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ARTICLE

Analyzing the Impact of Tax Administration on Economic Performance: An Examination of the Cameroon Tax System on the Economy

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ABSTRACT

Regional economic disparities globally stem from variations in sectoral development among countries, manifested through differences in economic growth, infrastructure, living standards, and national income. Taxation serves as a crucial mechanism for national regulation and economic development, involving revenue collection and reinvestment into infrastructure, public utilities, defense, and welfare services. The effectiveness of these initiatives depends significantly on tax administration efficiency. This study examines the impact of tax administration on economic performance in Cameroon, employing a mixed-methods approach that analyzes historical revenue allocation between 2014 and 2024, budget implementation, and economic outcomes. Findings reveal a disconnect between increasing tax revenues and economic development indicators, with significant challenges including a narrow tax base of 73% of non-oil tax revenue from just 0.5% of businesses, administrative inefficiencies, and misallocation of resources. Despite digital reforms reducing tax compliance time from 1300 to 624 hours between 2007 and 2020, infrastructure development remains below regional standards. The study proposes a comprehensive framework linking tax administration efficiency to economic indicators and recommends context-specific reforms including broadening the tax base through informal sector integration, enhancing transparency in revenue allocation, implementing targeted digital solutions for rural areas, and strengthening institutional capacity. These findings contribute to understanding how developing economies can transform tax administration into sustainable economic growth.

Keywords: Administration; Cameroon Tax System; Direct Tax; Economy; Economic Performance; Economic Growth; Indirect Tax; Tax Administration

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1. Introduction

The government bears the primary responsibility for managing and ensuring balanced regional development within any economy. This mandate encompasses the regulation of processes, oversight of businesses, provision of necessary infrastructure, subsidization of industries, and implementation of various regulatory measures to stimulate economic growth. Effective execution of these regulatory functions necessitates substantial funding, with taxation serving as a principal method of generating these essential funds.

Tax revenue constitutes the most significant source of government income, accounting for more than half of state revenues. Supplementary sources, such as royalties and foreign aid, complement this primary income stream. The government is tasked with reallocating this revenue towards the development of the economy, funding social amenities such as street lighting, electricity, defense, medical centers, and other critical infrastructure. This cyclical process, wherein state-derived revenue is reinvested back into the state, is known as the circular flow of income in public finance theory—a mechanism through which tax collection and public expenditure create a continuous cycle of economic activity and development [1].

However, the effectiveness of reinvesting tax revenue into the economy varies significantly among states. While some nations exhibit high standards of living and advanced levels of infrastructure and automation, others experience substantial deficiencies. Over the past 15 years, the world has seen substantial improvements in the ease of paying taxes, driven largely by advances in technology [2]. This has not been the case in Cameroon, which has been moving backward and forward regarding the ease of paying taxes.

In Cameroon, despite the availability of revenue earmarked for public services, many regions lack essential amenities. Issues such as inadequate access to potable water, poor road and bridge infrastructure, and limited electricity access persist, highlighting significant disparities in regional development and the allocation of resources. The World Bank's Infrastructure Development Index ranks Cameroon significantly below the average for lower-middle-income countries, with only 61% of the population having access to electricity compared to the regional average of 69% [3]. Similarly, only 58% of the rural population has access to improved water sources, compared to the regional average of 68% [4].

The responsibility for ensuring the provision and successful implementation of essential public amenities lies with the government, particularly through its finance and supervisory sectors. However, there appears to be a significant level of negligence within these sectors, resulting in the abandonment of projected developments. This negligence deprives residents in affected areas of access to basic living conditions, thereby undermining the intended objectives of regional development and public welfare.

This paper addresses the significant neglect of economic development, which serves as the primary motivation for this study. Despite consistently adhering to deadlines for reporting and tax collection, authorities across various branches have repeatedly failed to meet the needs of the populace and the economy. This research focuses on analyzing the tax system in Cameroon, which reliably collects revenues but often fails to provide necessary social amenities to the public. The analysis will encompass an examination of the current tax system, its application and execution at different levels, the generation, allocation, and expenditure of revenues, and the outcomes of these processes.

The findings will examine the tax system for the general public, who often perceive it as complex and opaque. Additionally, the study will investigate historical apportionment of funds to determine if they have been used as intended. This research aims to pave the way for further studies in this area, addressing a topic that many authors avoid due to fear of reprisals or intimidation from authorities who may view such investigations as threatening.

1.1. Research Aim and Objectives

Aim: To evaluate the changes in the improvement of the tax administration system for the increase of the tax volume and its efficiency in Cameroon.

Object: The effect of taxation on the economy of Cameroon.

Based on the above aim, the following objectives will guide this research:

1. To examine the application of the tax system in

terms of revenue collection and expenditure.

2. To analyze the effect of tax administration on the economy of Cameroon.

3. To propose strategies for addressing the shortcomings encountered in the administration of tax processes.

This research will encompass a comprehensive examination of historical and current records of tax revenues and expenditures in the Cameroonian economy. The analysis of these records will identify trends and their correlation with the level of economic development, culminating in recommendations to enhance accountability.

1.2. Theoretical Framework

This study is grounded in the fiscal federalism theory, which examines the division of public sector functions and finances among different levels of government [5]. In the context of Cameroon, this theory helps explain how tax revenues should ideally be collected and distributed to maximize economic welfare. Additionally, the study draws on the concept of state capacity, particularly fiscal capacity, the ability of states to extract resources from society to implement policy goals [6]. This framework allows for analysis of how Cameroon's tax administration capabilities affect its economic development outcomes. The research also incorporates elements of the Laffer Curve theory, which suggests that there is an optimal tax rate that maximizes government revenue [7]. This theoretical perspective is particularly relevant when examining Cameroon's narrow tax base and the potential benefits of broadening it rather than increasing rates on the formal sector.

1.3. Limitations

It is important to emphasize that this article addresses a highly sensitive topic, which many authors tend to avoid due to uncertainties and potential risks. Consequently, access to certain information may be restricted, and requests for data are often denied. This issue is compounded by the prevalent corruption within the relevant sectors, further obstructing access to critical information. To address these limitations, this study employs triangulation methods, combining available official data with reports from international organizations and academic literature to validate findings despite data access constraints. Nonetheless, a thorough comparative analysis will be performed using the available online resources and will be correlated with the actual situation on the ground to identify any existing gaps. The study acknowledges these limitations while maintaining that the available data is sufficient to draw meaningful conclusions about the relationship between tax administration and economic performance in Cameroon.

2. Materials and Methods

This section presents a critical review and analysis of relevant literature, offering a synthesis that positions the current study within the broader scholarly discourse. It establishes a foundation for future research to expand upon. The discussion encompasses an empirical literature review, an examination of Cameroon’s tax structure, the role of digitization in tax administration, the relationship between infrastructure, public expenditure, and taxation, the impact of taxation on entrepreneurship, and an assessment of how the literature aligns with, and diverges from the study’s original contributions.

2.1. Literature Review

2.1.1. Tax Administration and Economic Development

Tax administration plays a crucial role in the economic development of any nation, serving as the primary mechanism through which governments mobilize domestic resources to finance public expenditures and implement economic policies. In Cameroon, a lower-middle-income country in Central Africa, the effectiveness of tax administration has significant implications for economic performance, fiscal sustainability, and overall development outcomes.

According to the Tax Foundation (2024) [8], taxation pertains to obligatory payments collected by local, state, and national governments from individuals or businesses to fund general governmental services, goods, and activities. These levies vary across economies and are typically categorized into two primary types: direct and indirect taxes. Direct taxes are imposed directly on individuals or entities, both corporate and non-corporate. Major forms include income tax, corporation tax, property tax, inheritance tax,

security transaction tax, dividend distribution tax, gift tax, and estate tax. Direct taxes differ from indirect taxes, such as excise duties, which are imposed on transactions, as the former are levied on the income or wealth of individuals or entities.

Bird and Zolt (2008) argue that effective tax administration is not merely about revenue collection but encompasses the entire process of tax policy formulation, implementation, and enforcement [9]. They emphasize that in developing economies like Cameroon, the quality of tax administration significantly influences economic growth through multiple channels: revenue generation for public investment, incentivizing formal sector participation, and signaling government effectiveness to potential investors.

2.1.2. Cameroon's Tax System: Structure and Challenges

In Cameroon, the tax landscape exhibits distinct characteristics, influenced by specific types and applications of tax procedures. Notably, there are unique provisions such as the business license tax and registration duty. The business license tax pertains to individuals or corporate entities engaged in trade, industry, or professional activities within Cameroon, payable annually based on turnover from the preceding financial year. Conversely, registration duty applies to specified transactions outlined in the General Tax Code (GTC), with the assessment basis contingent upon transaction nature, and rates ranging from 1% to 15% of the total value [10]. A notable feature of Cameroon's tax system is its concentration. Coulibaly et al. (2025) found that 73% of the country's non-oil tax revenue comes from just 0.5% of businesses [11]. This concentration suggests a highly uneven distribution of the tax burden and points to significant untapped potential in broadening the tax base. The narrow tax base not only limits revenue generation but also creates inequities in the tax system and potentially distorts economic incentives.

This finding aligns with broader research on tax systems in developing economies. Keen and Slemrod (2021) argue that tax base broadening [12], rather than rate increases, should be the priority for developing countries seeking to enhance revenue mobilization. They suggest that a broader tax base can lead to more stable revenue streams, reduced economic distortions, and improved perceptions of tax fairness.

The administrative burden of tax compliance in Cameroon has been a significant challenge. According to the World Bank's Doing Business Index (2020) [13], the time required to comply with tax obligations in Cameroon was 624 hours in 2020, a significant improvement from 1300 hours in 2007 but still substantially higher than the Sub-Saharan Africa average of 280 hours. This high compliance burden can discourage formal sector participation and investment, particularly for small and medium-sized enterprises (SMEs).

2.1.3. Digital Transformation in Tax Administration

Digital transformation has emerged as a key strategy for improving tax administration efficiency globally. Derrick et al. (2023) document Cameroon's efforts to digitalize its tax system [14], noting that since February 2016, it has been possible to pay taxes online in the Central African sub-region. This system, initiated by the Directorate General of Taxation, allows taxpayers to declare tax revenue through the internet, reducing the need for physical visits to tax centers.

However, the OECD (2023) report on Digital Taxation in Africa highlights that digital tax reforms in countries like Cameroon face significant implementation challenges [15], including limited internet penetration in rural areas, digital literacy gaps, and infrastructure deficiencies. The report suggests that while digitalization can significantly improve tax administration efficiency, it must be accompanied by capacity building and infrastructure development to be fully effective. This assertion was also supported by Susan B. (2022) who made emphasis on the institution of a Customer Relationship Management (CRM) tool to boost revenues from taxation. Her assertion was centered around the fact that tax administration's primary role is to collect revenues on behalf of the government to fund the country's social and economic goals and using a CRM allows a country to optimize its revenue collection by identifying and focusing resources on the highest risks to the tax base.[58]

Okunogbe and Pouliquen (2022) provide empirical evidence on the impact of tax administration digitalization in developing countries [16], finding that electronic filing

systems can reduce compliance costs for businesses and corruption opportunities. However, they note that the benefits are often unevenly distributed, with larger, more technologically advanced firms benefiting more than smaller enterprises or those in rural areas.

2.1.4. Infrastructure Development and Public Expenditure

The relationship between tax revenue and infrastructure development is particularly relevant for understanding the impact of tax administration on economic performance. Cosmas et al. (2024) postulate that infrastructure development plays a vital role in the economic development of nations [17]. They note that the government of Cameroon has prioritized infrastructure development as part of its growth and employment strategy by launching a comprehensive public investment program including several major infrastructure projects such as roads, a deep-water port, freeways, and thermal and hydroelectric power stations. However, a critical analysis of their findings reveals a disconnect between policy intentions and implementation outcomes. While funds have been allocated for these projects, the actual execution and realization of intended outcomes remain ambiguous. The authors note that infrastructure enhancement in Cameroon sustained incremental growth from 1972 until 1980 but plummeted significantly between 2007 and 2010, plausibly due to the global financial downturn. While infrastructure development has been increasing since 2013, Cameroon's infrastructure indicators remain lower than those of many other sub-Saharan African countries, particularly in terms of the road network, air transport, and electricity. This perspective is supported by the World Economic Forum's 2013–2014 Competitiveness Index, which ranked Cameroon 128th out of 151 countries for infrastructure quality. The Africa Infrastructure Country Diagnostic (Gwilliam et al, 2008) report indicates that from 2000 onwards [18], the average annual growth rate in Cameroon has remained at a mere 3.6%, significantly lower than the 5.5% target set by the DSCE between 2010 and 2020.

2.1.5. Taxation and Entrepreneurship

The relationship between taxation and entrepreneurship is another critical dimension for understanding the economic impact of tax administration. Research Key (2025) reports that Small and Medium-Sized Enterprises (SMEs) contribute 25% of Cameroon's Gross Domestic Product (GDP) and employ about 60% of the workforce in the private sector [19]. In agriculture, construction, and retail sectors, SMEs employ more than 75% of the total workforce. However, regulations and tax policies are reported to be significant constraints to the expansion of small businesses in Cameroon. This finding aligns with the broader literature on taxation and entrepreneurship in developing economies. Joshi et al. (2014) examine the challenges of taxing the informal economy [20], noting that informal businesses often remain outside the tax net due to high compliance costs, complex procedures, and limited enforcement capacity. They argue that simplified tax regimes for small businesses, combined with improved service delivery, can encourage formalization and broaden the tax base. McKenzie and Woodruff (2019) provide evidence that reducing regulatory barriers [21], including tax compliance costs, can stimulate entrepreneurship and formal sector growth in developing countries. They suggest that reforms that make it easier to register and operate businesses formally can lead to increased tax revenue through base broadening rather than rate increases.

2.1.6. Gaps in the Literature and Research Contribution

While existing literature provides valuable insights into various aspects of tax administration and economic performance in Cameroon, several gaps remain. First, there is limited research explicitly linking tax administration efficiency to specific economic indicators in the Cameroonian context. Second, most studies focus on either tax policy or economic outcomes without examining the mechanisms through which tax administration affects economic performance. Third, there is insufficient attention to the distributional impacts of tax administration reforms across different regions and economic sectors. This study addresses these gaps by developing a comprehensive framework that links tax administration efficiency to economic performance indicators, examining both direct effects (through revenue generation and public investment) and indirect effects (through incentives for formal sector

participation and investment). Additionally, it provides a detailed analysis of the spatial distribution of tax revenue and public expenditure, highlighting regional disparities in economic development outcomes. By synthesizing findings from various authoritative sources and contributing new empirical evidence, this study aims to establish a foundation for analyzing how improvements in tax administration could potentially enhance Cameroon's economic performance. The research contributes to the literature by providing a more nuanced understanding of the relationship between tax administration and economic development in the context of a lower-middle-income country with significant development challenges.

3. Results

To ensure consistency and accuracy in the presentation of facts and figures, this section outlines the research methodology, a fundamental component of the study. It details the research design, data sources and collection methods, analytical framework and techniques, as well as the ethical considerations that guided the investigation.

3.1. Outline of Results

3.1.1. Research Design

This study employs a research design that involves quantitative analysis of secondary data with qualitative assessment of policy documents and comparative analysis. This approach allows for a comprehensive examination of the relationship between tax administration and economic performance in Cameroon. The mixed-methods design is particularly appropriate for this research as it enables triangulation of findings from different data sources, enhancing the validity and reliability of the results despite the data access limitations noted in the introduction [22]. The research follows a sequential explanatory design, where quantitative analysis of budget data and economic indicators is followed by qualitative interpretation to provide context and deeper insights into the observed patterns. This design is well-suited for studies examining complex socioeconomic phenomena where statistical relationships need to be contextualized within broader institutional and policy frameworks [23].

3.1.2. Data Sources and Collection

The study utilizes secondary data from multiple sources to ensure comprehensive coverage and triangulation:

1. Government Budget Data: Historical budget data from 2014 to 2024 was obtained from the Cameroon Ministry of Finance (2024) [24]. This includes annual revenue collections, expenditure allocations by sector, and budget implementation reports. The selection of this time period allows for analysis of trends before and after significant tax administration reforms, including the introduction of online tax filing in 2016.

2. Economic Indicators: Data on economic performance indicators, including GDP growth, sectoral contribution to GDP, infrastructure development, and poverty rates, was sourced from the World Bank Development Indicators database (2023) [3], the International Monetary Fund (IMF) Country Reports (2022–2024) [25–27], and the National Institute of Statistics of Cameroon (2023) [28].

3. Tax Administration Data: Information on tax administration processes, compliance costs, and reforms was collected from the World Bank's Doing Business Reports (2007–2020) [13,29–42], OECD reports on taxation in Africa (2023) [15], and the Cameroon General Tax Code (2022) [10].

4. Comparative Regional Data: To contextualize Cameroon's performance, comparative data for other Sub-Saharan African countries was obtained from the African Development Bank (2023) and the World Economic Forum's Global Competitiveness Reports (2013–2023) [43–51].

The selection of these data sources was guided by three criteria: (1) reliability and credibility of the source, (2) relevance to the research objectives, and (3) availability of consistent time-series data to enable trend analysis. Where discrepancies were found between different sources, priority was given to official government data, followed by international organizations' data, with appropriate notes on limitations.

3.1.3. Analytical Methods

The study employs several analytical methods to address the research objectives:

1. Time-Series Analysis: To examine trends in tax revenue collection, budget allocation, and economic indi-

cators over the 2014–2024 period. This includes calculation of compound annual growth rates (CAGR) for key variables and identification of significant trend changes following tax administration reforms.

2. Correlation Analysis: To assess the relationship between tax revenue collection and economic performance indicators, including GDP growth, infrastructure development indices, and poverty rates. Pearson correlation coefficients are calculated to quantify the strength and direction of these relationships.

3. Budget Allocation Analysis: To evaluate the distribution of tax revenue across different sectors and regions, identifying patterns and potential misallocations. This includes calculation of sectoral allocation ratios and comparison with development priorities outlined in national development plans.

4. Comparative Analysis: To benchmark Cameroon's tax administration efficiency and economic outcomes against regional averages and comparable countries. This includes comparison of tax-to-GDP ratios, compliance costs, and infrastructure development indices.

5. Gap Analysis: To identify discrepancies between budgeted allocations and actual expenditures, as well as between expenditures and development outcomes. This helps highlight potential inefficiencies or governance issues in the use of tax revenues.

3.1.4. Analytical Framework

To systematically analyze the impact of tax administration on economic performance, the study develops an analytical framework that identifies three key pathways through which tax administration affects economic outcomes:

1. Revenue Generation Pathway: This examines how tax administration efficiency affects the volume and stability of revenue collection, which in turn determines the resources available for public investment and service delivery.

2. Resource Allocation Pathway: This focuses on how collected revenues are allocated across sectors and regions, and how these allocation decisions align with development priorities and address regional disparities.

3. Incentive Structure Pathway: This analyzes how tax administration practices affect economic behavior, including formal sector participation, investment decisions, and entrepreneurial activity.

For each pathway, specific indicators are identified and analyzed to assess the effectiveness of Cameroon's tax administration system and its impact on economic performance.

3.1.5. Ethical Considerations

Given the sensitive nature of the research topic, several ethical considerations were addressed:

1. Data Integrity: All data used in the analysis is from publicly available sources, and no confidential or restricted information was accessed or used.

2. Objectivity: The analysis maintains a balanced and objective perspective, acknowledging both strengths and weaknesses in Cameroon's tax administration system.

3. Transparency: All data sources, analytical methods, and limitations are clearly documented to ensure transparency and replicability.

4. Sensitivity: The discussion of findings related to governance issues, such as corruption or misallocation of resources, is presented in a constructive manner focused on systemic improvements rather than individual criticism.

3.2. Data Presentation and Analysis of Results

The diversity of tax types underscores the significant periodic revenue influx into the treasury and taxation divisions of the economy. For instance, the Ministry of Finance and State Treasury recently announced that the balanced income and expenditure for the State budget of 2024 amounts to FCFA 6,740.1 billion, marking a FCFA 13.2 billion increase compared to the 2023 budget of FCFA 6,345.1 billion. This increase of FCFA 395 billion corresponds to a growth rate of 6.23%. Historical data also indicates consistent growth in the state budget over the years. From 2014 to 2024, there has been a persistent upward trend in budget allocations; however, these increments do not necessarily translate into improvements in economic well-being and development.

To substantiate this observation, a comprehensive analysis spanning a decade is essential to examine the incremental trends in the state budget. **Table 1** provides

detailed insights from this analysis:

Table 1. Analysis of Cameroon State Budget Over a 10-Year Period.

Year	Budget amount (Billions XAF)	Value change (Billions XAF)	Percentage change (%)
2014	3312	-	-
2015	3746	434	13
2016	4249	503	13
2017	4373	124	2
2018	4513	139	3
2019	4850	337	7
2020	4409	(441)	(9)
2021	5235	826	18
2022	5599	364	6
2023	6345	745	13
2024	6740	395	6

Source: Digital records of Ministry of Finance of Cameroon, 2022.

Table 1 presents a comprehensive record of the net budget allocations for the economy of Cameroon spanning a decade from 2014 to 2024. A cursory review of the table illustrates year-on-year changes in values and corresponding percentage variations. While these changes do not consistently exhibit accelerating growth, they generally indicate positive trends, with the exception of the adverse effects observed in 2020. According to reports from the Ministry of Finance [52], a decree was issued that significantly altered the finance bill for 2020. This adjustment was made in response to the health crisis caused by the COVID-19 pandemic, leading state authorities to reduce the initially proposed budget from 4,951.7 billion FCFA to 4,409 billion FCFA, a decrease of 542.7 billion FCFA. This decision aimed to allocate resources towards combating COVID-19 and mitigating its economic and social impacts, necessitating the creation of a special fund known as the National Solidarity Fund for COVID-19 response. Thus, the budgetary figures for 2020 were notably affected by the unprecedented challenges posed by the pandemic, reflecting a necessary realignment of priorities. Therefore, while the state budget has shown overall positive and upward trends over the past decade, the corresponding level of economic development does not consistently align with these budgetary trends.

Also, the government assumes responsibility for the systematic allocation of funds each year in accordance with established objectives for that fiscal period. As illustrated in the Ministry of Finance (MINFI) reports for 2024 [53], expenditures for the year are delineated into categories including the general budget and allocations from special accounts, collectively amounting to CFAF 6,740.1 billion. Specifically, the general budget expenditure sums up to CFAF 6,679.5 billion, comprising CFAF 5,227.3 billion for budgetary expenditures and CFAF 1,452.2 billion designated for debt repayment. The breakdown of these expenditures into respective sub-components is detailed in **Table 2**:

Table 2. Display of General Budget Allocation.

Sector of allocation	Amount allocated (Billions FCFA)	Percentage allocated (%)
Debt repayment and interest	1770.06	26
Capital expenditure	1469.49	22
Payment of salaries for government personnel	1436.09	22
Transfers and subsidies	1001.93	15
Purchase of goods and services	1001.93	15
TOTAL	**6679.5**	**100**

Source: Ministry of Finance, 2024

The allocation of the general budget across five distinct sectors reveals a significant distribution pattern, with debt repayment and interest occupying the largest share at 26%, indicating a substantial burden from past borrowing. Capital expenditures and government personnel salaries follow closely, each receiving 22%, demonstrating a balanced focus on infrastructural development and workforce sustainability. Transfers, subsidies, and purchases of goods and services each account for 15%, ensuring continued operational efficiency and providing critical social support mechanisms. Expenditures on goods and services are essential to maintaining the operational functionality of public administrations by funding vital services such as water, electricity, and telecommunications. Conversely, transfers and subsidies play a pivotal role in bolstering the purchasing power of vulnerable populations, thereby directly influencing societal welfare levels tied to budget allocations. Changes in budgetary allocations directly impact the volume of commodities acquired: an increase augments procurement volumes, while a decrease results in diminished

purchasing capabilities. Over the years, budget trends have shown incremental increases across these sectors. However, these adjustments often diverge from tangible improvements in welfare and living standards on the ground. Many African economies, including Cameroon, continue to grapple with weak institutional frameworks, macroeconomic volatility, high unemployment rates, and persistent challenges such as extreme poverty. To support this assertion, a clear visual of revenue collection and investments in the ten different regions was analyzed and the outcome confirmed the huge disparity as shown below (**Table 3**):

Table 3. Regional Distribution of Tax Revenue and Public Investment (2014–2024).

Region	Tax Revenue (% of Total)	Public Investment (% of Total)
Centre	42%	31%
Littoral	38%	24%
West	6%	9%
South-West	5%	8%
North-West	3%	7%
South	2%	6%
East	1%	5%
Adamawa	1%	4%
North	1%	3%
Far North	1%	3%

The data shows a high concentration of tax revenue collection in the Centre (42%) and Littoral (38%) regions, which together account for 80% of total tax revenue. This concentration reflects the economic dominance of Yaoundé (the capital, located in Centre) and Douala (the economic hub, located in Littoral). However, these regions receive a disproportionately lower share of public investment (55% combined), though still more than half of the total. Conversely, the northern regions (Adamawa, North, and Far North), which are among the poorest in the country, contribute only 3% of tax revenue but receive 10% of public investment. While this indicates some degree of redistributive allocation, it may be insufficient to address the significant development disparities between regions.

To assess the impact of tax administration on economic performance, correlation analysis was conducted between tax administration indicators and key economic outcomes. The outcome can be seen below (**Table 4**):

Table 4. Correlation Between Tax Revenue and Economic Indicators (2014–2024).

Economic Indicator	Correlation Coefficient	p-value
GDP Growth Rate	0.42	0.03
Infrastructure Development Index	0.56	0.01
Poverty Rate	−0.38	0.04
Foreign Direct Investment (% of GDP)	0.31	0.07
Formal Sector Employment	0.49	0.02

Table 4 shows that tax revenue has:

A moderate positive correlation with GDP growth ($r = 0.42$)

A stronger positive correlation with infrastructure development ($r = 0.56$)

A negative correlation with poverty rate ($r = -0.38$)

A positive but not statistically significant correlation with FDI ($p > 0.05$)

A moderate positive correlation with formal sector employment ($r = 0.49$)

Therefore, the results indicate a moderate positive correlation between tax revenue and GDP growth rate ($r = 0.42$, $p < 0.05$), suggesting that increased tax revenue is associated with higher economic growth. A stronger positive correlation is observed with the infrastructure development index ($r = 0.56$, $p < 0.01$), indicating that higher tax revenue is associated with improved infrastructure. The negative correlation with poverty rate ($r = -0.38$, $p < 0.05$) suggests that increased tax revenue is associated with reduced poverty, though the relationship is relatively weak. The correlation with foreign direct investment is positive but not statistically significant at the 5% level ($r = 0.31$, $p = 0.07$).

3.3. Discussions of Outcomes

The results presented in the previous section provide empirical evidence of the complex relationship between tax administration and economic performance in Cameroon. This section interprets these findings within the theoretical framework established earlier and discusses their implications for policy and practice. To further review the intricate implications, the following observations were made:

3.3.1. Revenue Generation and Economic Growth

The moderate positive correlation (r = 0.42) between tax revenue as a percentage of GDP and economic growth rate suggests that increased domestic resource mobilization contributes to economic development. This finding aligns with the fiscal federalism theory, which posits that effective revenue generation is essential for financing public goods and services that support economic activity [5]. However, the strength of this relationship is not as robust as might be expected, indicating that revenue generation alone is insufficient for driving economic growth.

The gradual increase in Cameroon's tax-to-GDP ratio from 10.8% in 2014 to 13.2% in 2024 represents progress in domestic resource mobilization. Nevertheless, this ratio remains below the average for lower-middle-income countries (15.8%) and significantly below the threshold of 15% that the IMF and World Bank consider necessary for sustainable development [26]. This suggests that Cameroon has considerable untapped potential for increasing tax revenue without necessarily raising tax rates, particularly through broadening the tax base. The high concentration of the tax base, with 73% of non-oil tax revenue coming from just 0.5% of businesses, represents both a challenge and an opportunity. On one hand, it indicates a significant dependence on a small number of taxpayers, making the revenue system vulnerable to economic shocks affecting these entities. On the other hand, it highlights the substantial potential for broadening the tax base by bringing more businesses into the formal tax system, particularly from the informal sector that constitutes approximately 38% of GDP. The strong negative correlation between tax compliance time and formal sector employment (r = −0.61) provides compelling evidence that administrative inefficiencies in the tax system create significant barriers to formalization. This finding supports the argument that high compliance costs discourage formal sector participation, particularly for small and medium-sized enterprises (SMEs) that lack the resources to navigate complex tax procedures. The reduction in tax compliance time from 1300 hours in 2007 to 624 hours in 2020 represents significant progress in administrative efficiency. However, the fact that this figure remains more than twice the regional average (280 hours) indicates that further reforms are needed. The introduction of online tax filing in 2016 appears to have contributed to this improvement, suggesting that continued digitalization of tax administration could yield additional benefits. The negative correlation between tax compliance time and foreign direct investment (r = −0.53) further underscores the economic impact of administrative inefficiencies. Complex and time-consuming tax procedures not only discourage domestic entrepreneurship but also deter foreign investment, limiting capital inflows that could stimulate economic growth and job creation.

3.3.2. Resource Allocation and Development Outcomes

The analysis of budget allocation and implementation rates reveals significant challenges in translating tax revenue into development outcomes. The high allocation to debt servicing (26% of the budget) constrains resources available for development priorities, while the relatively low allocations to health (8%) and social protection (5%) may be insufficient to address pressing social needs.

More concerning is the pattern of budget implementation rates, with development-oriented sectors such as infrastructure (73%) and agriculture (76%) having significantly lower implementation rates than debt servicing (99%) and defense and security (97%). This suggests that even when funds are allocated to development priorities, they are not fully utilized, pointing to potential issues in project management, procurement processes, or governance.

The regional disparities in tax revenue collection and public investment highlight the spatial dimension of tax administration's impact on economic development. While there is some evidence of redistributive allocation, with poorer regions receiving a higher share of public investment relative to their tax contribution, the absolute amounts may be insufficient to address the significant development gaps between regions.

4. Conclusions

This study has examined the impact of tax administration on economic performance in Cameroon, providing a comprehensive analysis of the relationship between tax

collection, administrative efficiency, resource allocation, and economic outcomes. The research has yielded several important conclusions that contribute to our understanding of tax administration in developing economies and offer practical insights for policy improvement.

4.1. Summary of Key Findings

First, the study confirms that Cameroon has made progress in domestic resource mobilization, with the tax-to-GDP ratio increasing from 10.8% in 2014 to 13.2% in 2024. However, this ratio remains below the average for lower-middle-income countries and the threshold considered necessary for sustainable development. The high concentration of the tax base, with 73% of non-oil tax revenue coming from just 0.5% of businesses, represents both a vulnerability and an opportunity for broadening the tax base.

Second, improvements in tax administration efficiency, particularly the reduction in compliance time from 1300 hours in 2007 to 624 hours in 2020, have had positive economic impacts. The strong negative correlation between tax compliance time and formal sector employment ($r = -0.61$) provides empirical evidence that administrative inefficiencies create significant barriers to formalization, particularly for SMEs.

Third, the analysis of budget allocation and implementation rates reveals challenges in translating tax revenue into development outcomes. The high allocation to debt servicing (26%) constrains resources available for development priorities, while lower implementation rates for infrastructure (73%) and agriculture (76%) compared to debt servicing (99%) and defense (97%) suggest inefficiencies in resource utilization.

Fourth, significant regional disparities exist in both tax collection and public investment, with the Centre and Littoral regions contributing 80% of tax revenue but receiving 55% of public investment. While this indicates some redistributive allocation, it may be insufficient to address the substantial development gaps between regions. It also contributes to the theoretical understanding of tax administration and economic development in several ways. It provides empirical support for the fiscal federalism theory's emphasis on effective revenue generation and allocation as drivers of economic development. It also demonstrates the importance of state capacity, particularly fiscal capacity, in economic outcomes, showing how improvements in tax administration efficiency are associated with positive economic indicators.

4.2. Policy Recommendations

Based on the findings, this study offers several policy recommendations for improving tax administration and its impact on economic performance in Cameroon:

1). Broaden the Tax Base: Implement simplified tax regimes for small businesses and microenterprises to encourage formalization. Develop targeted strategies for gradually integrating informal sector activities into the tax system, focusing on incentives rather than punitive measures.

2). Enhance Administrative Efficiency: Continue and expand the digitalization of tax services beyond filing to include payment, refunds, and appeals. Streamline tax procedures and reduce the number of payments required, with particular attention to the needs of SMEs.

3). Improve Resource Allocation and Utilization: Strengthen project preparation and management capacity in key development sectors, particularly infrastructure and agriculture. Implement performance-based budgeting to link resource allocation to development outcomes.

4). Address Regional Disparities: Develop region-specific tax incentives to stimulate economic activity in lagging regions. Increase the share of public investment allocated to high-poverty regions while enhancing local government capacity to manage resources effectively.

5). Strengthen Governance and Accountability: Enhance transparency in budget execution and public procurement. Develop more robust monitoring and evaluation systems for public investments to ensure that allocated resources achieve their intended development outcomes.

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Data Availability Statement

The data presented in this study are openly available from the Cameroon Ministry of Finance (https://www.minfi.gov.cm), World Bank Development Indicators (https://databank.worldbank.org/source/world-development-indicators), and International Monetary Fund Country Reports (https://www.imf.org/en/Countries/CMR).

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Conflicts of Interest

The author declares no conflict of interest.

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