Entrenchment of Corruption and its Effects in Business Enterprise in Africa; an Experience of Cameroon Business Environment

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Abstract
This paper will explore, discuss and analyze the entrenchment of the effects of corruption in the Business sector in Africa with a case of Cameroon in understanding the entrenchment of corruption practices against transparent governance. An insight in the in the Business Coalition against corruption in Cameroon will be presented and a conclusion to the way forward to a more efficient business environment in Africa and Cameroon in Specific.

Keywords: Corruption, Entrenchment, Profit.

Introduction
Corruption is undoubtedly to be the problem among the most pressing business prosperity and development challenge that Africa is confronted with today [1]. Corruption has debilitating and corrosive effects on progress, stability and development of the business sector on the continent. It impedes economic growth by discouraging foreign investments, creates distortion in resource allocation and competitive markets, increases the cost of doing business and reduces the net-value of public spending. It also reduces the quality of services, public infrastructure and the volume of tax revenues. It encourages the misappropriation and misallocation of scarce resources with in the business sector in Africa. The social costs of corruption are also deleterious as it deepens income inequality, poverty and adversely affects to good moral values in the society. In general, corruption is a challenge to sustainable human development, income distribution and overall efficient utilization of African natural resources [2].

Clarification of Terms

Citizen Empowerment refers to the ability of citizens to gain understanding and control over personal, social, economic and political forces in order to take action to improve their life situations [3].

Corruption
Corruption is the misuse of public office for private gain [4]. Furthermore it’s a practices that should be seen as those involving the misuse of entrusted power for personal gain or the benefit of a group to which one owes allegiance [5].

Profit
Profit is an excess of revenues over total expenses for an activity over a period of times, and is ultimate measure for an enterprise to test its effectiveness for business” [6]. Thus, “an enterprise fails to make profit, capital invested is eroded and if this situation prolongs, the enterprise ultimately ceases to exist

Theoretical Framework; Theory of Change for Fighting Corruption
There is a theory behind every action, but it might not be articulated, questioned, or
If one accepts the premise of theory-based evaluation that “interventions are theories incarnate,” then there is a theory underlying every project, programme, and policy and potentially a black box to explore [7]. In seeking to understand “what works and why,” particularly for complex anticorruption interventions, one needs to disentangle distinct elements such as implementation failure, flawed design, and external constraints. In particular, in relation to this paper, it is helpful to illustrate Diego/Guinness function through implementation theories [8]. Implementation theories; refer to the links between a program’s activities and attainment of its stated outcomes from its members in a hierarchy as evidenced in the Business Coalition Against corruption Initiative led by Diego/Gunnies aiming at promoting the corporate code of conduct across all business enterprises. Preconditions in the fight against corruption relating to implementation theory can often be addressed by improving the programme design to counter corrupt acts in the business operations; these are called programmatic preconditions as evidenced in the promotion of ethical code of conduct at work place for private sector. Failure of efficient implementation of the ethical code of conduct several effects are experienced across the business environment. As illustrated bellow is the entrenchment of the effects of failure to counter the ill practices in business environment.

**Reduced Investment, Growth and a Consequence of Corruption across Private Sector and General Society**

In the commercial sphere, corruption interferes with private sector contracting transactions and creates confusion between public and private sector transactions because of the politicization of trade [9]. This control of the state is at the origin of the formation of monopolies and oligopolies leads to the privatization of entire sectors of the national economy, as a result the products of these companies are often of poor quality since they lack free competition and competitiveness [9]. The opinion of economists on the negative impact of corruption is more visible and significant. In reality neither donors nor financial institutions are interested in countries where corruption blurs good governance and seriously undermines economic development. Indeed, in a system of corruption, contracts concluded, either by nationals or foreigners always come with envelopes left in the circuit allocation, payment and control [9]. Everything is so paid into the pockets of officials and it affects the overall cost of the market. Corruption is paid to the state and more than enough for each of the procurement granted to private contractors. Losses are also incurred in government revenues when the public official or agent asks the users who are mostly ignorant of manifestation of corruption to give a part of the sum paid into the coffers of the state as the cost of services rendered in business establishment. Sometimes the user is exempted from any public official payment to fund the state [9].

In a system where most of the links of the chains are infested, where everyone finds his account in the wrong, it is not surprising that the entire country is sinking more and more as the case is in most of the African Countries. A controller carrying out the work that is corrupt, the gravediggers let the economy flourish freely. As a letter carrier this reduction of national income, this corruption makes the state unable to play its role with people affecting schools, health facilities and infrastructure in turn due to reduced tax base due to corruption [9] Many investigations have determined that corruption is a violation of human rights, to the extent that it prevents people from enjoying the fruits of growth, it is the denial of the right to permanent development.

**Insight to the End of Transparency in Investment Environment for Private Sector Prosperity and Related Economic Consequences in Cameroon**

“Corruption is so ingrained in people’s minds in Africa and in Cameroon is the same case that even in companies whose success depends on merit, we tend to think that we will fail if we do not pay anything (...) A
litigant may well have his right hand, he is convinced that he will lose his case as he has not done anything to be in the good graces of the judge in charge of his case.” [10].

Honest business people are discouraged when faced by competitors who have access to large reserves of cheap funds. Saving, inflation control measures and the work ethic are further undermined when extravagant illicit profits are spent on luxurious consumption. This has therefore enhanced the wider understanding that a sustained fight against corruption would undoubtedly result in improved public welfare [11]. Expounded to this is the argument that the damage of corruption lies in its influence on choices and the introduction of inefficiencies, common argument that has been advanced by academia and researchers alike is that corruption lowers investments, capital productivity, capital inflows and many other macroeconomic indicators that have a direct bearing on public welfare suggests that there is a direct causal link between corruption and economic growth [12]. Manifested in private business sector mostly in the form of Bribery as the payment (in money or kind) that is taken or given in a corrupt business transaction with the public sector for contracts or to hinder competitors from accessing markets or kick starting their business. These in detail could include kickbacks, gratuities, pay-off, sweeteners, and greasing palms for the case of Cameroon [13]. Fraud is also another form of corruption practice experienced by the private business sector in African and in specific to Cameroon, It involves some kind of trickery, swindle and deceit, counterfeiting, racketing, smuggling and forgery all geared to obtain maximum profits vis-à-vis the production costs and normally expected return on the input during production [13]. In addition to the manifestations, Nepotism to some extent is experienced by certain companies vis-à-vis another given company with a special form of favoritism in which an office holder prefers his/her kinfolk and family members private enterprise in contract with the Public sector. Nepotism, (which is also common in Cameroon), occurs when one is exempted from the application of certain laws or regulations or given undue preference in the allocation of scarce resources. This not only affect the citizenry in the long run but also at a greater level impedes economic growth by discouraging foreign and domestic investment, taxing and dampering entrepreneurship, lowering the quality of public infrastructure, decreasing tax revenues, diverting public talent into rent-seeking, and distorting the composition of public expenditure and quality of life of the citizenry in the nutshell.

In addition to limiting economic growth in Africa with specifics to Cameroon, there is evidence that corruption also exacerbates income inequality, regression analysis has shown a positive correlation between corruption and income inequality. Explanations for this link are that corruption distorts the economy and the legal and policy frameworks allowing some to benefit more than others leading to unfair distribution of government resources and services reducing the progressivity of the tax system which increases the inequality of factor ownership and lowers income households which pay a higher proportion of their income in bribes than do middle or upper-income households. Economic growth and income inequality are important because they link corruption to poverty and subsequently lower public welfare. Low level corruption like bribery has also been seen to affect public welfare, the Principal-Agent model which is based low level corruption, suggests that economic actions are restricted by legislation and regulation, while restrictions should be assumed to be exogenous and that corruption can enlarge the set of possible actions to be taken by the parties involved [14]. Corruption is deemed to take place when an agent of private sector trespasses on the rules set up by the principal colluding with the client an aware of manifestations of corruption and promoting his own benefit by obtaining a bribe that is hidden to the principal. The aim of a bribe is to loosen loyalty between agent and principal and induces the agent to bend the rules in favor of the client. It is this type of collusion between a client and the agent that distinguishes corruption from.
simple self-seeking behavior among agents in Cameroon [15]. In other words persons seeking public services are forced to pay bribes in order to obtain these services. This consequently affects public welfare due to “inaccessibility” of services, which should otherwise be free or charged at a lower fee.

It is imperative to note that empirical studies done in the past to determine the effects of corruption on economic growth and welfare have given mixed results. In the impact of corruption using Business International’s (1984) corruption index and growth rates of per capita GDP from 1960 to 1985, using these variables, Mauro shows that a one-standard-deviation decrease in the corruption index with a significantly increasing annual growth rate of GDP per capita by 0.8 per cent but after controlling other variables, including investment, the effect of corruption hence become insignificant [16]. In another similar study by Mo also uses long-term economic growth rates of per capita real GDP from 1970 to 1985 and shows originality, albeit controversial, in estimating a “direct” effect of corruption, as well as “indirect” effects of various transmission channels (i.e., investment, human capital, and political instability), through which corruption could affect economic growth and hence welfare [17]. Specifically, Montalv runs a regression using Transparency International’s Corruption Perceptions Index, variables measuring the three transmission channels, and other control variables. By using this method he shows that a one-unit increase in the corruption index from the private sector to Public sector transactions reduces the growth rate by about 0.545 percentage points (i.e., the “total” effect) and hence with reduction in growth, welfare is also reduced to some extent [17].

Evidence of Economic Effects of Corruption through the Reduced Foreign Direct Investment and Growth in Cameroon due to Corruption in the Private Actors

The structural Adjustment Program in Africa requires state to play only the regulatory role of the economy with the economy over which grand capital come from Foreign Direct Investors that deterred them from contributing to economy due to corruption that limit a free attractive environment to invest in a given country in Africa inclusive of Cameroon [18]. By 2009, many foreign and multinational enterprises (MNEs) had established operations in Cameroon, and many foreign banks and private investors had invested in the form of loans [19]. As MNEs transferred management and technology know-how to the domestic firms, it was expected that their presence would improve the economic growth of Cameroon, the host country. However, despite the overall increase in Foreign Direct Investment (FDI) inflow into Cameroon from 1986 to 1993, the real growth of GDP per capita remained at 6.14% on average. (United States Department of States [19]; Some progress appeared to have been made when the average annual FDI inflow into Cameroon increased from $284 million and $270 million in 2007 and 2008 respectively, to $337 million in 2009, primarily because of higher oil prices (United Nation Council on Trade and Development), United Nations Conference on Trade and Development.,2008) Nevertheless, UNCTAD of 2010 reported that Cameroon’s GDP growth was 1.5% in 2009. Cameroon has experienced less GDP than comparable Sub-Saharan countries, such as Nigeria, Ghana, and Liberia, which had experienced GDP growth of 2.9%, 3.5%, and 4.6% respectively [20]. In 2009, similarly indicated that FDI inflow into the country has not resulted in higher rates of economic growth and technological development [21].

The dismal economic progress is puzzling because, as a bilingual country, Cameroon has an advantage in attracting FDI from both French and English-speaking developed countries [22]. In recent years, it has been able to attract more FDI due to much-improved governance, economic policies, and other legal instruments. However, the increased FDI has not generated more economic growth as anticipated. The reasons for Cameroon’s low economic growth despite the increased FDI have not fully been identified and addressed. Many economists have examined the size and various other
characteristics of the host market, as well as the nature of the MNEs and the investment to explain individual decisions to invest in international market. Factors such as the market size of the country, availability of labor, and other important factors are considered [23]. The size of the host market and level corruption in the country play important role in attracting FDI to a country [24]. The larger the market of a country, the more encouraged foreign investors is to invest in that country. However, many view political instability and democracy as one of the major determinant factors that attract FDI and due to all this assumptions on what attract FDI, the need to address corruption in the business sector remains to be the among the main challenges to the business prosperity in the country in addition to other factors [25]. The level of corruption in the host country is one of the major determinants of FDI inflow into a country, hence low economic growth [26]. In addition to this wore research is needed to find out if the frameworks and interplay efficiency of actors in the fight against corruption are relevant to the reasons towards a poor economic growth in Cameroon despite the higher inflow of FDI into the country. According to Niyogi’s study, all the 20 investment managers (100%) expressed concern over bureaucracy and 95% reported bribery and corruption as possible factors for the poor economic growth in Cameroon. 

From the initial study finding, there was the possibility of a relationship between bribery, corruption and bureaucracy with the poor economic growth in Cameroon [27]. About 80% of the participants reported that the presence of FDI in Cameroon has provided the Cameroonians many choices in products and services. Findings of this study have mixed support, which emphasized exploitation of the host country’s work force and extract the natural resources as means of maximizing their profit margin to satisfy the shareholders through corruption practices [22]. When asked about the reasons for the poor economic growth in Cameroon, all the 20 participants unanimously pointed to bribery and corruption and bureaucracy. This was consistent with the report with the barriers to the economic growth in Sub-Saharan countries. It found that paid public servants receive bribes to provide services to the public (citizenry) [22]. It was also reported that extensive bureaucracy in the government, it takes longer time to issue permits for new business ventures. These additional to corruption and other factors contributed to the poor economic growth in the country. The findings revealed bureaucracy and corruption as the possible challenges facing the economic growth of Cameroon. Other factors of concern for the slow economic growth were potential political instability due to disunity within the President’s cabinet and party [22]. Bureaucracy and widespread bribery enabled inefficiency in the government to execute policies necessary for economic growth in the country. It is important to note that FDI provides among others, training, creation of employment opportunities to the Cameroonians, and help to expose local vendors to international market through the Private sector. Engagement and Conflicts within the ruling party should be addressed to enable a full focus to the country’s problems including the poor economic growth against corruption and bureaucracy that stifle effective execution of sound economic policies in addition to eliminating bribery and corruption which have plagued the country for decades in Cameroon [22]. A review of the findings shows that as many developing countries in Africa compete for more FDI with generous incentives, it is hereby recommended to Cameroon to assess the extent of FDI spillovers before the award of such incentives to the FDI [28]. The problem of economic growth in Cameroon is a complex issue. It would require more than one source or approach to solve. Whereas Forgha believed in the liberalization of both economic and trade policies [22]. Ajayi stressed elimination of bureaucracy, corruption and enforcement of existing economic policies to stimulate economic growth in Cameroon [19]. Through which with a transparent business environment, more transactions can be encouraged from Foreign Direct Investors to engage more in Cameroon with less fear of losses that may arise due to corrupt practices and bureaucracy which are all supported by a
well-educated and receptive citizenry within Public, Private as well as in the citizenry sector.

**Business Coalition against Corruption (BCA-C): Initiative to Boost the Investment Environment in Cameroon Gradual Progress to Transparency**

BCAC for private sector is led by Guinness and was formed in 16 February 2011 (BC1-C, 2011). It comprises of a consortium of private companies including; Standard Chartered, MTN, multinationals of the oil & energy sectors as the sectorial leading actor in the fight against corruption in this coalition of business sector. BCAC work with TI-C and CONAC on ad hoc continues to pressure businesses to improve their compliance mechanisms, and plays an active role in catalyzing the formulation of business standards against bribery and corruption with facilitation and authority to carry out their campaigns by CONAC in Cameroon and technical assistance provided by TI-C towards improving investment environment. Since 1827 Diageo/Guinness has existed in Africa with business built on strong partnerships across East to West, North to South of Africa with markets including; East Africa Breweries Limited, Guinness Ghana, Namibia Breweries, and brand house. It is committed to the highest standards of integrity and compliance in all that done and operates in agreement with the ten principles of the UN Global Compact across human rights, labor, environment and anti-corruption.

BCA-C has continued to pressure businesses to improve their compliance mechanisms, and plays an active role in catalyzing the formulation of business standards against bribery and corruption with facilitation and authority to carry out their campaigns by CONAC in Cameroon and technical assistance provided by TI-C towards improving investment environment. Since 1827 Diageo/Guinness has existed in Africa with business built on strong partnerships across East to West, North to South of Africa with markets including; East Africa Breweries Limited, Guinness Ghana, Namibia Breweries, and brand house. It is committed to the highest standards of integrity and compliance in all that done and operates in agreement with the ten principles of the UN Global Compact across human rights, labor, environment and anti-corruption.

The internal reporting procedures, is accountable and transparent in all company transactions. Furthermore it cooperates with authorities investigating and prosecuting cases of corruption, engaging in collective business action with industry peers through the BCA-C. As the lead actor in the BCA-C initiative, Guinness check human resources and other relevant departments to see if the following exist: an employee-training program on how to identify bribery and corruption; a code of business conduct and ethics that includes a requirement for employees to review and sign off on the code regularly; – an ethics —hotline for reporting suspected violations (as well as use statistics). In addition to this an investigation procedure that addresses violations, including information on investigation results is ensured [29]. BCA-C promotes the development of standards and procedures designed to safeguard the integrity of relevant private entities, including codes of conduct for the correct, honorable and proper performance of the activities of business and all relevant professions and the prevention of conflicts of interest, as well as promoting the use of good commercial practices among businesses and in the contractual relations of businesses with the State. It also promotes transparency among private entities, including, where appropriate, measures regarding the identity of legal and natural persons involved in the establishment and management of corporate entities; and lastly help in preventing the misuse of procedures regulating private entities, including procedures regarding subsidies and licenses granted by public authorities for commercial activities” [30]. It’s evident that. With this initiative in Cameroon, more business prosperity is ensured and more Foreign Investment would prosper more than it was before such initiative came into existence.

**Conclusion**

More initiatives of this nature should be created across Africa to ensure transparency in the business environment by the acting business enterprises. As the case is for Cameroon, Its evident that in the past left a lot and more has been lost through corruption since 1999 a year when the
country was declared to be the most corrupt in Africa. However, irrespective of all this past experience the new initiatives like BCA-C are promising to improve the business environment through a coalition of Business enterprises that join hands to fight against corruption within the country. Furthermore to this, for efficiency of these initiatives a lot has to be done to educate the citizens who are the customers to the enterprises on the manifestation of corruption at all level of business relation with the public in the private sector. This could best be done if corporate social responsibility part of it is channel to civil society’s awareness programs like those of Transparency International-Cameroon. If this is done, then the BCA-C activities designed will meet well informed citizens who will in turn support the structural and institutional procedures set to ensure efficient fight against corruption across the business environment and general public service to encourage more investment, distribution of income, and increase the tax base for the government to increase the net value public spending towards improving the overall standard of living of all people in Africa.

References


