on empirical, as well as, theoretical considerations. On the basis of the above justifications, the MNC and economic growth models are specified as follows:

MNC model (With FDI as a proxy for MNC)

$$FDI_t = \beta_0 + \beta_1 \ln RGDP_t + \beta_2 \ln INFRA_t + \beta_3 TDBTS_t + \beta_4 ROI_t + \beta_5 OPEN_t + \beta_6 POLSTA_t + \mu_2 \dots (3.1)$$

Where $\beta_0 \neq 0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and $\beta_5 > 0$

Economic growth model (With GDP as a proxy for Economic growth)

$$\ln RGDP_t = \alpha_0 + \alpha_1 \ln FDI_t + \alpha_2 \ln GFKF_t + \alpha_3 \ln GE_t + \alpha_4 \ln HK_t + \alpha_5 \ln INFLA_t + \mu_1 \dots (2)$$

Where $\alpha_0 \neq 0, \alpha_1, \alpha_2, \alpha_3, \alpha_4$ and $\alpha_5 > 0$

The a priori $\alpha_0, \alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5$ and $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the parameters of the models to be estimated. They show the signs and sizes or directions and magnitudes of the estimated coefficients of the models, t is current period, *ln* is log, logging linearises the model and makes it easy to interpret the coefficient of the variables as elasticities. Those not logged are either in percentages or had negative values in some years. GDP is Gross Domestic Product per capita, FDI is Foreign Direct Investment, GFKF is Gross Fixed Capital Government Formation, GE is Government Expenditure, HK is Human Capital, INFLA

is Inflation, *TBDTS* stands for Total Debt services, *ROI* is Investment on Capital, *OPEN* stands for Openness of the economy, *POLSTA*= Political Stability, μ_1 and μ_2 = Stochastic Elements, and they represent all other variables that would affect economic growth in Cameroon and also influence multinational corporations which are not captured in the models.

Estimation and Validation Techniques

The adoption of the System Estimation Approach requires that we test for the identification conditions of the models. The models are said to be complete on the ground that we have two equations with two endogenous variables. The necessary condition of $M-K \geq G-1$ is also satisfied where M is the number of variables in the system (endogenous and exogenous), K is the number of variables in a particular equation, G is the number of equations in the system and 1. The sufficient condition which calls for at least a non-zero determinant as a justification of exclusive variable is also fulfilled. As such our models are over identified which permit the use of the Two-Stage Least Squares as an estimation technique.

This study was conducted to ascertain the effects of MNCs on economic growth in Cameroon. In this regard the paper captured the determinants of FDI and the relationship that existed between FDI and economic growth (real GDP per capita is used as a proxy to economic growth) assuming that the activities of MNCs are represented by Foreign Direct Investment. In so doing, this study therefore employs the Two-Stage Least Squares (2SLS) method of estimation due to the likely simultaneity between FDI, its determinants and economic growth and also because it allows for complex relations among observed variables.

Recently, the Instrumental Variable Estimator in general and the 2SLS estimator in particular have received more attention over other structural equation model (SEM) estimation which is still dominated by the full information estimators such as maximum likelihood and weighted least squares. As such, the 2SLS technique is employed in this study because of its simplicity and its desired properties such as; not requiring that the observed variables follow a normal distributions or a binary distribution and it is also less sensitive to specification errors. This therefore makes the 2SLS estimator a useful complementary estimator to the others such as the full information estimators. The 2SLS estimator technique estimates intercept and permits correlated errors and also easily provides for non-linear and interaction effects. The study also made use of the 2SLS estimation technique because, going by Gujarati (2004), 2SLS estimations technique is employed in situations of over identification. Though, Wooldridge (2007) ascertained that GMM is generally best under the

Table 1: Two-Stage Least Squares Results For Multinational Corporations Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(lnGDP)	14996.54	111251.0	1.734799***	0.0846
D(lnINFRA)	14117.31	135963.1	0.103832	0.9180
D(TDBTS)	-381.8418	948.6467	-0.402512	0.6900
D(ROI)	-116.5292	9722.711	-0.011985	0.9905
D(OPEN)	-2215.467	22900.67	-0.096742	0.9236
POLSTA	433.0033	1924.933	1.954945***	0.0635
C	-0.010532	0.000980	-0.119326	0.9058
Durbin-Watson stat	1.975			
Instrument rank	7			

*** = significant at 10%

Source: Computed by Authors using E-views 8

presence of heteroskedasticity of unknown form, 2SLS also addresses situations of heteroscedastic disturbances and can include nonlinear functions of the latent variables (Bollen 1996). However, the OLS technique was adopted to estimate the goodness of fit in this study since OLS is the best linear unbiased estimator. The parameters estimated here are validated based on a priori economic criteria, economic theories, statistical and econometric tests.

RESULTS AND DISCUSSION

Regression Results for Multinational Corporations Model

The Two-Stage Least Squares (2SLS) result for Multinational Corporations presented in (Table) 1 as shown above. From this result, Gross Domestic Product per capita (GDP) is positive and statistically significant and in conformity with economic expectations. This is attributed to the fact that the profit of MNCs are included in the GDP of the countries where they operate an increase in MNCs activities.

The findings on (Table 1) also revealed that infrastructural development (INFRA) has a positive relationship with FDI in Cameroon. Though this result is statistically insignificant, it is in conformity with economic theoretical expectation that investment in infrastructural development would lead to an increase in FDI.

The results of the MNC model revealed that the coefficients of total debt services (TDBTS), return on investment (ROI), trade openness (OPEN) are negative. By implication, a unit increase in TDBTS, ROI and OPEN

are deterrents to the inflow of FDI into Cameroon. However, this outcome is statistically insignificant at 10% level of significance.

Furthermore, the coefficient of political stability (POLSTA) as shown in (Table) 1 above is positive and statistically significant at 10% level of significance. This implies that the economy is politically stable, and it is more likely to attract foreign investors as opposed to situations or periods of instability. This outcome is in conformity with the a priori expectation.

The significance of this findings could possibly be attributed to high anticipations by foreign investors on the propensity of economic stability in Cameroon over the years and the fact that the government of Cameroon enacted laws and degrees such as the provisions in the 1990 investment code, Heavily Indebted Poor Countries (HIPC) initiative (amongst others) and the 1994 devaluation which encouraged international trade led to trade surpluses.

These findings confirmed those of Sghaier and Abida (2013) whose claim ascertain that there exist a positive relationship between FDI and real economic growth. More precisely, Forgha (2009), in a study on FDI and economic performance in Cameroon, established a positive and significant relationship between political stability, economic performance and FDI in Cameroon.

Going by the theoretical findings and the statistical significance of the above coefficient, we conclude that these findings are suitable for policy recommendation.

Regression Results for Economic Growth Model

From the empirical finding of the Two-Stage Least

Table 2: Two-Stage Least Squares Results for Economic Growth Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	5.98E-05	3.14E-05	1.904167***	0.0659
D(lnGFKF)	0.121913	0.068809	1.771762***	0.0860
D(lnGE)	0.276827	0.212890	1.300328	0.2028
D(lnHK)	-0.307064	0.257960	-1.190353	0.2427
INFLA	0.001850	0.001181	1.565679	0.1273
C	-0.022933	0.009810	-2.337609	0.0258
Durbin-Watson stat	1.904647			
Instrument rank	9			

*** = significant at 10%

Source: Computed by Authors using E-views 8.

Squares obtained in (Table 2) above, Foreign Direct Investment (FDI) has a positive coefficient of 0.0000598 which implies that FDI positively contributes to the GDP of Cameroon. This finding is in conformity with economic theoretical expectations of study.

This variable is statistically significant at 10% level of significance as indicated by the probability value of 0.066. Gross fixed capital formation (GFKF) also has a positive and statistically significant coefficient at the 10% significant level. The positive coefficient indicates that investment in physical infrastructures such as roads and schools increase the real GDP of Cameroon. This outcome is in line with the a priori expectations. Also, the coefficient of government expenditure (GE) as shown on (Table 2) is positive which signifies a positive relationship between government expenditure and GDP. Though, this outcome is in conformity with the a priori expectations, and the result is statistically insignificant at 1% level of significance.

It was also observed that human capital (HK) is statistically insignificant and has a negative relationship with GDP. By implication, a unit increase in human capital in Cameroon, and everything being equal would lead to 0.31 unit fall in GDP. This is however not in line with economic expectations of this research.

Inflation (INFLA) on its part has a positive but insignificant effect on the economic growth of Cameroon. The coefficient of 0.0018 indicates that, a unit increase in the average price level would lead to a 0.0018 increase in GDP in Cameroon within the period of this study.

This positive and significant effect could be accounted for by development in infrastructure, the enacting of laws and decrees such as the Structural Adjustment Programme (SAP), Growth and Employment Strategy

Paper (GESp), and recent development of domestic financial system of the country. The macroeconomic policies put in place by the government of Cameroon have also led to huge capital formation today which is the major course of growth in the economy. These laws and policies are expected to boost investment by increasing the stock of capital either directly in the form of physical stock of capital or indirectly through technological advancement (Levine and Renelt, 1992).

This therefore confirms our objective that FDI and gross fixed capital formation significantly influence economic growth in Cameroon. The finding is in conformity with Bang (2009) who concluded that FDI impact positively and significantly on the economic performance of Cameroon. This outcome is in line with the work of De Mello (1999), Sghaier and Abida (2013) and Borensztein *et al.* (1998) who from their studies ascertained that FDI had a positive impact on output growth and also that the effect of Multinational investment and Domestic investment were significantly complementary. This is however in contrast with Nkwetta (2014) who established that Gross Capital Formation has a negative and significant effect on the economic growth of Cameroon.

On the other hand, the 2SLS results also revealed that human capital negatively influenced economic performance in Cameroon during this period of study. This findings however contradicts economic expectations and thus the works of Stevens and Weale, (2003), Aghion *et al.* (2009). It thus advances the objectives of World Bank Group Education Strategy 2020 of "Learning For All, Beyond Schooling". According to the World Bank Group Education Strategy 2020 (2011), growth, development and poverty reduction depends on the knowledge and skills that people acquire, not the number

that enrolled or the number of years that they sit in classrooms. This is therefore the case in Cameroon where the number of enrolment in secondary school is more or less 'quantity' oriented rather than 'quality'. This could be termed a Political Economy of Education where the focus is on the number of schools and classrooms created, the number enrolled in these schools and not whether knowledge is actually acquired. The finding is also in conformity with Pritchette (2001) who also established that human capital is negative and significant to growth and performance.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

This study aims at examining the complementarities between the activities of multinational corporations and the economic growth of Cameroon. Based on the empirical findings it is observed that the activities of MNCs through FDI significantly contribute to the economic growth of Cameroon through transfer of technical knowledge, training and resources as well as the GDP per capital. It is on these facts we came to the conclusion that in an attempt to foster economic growth, the activities of MNCs are vital and necessary in the economy of Cameroon while the growth of the economy itself is needed to attract more MNCs.

RECOMMENDATIONS

On the basis of the findings, this paper recommends that economic growth policies that aim at increasing GDP per capita both in the short run and long run be pursued in order to heighten MNCs in Cameroon. Also, effort should be directed at deepening the activities of the stock market since increased level of capital formation in Cameroon has the potential to drive the economy. For the fact that human capital adversely affects GDP in Cameroon as revealed in this study, it is recommended that the government should increase the quality of its work force and not the political economy of education where the government/institutional bodies allows marginal returns to education to fall rapidly as the supply expands while demand for quality (educated) labour is stagnant.

Policy makers / government should create a conducive investment environment through improved physical infrastructure, create confidence through a friendly working relation, remove structural barriers and improve governance in order to trigger foreign investors to invest more in the country. This is because funding from direct investments of MNCs (through tax payments) are much easier to obtain than funding from traditional channels such as the World Bank, national development organisations, or non-profit organisations.

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