Tax Incentives and Financial Performance of Manufacturing Companies in Southwest Nigeria

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Certification

This is to certify that **Matthew Oyesola Olaoye** with the matriculation number **LCU/PG/001285** carried out this research work titled: **Tax Incentive and Financial Performance of Manufacturing Companies in Southwest, Nigeria** in the Department of Management and Accounting Lead City University, Ibadan, Nigeria for the award of Doctor of Philosophy degree (PhD) in Accounting and this has not been previously submitted.

Professor G. E. Oyedokun **Date**
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Dedication

This work is dedicated to God Almighty and my supportive family.

Acknowledgment

The researcher is grateful to the institution - Lead City University, Ibadan, Oyo State librarian that gave me the access to information I used in this research work.

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"Even though the above-mentioned institutions and persons have assisted in the correction of this research work, I alone stand responsible for the errors, if any, found in the work".

Abstract

This study investigated tax incentives and financial performance of manufacturing companies in southwest Nigeria, as there are few studies on the subject, particularly in the Nigerian context. The study was guided by optimal theory, investment behavior theory, and agency theory. There were four research questions and hypotheses developed. A cross-sectional research survey was used in the study. The population of the study included all top management personnel from the three thousand and sixty-four (3064) manufacturing companies. Cross sectional survey research design was adopted. Purposive sampling was used to choose 86 companies based on the availability and suitability of their records for the study data needs. A total of 172 respondents were chosen from 86 manufacturing companies, with two (2) respondents from each. A modified questionnaire was used and its face and content were validated by experts, while the construct validity requirements were met using the Fornell-Larcker criterion. Cronbach's alpha was used to test for reliability, and average value was larger than 0.7. The study data was analyzed using descriptive statistics and inferential statistics. Tax incentives had a significant effect on profitability (Adj R2 = 0.942, F(5,137)= 461.796, p= 0.000); return on investment (Adj R2 = 0.882, F(5,137)= 213.859, p= 0.000); and return on asset (Adj R2 = 0.879, F(5,137)= 207.562, p= 0.000). Furthermore, firm size has a positive and significant moderating effect on the interaction between tax incentives and financial performance (AdjR2 = 0.911, F(1, 141) = 1435.572, p = 0.000). It was concluded that tax incentives have a significant effect on financial performance and that firm size positively strengthen the effect of interaction between tax incentives and financial performance in southwest Nigerian manufacturing companies. It was recommended that the government review tax incentive policies on a regular basis and increase tax incentives to boost economic growth through manufacturing sector. Precisely, financial performance of a firm is enhanced by its size because the larger the firm size the more access to tax incentives and better profitability through economy of scale.

Keywords: Financial Performance, Profitability, Return on Investment, Return on Asset, Taxation, Tax Incentives.

Word Counts: 299

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List of Acronyms

Abbreviations	Meaning
GDP	Gross Domestic Product
ROI	Return on Investment
ROA	Return on Asset
EVA	Economic Value Added
MFJ	Married Filing Jointly
MFS	Married Filing Separately
VAT	Value Added Tax
CIT	Company Income Tax
EDT	Education Tax
CGT	Capital Gains Tax
WHT	Withholding Tax
PPT	Petroleum Profits Tax
MERT	Marginal Effective Tax Rate
IDITA	Development Income Tax Act
EIA	Energy Information Administration's
OPEC	Organization of Petroleum Exporting Countries
IMF	International Monetary Fund
FDI	Foreign Direct Investment

Chapter One

Introduction

1.1 Background to the Study

The manufacturing sector contributes to a country's growth and development. Developed countries first rely on agricultural and manufacturing sectors to support their economies. To be realistic, the government of the developing countries Nigeria inclusive should use all available ways to stimulate manufacturing company expansion in order to create more jobs, raise GDP, and reduce importation in order to keep the country from becoming a dumping ground. Tax relief are one of the most important ways to address this challenge. However, the service industries in these countries have made the greatest contribution to their GDPs. The incentive policies enacted by countries for the private sector, particularly the manufacturing industry, are one of the necessary instruments for the sustained growth of economies. These incentives include tax benefits, corporate tax, investment tax allowance, rural investment allowance, reductions and exemptions, tax credits, tax deferrals, labor cost supports, and exclusions.

The manufacturing sector's share of GDP in the United States in 2018 was 18.64 percent, while the service sector's share was 76.89 percent. Similarly, to the United States, the manufacturing sector in the United Kingdom contributed 17.83 percent, while the service sector contributed 70.9 percent. The manufacturing sector's contribution to the national GDP serves as a clear indicator of this trend. The trend of a decrease in the manufacturing sector's contributions to GDP is supported by Kuznets' position, which holds that increases in the share of manufacturing in GDP are a key feature of modern economic

growth, which is noticeably different from the significantly lower growth rates seen in the world before the start of the industrial revolution[1].

Manufacturing contributed significantly to the GDP of China, which is still classified as a developing country. Prior to the Covid-19 pandemic, which wreaked havoc on many nations, particularly developed nations with large geriatric populations, China made a contribution; the manufacturing sector accounted for 40% of China's GDP. During the recovery period in 2020, the manufacturing sector contributed 26.18 percent of China's GDP[2]. Manufacturing contributes significantly to a country's GDP and employment base, according to data on the trend of that sector's contributions to economic growth and development. Currently, the manufacturing industry in India contributes 16-17 percent of GDP and employs about 12% of the labor force. According to studies on the sector's contribution, every job created in the manufacturing sector creates two to three jobs in the service sector. This suggests that the manufacturing sector drives other sectors, including the service sector.

The manufacturing sector in Nigeria contributed roughly 13% of GDP, according to the World Bank. By 2020, 4.75 percent of the country's GDP was contributed by the food, beverage, and tobacco industries. The production of food and drink, tobacco, chemicals and fertilizers, wood, textiles, and building materials dominates Nigeria's manufacturing sector. Food and beverage, cement, and textiles account for 77 percent of manufacturing output and produce the most value[4]. However, the manufacturing industry has occasionally encountered issues that have slowed the sector's accelerated growth and development. Subpar infrastructure, unstable power supplies, a lack of raw materials, and shoddy tax and tax incentive administration all threaten the growth and development of

this industry in Nigeria. Similarly, these difficulties make the industry's production possibility curve inefficient. Furthermore, the underwhelming performance of the manufacturing sector has resulted in the generation of unemployment, which is primarily caused by insufficient electricity supply, the smuggling of foreign goods into the country, a high exchange rate, insufficient financial support, and a lack of proper harmonization and coordination of tax policy, resulting in a multiplicity of taxes[5]. These difficulties were reportedly caused by Nigeria's underwhelming manufacturing sector, which had an impact on their financial performance.

Financial performance is an economic metric that reflects a company's overall market value. Financial performance, which includes fund allocation and collection as well as capital adequacy, liquidity, solvency, efficiency, leverage, and profitability6, is the achievement of the company's financial health for a given period. Financial performance measures how effectively a company can use resources from its main line of business to generate income[6]. The phrase is also used as a broad indicator of a company's long-term financial stability. Government policies have an impact on the financial performance of businesses, particularly manufacturing businesses. Governments at all levels can influence fiscal and monetary policies, which in turn affect how well manufacturing companies perform financially. The direction and intent of government economic policies could make or break the financial situation of Southwest Nigerian manufacturing companies[5]. Policy that encourages manufacturing company expansion improves operational performance while also improving financial performance and sector position.

According to a study on the factors affecting listed manufacturing firms in Sri Lanka, financial performance of manufacturing firms was unsatisfactory. The gross profit ratio

(GPR), operating profit ratio (OPR), net profit ratio (NPR), return on investment (ROI), and return on capital employed (ROCE) were used as proxies for measuring the financial performance of manufacturing firms in the study. Similarly, research indicates that the financial performance of manufacturing firms listed on the Bombay Stock Exchange in India is currently influenced by sales of manufacturing products related to environmental accounting. The study's findings revealed that environmental accounting has a positive impact on business financial performance. According to one proposal, the government should provide tax incentives to businesses that follow environmental regulations.

Tax policy is the most important aspect of fiscal policy that affects the financial performance of Nigerian manufacturing firms. The government uses tax policy as a fiscal tool to fund infrastructure and other critical economic needs. Tax rate reductions and tax incentives, according to studies on how to improve a manufacturing firm's financial performance, can boost the sector's financial performance while also promoting economic growth and development.

To address manufacturing firms' poor performance and its effects on national development. Governments around the world use tax incentives to encourage business investment and economic activity. Such incentives are used to direct specific economic activity into key economic sectors where it is either undetectable or nonexistent. Tax incentives are a positive economic force that promotes the development of an economy's underdeveloped sector or sectors. It is used by the government to stimulate economic activity in a sector that has room to grow but is not yet at the cutting edge of efficiency. Tax incentives are a tool used by the government to aid and accelerate economic development. The policy involves minimizing the effects of taxes on individuals and

businesses in order to encourage savings and investment in the economy. To encourage the operation of manufacturing companies, the government uses tax incentives. Tax incentives are known to increase job opportunities and support the overall growth of the manufacturing sector. Tax incentives are special exclusions, exemptions, or reductions that provide special credits, preferential tax rates, or the ability to postpone tax payments. Examples of tax incentives include tax incentives, investment credits and allowances, accelerated depreciation, special zones, investment subsidies, tax exemptions, lower tax rates, and indirect incentives.

Taxes are a burden, whereas incentives are a boon. As a result, tax incentives are a type of tax relief offered by the government to manufacturers. Tax incentives are provided to encourage manufacturing operations and increase financial capability, allowing for future growth. Tax incentives are provided to encourage manufacturing operations and increase financial capacity. According to one study, the government provides tax incentives to attract new investment and boost the potential of existing manufacturing firms. He went on to say that implementing tax incentives in Nigeria's manufacturing sector could result in the country's economy experiencing long-term growth and development[12]. Tax incentives may assist manufacturers in reducing fixed production costs and increasing variable costs. It is a government-backed investment strategy designed to attract both domestic and international capital to the manufacturing sector.

Tax incentives are commonly used to stimulate economic growth in developing countries, despite the fact that their cost effectiveness has long been questioned by financial experts. In addition to lost revenue, tax incentives can cause resource allocation distortions, make tax administration more difficult, and open the door to corruption and rent-seeking. The

effectiveness of taxes as engines of economic growth and development is related to the tax structure of a country. As a result, tax administration has a large influence on how taxes are used. A tax system that ensures effectiveness, equity, and efficiency is required for sound public finance. As a result, a good tax system and the justification of tax incentives in the sector are critical to the effectiveness and efficiency of using tax incentives to stimulate and encourage growth and development in the manufacturing sector. The removal of capital allowance restrictions, the generous capital allowance rate, the investment allowance (such as the tax incentive on expenditures for plant, machinery, and equipment), the rural investment allowance, and the tax benefit for operating in an economic free zone, on the other hand[13].

Numerous subjective and objective metrics could be used to assess the financial success of any company. A firm's financial performance is identified as being influenced by a variety of factors, and it is a measure of an enterprise's gains during its operational years. The size of the company is one of the particular company-level factors that could have an impact on a business' performance[14]. The type of financing a business selects will depend on its size. While smaller businesses are more likely to use equity, larger ones prefer to leverage. No matter the sector or other microeconomic variables, the firm's size has a significant impact on its financial performance[15]. The size of the company may be a good thing for shareholders because it will improve company success and have an effect on financial performance. Sometimes, corporate funding would increase due to the firm's size. One of the characteristics of a corporation that is consistently linked to its success is its size, which is frequently determined by the natural logarithm of either revenue, employees, or assets. Larger companies typically have a wider range of products and services, the

capacity to benefit from economies of scale, and a more organized operational structure. However, claims that due to institutionalized processes and market inefficiencies, business scale may result in below-average performance[14&15]. All of the characteristics mentioned here are intended to affect operations and help the business produce better performance. Larger businesses may also be able to find exceptional employees who will significantly raise their performance levels. The manufacturing industry faces a variety of difficulties, such as inadequate infrastructure, limited market access, and an oversupply of low-cost imports in local markets. However, improvement in firm size, capacity, capability, and strategies may counter the effect, leading to improvement in per-unit productivity, total sales and performance. To this end this study investigates tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

1.2 Statement of the Problem

Nigeria's manufacturing sector has faced numerous challenges. Concerns have been raised about the economic performance and contribution of manufacturing companies, particularly in light of recent revelations that other economic sectors—like real estate and telecommunications—have outperformed them in terms of GDP contributions. Improvements in micro factors, such as firm size, capacity, capability, and strategies, can mitigate the effect and improve performance. The manufacturing sector faces a number of macro factor challenges, such as inadequate infrastructure, limited market access, and a glut of cheap imports in local markets. Investigating the factors that affect the financial performance of manufacturing enterprises has become necessary. Different theories regarding the role of tax incentives as an engine for economic and industrial development

have been supported by empirical studies. While some schools of thought contend that tax incentives promote economic and industrial development, others contend that they actually decrease the amount of money that the government can expect to collect. This prevents it from stimulating the economy. However, empirical studies that have been reviewed show that tax incentives have a positive impact on economic growth and development through the results that have been seen in some economic sectors. In a study on the impact of tax incentives on FDI in Nigeria, the impact on financial performance was not adequately captured[14]. Another study on tax incentives and economic development was done, but it neglected to address the relationship between tax incentives and the financial performance of manufacturing companies[15]. Similar to that, the impact of tax incentives on foreign direct investment in Nigeria's petroleum sector was investigated[16] without accounting for the manufacturing sector. These studies have left a gap in the literature that the current study, which examines the financial performance of manufacturing firms in Southwest Nigeria.

Also, a study on tax incentives as a real modifier for industrial growth and development in Nigeria revealed a methodological gap. The study showed a methodological gap because it used descriptive statistics, whereas the current study will use inferential statistics to concentrate on the manufacturing firms. Additionally, a study on the effects of tax policy on SMEs was conducted, filling a sectorial gap in the manufacturing sector[17]. Observations from the reviewed empirical studies show that there is dearth of studies on the effect of tax incentives on the financial performance of manufacturing companies in Southwest, Nigeria.

Furthermore, both tax incentives and business size may be responsible for the increase or decrease in financial performance. With a large firm size, may make use of economies advantages in the utilization of tax incentives over small scale business. Studies asserted that firm size could weaken or strengthen tax incentives on financial performance[18,19]. Hence, firm size and tax incentives was likely to increase company performance. Thus, this current study will fill this gap by investigating the effect of tax incentives on financial performance of manufacturing firm. The introduction of moderating variable of firm size further make this study uniquely fill the identified gap.

1.3 Aim and Objectives of the Study

The aim of this study is to investigate the effect of tax incentives (capital allowance, investment allowance, rural investment allowance, export promotion and corporate tax allowance) on the financial performance (profitability, return on investment and return on assets) of manufacturing companies in Southwest, Nigeria. To achieve the above the following specifics are set out to:

i) establish the effect of tax incentives on profitability of manufacturing companies in Southwest, Nigeria.

ii) investigate the effect of tax incentives on return on investment of manufacturing companies in Southwest, Nigeria of manufacturing companies in Southwest, Nigeria.

iii) examine the effect of tax incentives on return of assets of manufacturing companies in Southwest, Nigeria.

iv) determine the moderating effect of firm size on the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

1.4 Research Questions

The following research questions are to guide the objective of the study.

i. What is the effect of tax incentives on profitability of manufacturing companies in Southwest, Nigeria?

ii. What effect does tax incentives have on return on investment of manufacturing companies in Southwest, Nigeria of manufacturing companies in Southwest, Nigeria?

iii. What effect does tax incentives have on return of assets of manufacturing companies in Southwest, Nigeria?

iv. What is the moderating effect of firm size on the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria?

Hypotheses

The following hypotheses were formulated to guide the objective of the study.

Ho1: Tax incentives have no significant effect on profitability of manufacturing companies in Southwest, Nigeria.

Ho2: There is no significant effect of tax incentives on return on investment of manufacturing companies in Southwest, Nigeria.

Ho3: Tax incentives have no significant effect of on return of assets of manufacturing companies in Southwest, Nigeria

Ho4: Firm size does not significantly moderate the relationship between tax incentives and the financial performance of manufacturing companies in Southwest, Nigeria.

1.5 Significance of the Study

This study is significant to the following Management of the manufacturing industry, and its regulators, Corporate managers and business leaders, stockbrokers, Government, Financial analyst such as Security analysts, investment managers, and retail investors, entrepreneurs, Academic community:

This study is significant to the following Management of manufacturing industry, tax payers Corporate Government, and Academia

Specifically, Nigeria's manufacturing sector has faced numerous challenges. Concerns have been raised about the economic performance and contribution of manufacturing companies, particularly in light of recent revelations that other economic sectors—like real estate and telecommunications—have outperformed them in terms of GDP contributions. Improvements in micro factors, such as firm size, capacity, capability, and strategies, can mitigate the effect and improve performance.

The research will provide corporate tax payers, particularly those in the manufacturing sector, with information on existing tax incentives and how to use them to increase their savings for future investments. Increased investment in the country is likely to result in increased revenue for the government through taxation.

The manufacturing sector faces a number of macro factor challenges, such as inadequate infrastructure, limited market access, and a glut of cheap imports in local markets. Investigating the factors that affect the financial performance of manufacturing enterprises has become necessary. Different theories regarding the role of tax incentives as an engine for economic and industrial development have been supported by empirical studies. While some schools of thought contend that tax incentives promote economic and industrial development, others contend that they actually decrease the amount of money that the government can expect to collect. This prevents it from stimulating the economy.

However, empirical studies that have been reviewed show that tax incentives have a positive impact on economic growth and development through the results that have been seen in some economic sectors. In a study on the impact of tax incentives on FDI in Nigeria, the impact on financial performance was not adequately captured[14]. Another study on tax incentives and economic development was done, but it neglected to address the relationship between tax incentives and the financial performance of manufacturing companies[15].

This study will provide to the government the importance of tax incentives in boosting a country's economic growth. Similar to that, the impact of tax incentives on foreign direct investment in Nigeria's petroleum sector was investigated without accounting for the

manufacturing sector[16]. These studies have left a gap in the literature that the current study, which examines the financial performance of manufacturing firms in Southwest Nigeria, will fill. As a result, the study looked at tax incentives and the financial health of manufacturing firms in Southwest Nigeria.

A study on tax incentives as a real modifier for industrial growth and development in Nigeria also revealed a methodological gap. The study showed a methodological gap because it used descriptive statistics, whereas the current study will use inferential statistics to concentrate on the manufacturing firms. Additionally, a study on the effects of tax policy on SMEs was conducted, filling a sectorial gap in the manufacturing sector.

The study's findings may provide academic scholars with an additional source of information on tax incentives and financial performance in an era when academia is believed to pay little attention to tax incentives and financial performance. Researchers may also utilize the findings as a template to further investigate and exploit prospects for developing new techniques and efficient methods of comprehending the tax incentives and financial performance. Finally, it is envisaged that the study will serve as a source of knowledge for future students conducting research of this type.

1.7 Scope of the Study

The effect of tax incentives on manufacturing companies in Southwest, Nigeria is the focus of the study. However, it is confined to both all the male and female financial or accounting staff in the top management cadre of all three thousand and sixty-four (3064) manufacturing companies registered under Manufacturer Association of Nigeria (MAN) directory as at year 2022. Tax incentives (capital allowance, investment allowance, rural investment allowance, export promotion tax incentive and corporate income tax holiday

incentive) was used as independent variables in this study, whereas financial performance (profitability, return on investment and return of assets) of manufacturing companies in southwest Nigeria was used as a dependent variable and firm size was considered the moderator.

1.8 Limitation of the Study

For this study, only the two most senior accountants from the selected manufacturing companies in southwest Nigeria were used as respondents. This posed a serious delay in the distribution of the questionnaire to them as many of them were highly busy, not easily accessible, and initially unwilling to receive and attend to the instrument. Furthermore, the respondents were accountants of manufacturing companies in southwest Nigeria, specifically in Lagos and Oyo states. However, with persistence and numerous visits, most of the respondents were contacted and the necessary data were collected. This limits the generalizability of the findings to the nation. This is because accountants in other states of the federation may not have the same perception of situations and circumstances.

1.9 Operationalization of the Variables

The purpose of this study is to examine impact of tax incentives on financial performance of manufacturing firms. To achieve this, three variables are X, Y, and Z (tax incentives, financial performance, and firm size) identified in the study, these are: independent, dependent variables and moderating variable. The independent variables are the Tax incentives proxies mentioned in the objective of the study, the dependent variable is financial performance of selected manufacturing companies from MAN. While

moderating variable is firm size. A model, is a mathematical expression of reality though it can exist in different forms[3]. The model for this study was specified in line with the research questions.

$FP = \alpha + \beta_1 CA + \beta_2 IAf + \beta_{3E} CD_+ \beta_4 XI + \beta_5 CII + \mu$

αit = Constant of the equation

β- βit = Coefficient of the explanatory variable

μ = Error terms

Where; A

FA= Financial Performance

CA= Capital Allowance

IA = Investment Allowance

RI= Rural Incentives

XI=Export Promotion Incentive

CITA=Corporate Income Tax Holiday

For the Moderating Effect of Firm size

Firm Financial Performance= $\alpha it + \beta_1 CI + \beta_2 M + \beta_3 CI * M$

Where;

CI= Composite of Independent variables

M= Firm size

CI*M= Interaction term (Interaction between independent variables and Firm size (moderator)

1.10 Operational Definitions of Terms

Annual Allowance– This is given or granted to businesses, regardless of whether the initial allowance has been granted, that have incurred a qualifying capital expenditure during each assessment year that the asset is still in use.

Capital Allowance– This is a benefit provided by the act for qualifying capital expenditures made solely and exclusively for trade or business.

Custom duty is a tax or tariff on merchandise exports or imports

Disposable Income: All incomes, minus taxes and other payments to the government, make up disposable income, which is the amount of money that an individual has available for savings, investments, and consumer spending.

Exportation Incentive: These are rewards given for any expenses that are solely, absolutely, obviously, and reasonably incurred in order to conduct petroleum operations.

Investment Allowance: A certain category of businesses is eligible to receive an investment allowance as a tax incentive for incurring certain qualifying capital expenditures on plant and equipment used for the business at a cost-based rate of 10%.

Rural Investment Allowance– This is given to all capital costs incurred by businesses located in rural areas in order to provide an infrastructure facility that is lacking.

Tax Incentives- These are benefits provided to businesses or taxpayers in the form of a deduction from gross profits before calculating the tax liability. Tax holidays are granted to businesses and industries as an incentive to pay their taxes, and they are set by legislative authorities.

Profitability: This is the net profit or earnings that manufacturing companies report at the end of each fiscal year**.**

Return on Investment: This speaks of the return on investment. It is the estimated value of today's investment in the future.

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Chapter Two

Literature Review

This chapter presents the review of related literature considered relevant to this study. The literatures were reviewed conceptually, empirically and theoretically. It also contains the gaps identified in accordance to the statement of research problem and the stated objectives of the study. While the conceptual review will address the various concepts and constructs relevant to the stated objectives, theoretical review only focuses on the theories relevant to this topic. Also, review of empirical study focuses on previous works in line with the stated objectives for this study. The chapter is arranged in these proceedings:

2.1 Conceptual Review

2.1.1 Financial Performance

2.1.2 Tax Incentives

2.1.3 Manufacturing company in Nigeria

2.2 Theoretical Review

2.2.1 Optimal Tax Theory

2.2.2 Theory of Investment Behaviour

2.1 Conceptual Review

2.1.1 Financial Performance

A successful and healthy economy depends on a strong financial system. The financial system of a country has an impact on the expansion and development of specific economic sectors, which eventually transform into expansion and development of the entire economy. According to the professional opinion of a group of specialists working in renowned financial institutions like the WB, AfDB, and IMF, the creation of a dynamic and active private system that complements the work currently being done by the public sector is regarded crucial to economic advancement[1]. Corporate accountants and investors alike carefully inspect a company's financial statements and balance sheets to acquire a complete picture of financial performance when measuring financial fitness. The performance of an organization is used to gauge where it stands in the marketplace. Operational, production, social responsibility, and financial metrics can all be used to assess an organization's performance. Gao defines performance as a factor that promotes operational efficiency, supports business expansion, and enables an organization to respond to opportunities and dangers given by the environment in which it operates[2].

Effective resource management is a key component of a business or firm's ability to operate well, which reinforces the effectiveness of the entity in pursuing its goals. Thus, the degree of achievement for the entity or process can be used to gauge the performance of an individual firm, a group of participants, or even a process[3]. Performance is attributed to how well a company's assets perform. Poorly performing business assets are a direct reflection of the company's overall performance. As a result of the underperforming asset, strategic mistakes that may have been made earlier on during asset acquisition may eventually lead to low performance in an enterprise[4]. An excellent example is when newly acquired assets in the business don't work in harmony with the existing assets of a company that has bought the business, especially if the acquiring company had unreasonable expectations that the new asset would work in harmony with the existing ones. Such an acquisition will inevitably result in bad asset performance, which will eventually cause the entire business to record poor performance4. Corporate performance has been found to be significantly influenced by characteristics that are specific to the industry and the company. A firm can develop and put into action methods that increase its efficiency and effectiveness thanks to the characteristics of its physical, human, and organizational capital. High performance demonstrates managerial competence and efficiency in utilizing firm resources, which in turn supports the overall economy of the nation[5].

Researchers have been studying the variables that affect a corporation's performance since since the modern firm began to emerge. A company's primary financial purpose is to maximize the wealth of its investors, and one of the most important factors in attaining

this objective is firm performance. When compared to the expected outputs, objectives, and goals of the company, a firm's performance is defined as its actual output or results. Financial performance, which includes revenues, earnings per share, and returns on assets and investments; product market performance, which includes sales, market share, and service offerings; and shareholder return and economic value added are the three distinct areas of business performance that are covered. As a result, one of the most important aspects in financial management study is corporate performance. Micro and macro factors can both play a significant role in determining how well a corporation performs[5].

The measurement of business performance can be done in a variety of ways. The conventional method entails monitoring an organization's key financial metrics over time. As a way to gauge an organization's success, measures such as profitability, earnings, operational strategy, productivity, efficiency, leverage and liquidity, capital sufficiency, growth and aggressiveness, and market share were used[5]. A company's financial performance can be evaluated by looking at how well it uses its resources to produce sales or revenues from its core operations. This calls for quantifying the results of a firm's activities and policies in monetary terms. Financial performance and non-financial performance are the two types of performance. Performance of the company is assessed in three dimensions. The first factor is the productivity of the business, or how effectively inputs are converted into outputs. The second factor is profitability, or the extent to which a company's profits exceed its expenses. Market premium, sometimes known as the degree to which a company's market value exceeds its book value, is the third dimension. According to Walker, market value, profitability growth, and market share are the

characteristics of financial performance. Profitability evaluates a company's historical capacity for producing returns.

Individual company financial performance has noticeably divergent trends throughout time. Profits for certain businesses rise, fall, or fluctuate across the board. Financial performance is a gauge of how effectively a company can utilise resources from its main line of business and generate income. The phrase is additionally used as a broad indicator of a company's long-term financial stability.

Performance has many facets, and the best way to evaluate corporate performance will depend on the sort of organization being assessed as well as the goals the review would seek to accomplish. The three distinct elements of a company's performance are its financial performance (profits, ROA, return on investment, etc.), its performance in the product market (sales, market share, etc.), and its shareholder return (total shareholder return, economic value added)[3]. Performance is a dynamic concept that requires judgment and the application of a causal model that explains how current actions may affect future results. It is thought of as a set of financial and non-financial indicators that provide information on the extent of achieving objectives and results.

According to several empirical research, there are a number of elements that affect a firm's financial performance, which is defined as a measure of an enterprise's gains during its operational years. Financial performance of a corporation is impacted by monetary and fiscal issues, which are classified as external factors. These elements are, in order: interest rate, rate of change, inflation, taxation, and tax incentive. The financial status of a company is also influenced by internal factors like employee motivation, employment, organizational strategy, etc. According to a study on the factors affecting a firm's financial

performance done in Australia, factors affecting a firm's financial success include size, productivity level, and lagging profit. Further evidence suggested that firm behavior and financial performance are influenced by the level of sectoral concentration. More specifically, it was hypothesized that variations in firm-level traits like effectiveness, organizational structure, and/or quality management may contribute to variations in the financial performance of firms[8]. In a similar vein, research on financial performance in Nigeria showed that a firm's capital structure has an effect on its financial performance. Purely equity-financed businesses that were profitable performed well financially[9].

Financial performance, a company's capacity to realize anticipated financial results when compared to its intended outputs. Financial measures including ROE, ROA, return on capital, return on sales (ROS), and operating margin are frequently used to evaluate financial performance[10]. Since they are derived from data taken from a company's financial statements, ratios give outsiders a better idea of a company's success. As a result, the main focus of financial performance is on factors that are directly related to financial report. Liquidity, activity, profitability, debt, and solvency are some of the categories of ratios. Liquidity ratios assess the cash flow available for debt repayment. Activity ratios quantify the speed at which a company converts non-cash assets into cash. Debt ratios assess a company's capacity to make long-term payments; profitability ratios assess how effectively it uses its resources to create an acceptable rate of return. Market ratios reflect the reaction of investors to owning a company's shares, the price of stock, and their worry for the shareholders' return on investment.[11].

A multitude of metrics are used to assess financial performance. The selection of the specific financial measure to use raises several challenges and is different from these measures in a number of ways. Examples of measures include absolute (e.g., sales, profit), return-based (e.g., profit/sales, profit/capital, profit/equity), internal (e.g., profit/sales), external (e.g., market value of the firm), a level for a specific time period (e.g., one year), a mean or a growth rate over a period of years, or a variability (e.g., standard deviation) about They included company survival as one of the measures in their empirical investigation. Research is needed in the domain of useful performance measure components. Determining the proper components and demonstrating whether the resulting interpretations are valid and generalizable elsewhere proved to be significant challenges for them[16]. Frequently employed metrics for gauging financial performance include the following:

This illustrates how much money is made for every rand of sales. As it relates to low expense ratios in relation to sales, a profit margin that is relatively high is preferred. A smaller margin is not necessarily a bad thing; for instance, lowering a sales price typically results in an increase in unit volume at the expense of profit margins. Due to the volume increase, total profit might still rise.

The most straightforward way of profitability analysis is to compare net profit to total assets on the balance sheet. Net assets (total assets less current liabilities) may also be utilized, as they are equivalent to the total long-term sources on the balance sheet, with the reasoning that operating liabilities are available basically free of charge to sustain a portion of the current assets. Return on net assets is the most commonly used formula for calculating return on investment (RONA). It is a measure of profit per rand of assets

invested in a company and, as such, an indicator of operating performance. They chose the following definition: RONA is defined as net profit before interest and taxes divided by net assets. Income taxes are widely considered as a regular aspect of running business, therefore net profit before interest but after taxes can be utilized in the above ratio. In rare cases, the ratio could also be employed using net profit after interest and tax in the numerator.

ROE is a measure of how well stockholders performed during the fiscal year. Because a company's primary purpose is to benefit its shareholders, they believe that ROE is the genuine bottom-line indicator of performance in an accounting sense. The return on equity (ROE) is a measure of profit per rand invested in equity. Return on equity, often known as "return on net worth," is the most commonly used ratio for calculating the return on the owners' investment.

The given equation represents the standard Du Pont identity. It demonstrates that ROE is affected by operating efficiency (profit margin), asset utilization efficiency, and financial leverage[18]. The Du Pont system is a financial analysis and planning tool that leverages basic accounting principles to provide a knowledge of the factors that drive a company's ROE. ROE can be divided into individual income statement and balance sheet items throughout time. A flow chart can be used to show the ROE decomposition. If ROE is poor, management can utilize a flowchart to identify specific ratios where improvement is most likely. The Du Pont formula has long been used to assess a company's financial success. They believe that because of the way the profitability ratio is designed, it only provides a gross aggregate measure and does not effectively represent the impact that the micro-attributes of a company's operations have on profitability. To address this issue, the

American Productivity Center's (APC) model divides changes in a company's profitability into two components: productivity and price recovery capabilities. The APC productivity change ratio is defined as the ratio of current period outputs to base period outputs divided by the ratio of current period inputs to base period inputs. The APC price recovery ratio is calculated by dividing the value of outputs at current period prices by the value of inputs at current period prices. When the Du Pont formula's profitability component (profit to sales) was paired with the APC approach, the resulting ratios enabled more micro-analytic aspects of performance to be analyzed. They extended the APC method's profitability ratio analysis and examined changes in productivity, price recovery, product mix, and capacity utilization to see how each affects a company's profitability.

EPS is a metric that both management and shareholders pay close attention to. It is commonly utilized in the valuation of common stock and is frequently used as the foundation for establishing particular business objectives and goals as part of strategic planning[16].

Both management and shareholders frequently cite the simple relationship between current or expected EPS and the stock's current market price. The ratio, often known as the "earnings multiple," is used to show how the stock market perceives the company's earnings performance and prospects[16].

The use of excess value is discovered to be significant in relating social responsibility and financial performance. Excess value captures the market premiums or discounts provided to individual enterprises. Return on investment (ROC) ROC = Return on capital employed / Net profit after tax

The rate of return on total capital should be used to evaluate company success. According to Stewart, ROC measures the productivity of capital employed without regard to the method of financing; it is free of accounting distortions caused by accrual bookkeeping entries, free of accounting statements' conservative bias, and free of the tendency to understate capital by writing off unsuccessful efforts. However, Stewart found that just assessing ROC is insufficient because it is necessary to account both the cost of capital utilized and the return on it. He proposed using Economic Value Added[17].

A corporation's principal growth is determined by the efficiency and effectiveness of its operational operations. This performance offers value to the organization by providing important information on efficient measurement factors to shareholders. In general, a number of scholars and intuitions have proposed various definitions and measurements of business performance and its measurements, such as it is the process of measuring actions, efficiency, and effectiveness, and the use of measurement metrics to quantify the efficiency and effectiveness of actions[6]. According to this point of view, these measurements and their metrics should be integrated with all financial and nonfinancial dimensions, external and internal factors, as well as monetary and nonmonetary requirements, and the goal of operational performance measurement ments is to measure financial elements that reflect the achievement of firms' economic goals[7]. The concept "performance measurement" was introduced to business sectors in 1943, following the use of the International City Management Association (ICMA) in municipal operations[8]. A variety of performance measurements have been used since then. One of the most widely used measurement systems, the BSC, was presented in a 1992 Harvard Organization Review article as a tool for evaluating both financial and nonfinancial organization

performance[11]. The measurement incorporates the firm's vision and strategy into a set of performance indicators in four aspects - operation, customers, financial, and growth - in the assumption that they cover all operational factors and provide sufficient information for shareholders to make better decisions. Top executives use techniques to help them develop organizational strategy and monitor operational performance[11]. By linking cash flow and cost of capital, financial performance measurements, together with the usage of nonfinancial indicators, are highlighted as essential aspects of delivering value for shareholders. Although a wide range of financial measurements are utilized, traditional financial indicators continue to pique the interest of academics and businesses.

This circumstance corresponds to the release of financial statements that emphasize both monetary and voluntary accounting data. Profit or loss, income statement line items - revenues, operating income, earnings before taxes and interest (EBITA), return on assets (ROA), return on equity (ROE), return on investment capital (ROIC), earning per share (EPS), and dividend per share (DPS), which focus firms' performance from previous activities. Furthermore, these financial indicators are crucial for users since they reflect how well the strategy was implemented, what targets might be met, and the firm's strategic orientation. Several opponents feel that because of backward-looking financial information, these traditional indicators are no longer acceptable for shareholders, and the relationship between the profits information supplied and market capital remains unclear. Economic value added (EVA) as a superiority performance metric, arguing that it is a value-based evaluation[6]. He believed that economic value added was the best way to capture an enterprise's true economic profit[11]. Subtracting the cost of capital from

operational profit - adjusted for taxes on a cash basis - EVA is the most closely related performance indicator to the production of shareholder value over time[11]. Managers can use this strategy to operate a firm's performance, manage projects, and compute executive remuneration. EVA is a helpful technique for managers to be aware of the cost of capital before making decisions; nevertheless, due to the difficulty, expense, and benefit of its computation, it has a drawback when utilized for long-term projects.

The firm's ultimate purpose is to maximize its value in order to maintain shareholder benefits and enjoyment[8]. To do so, they must ensure the accuracy, dependability, transparency, and value relevance of accounting statistics, which have a direct impact on capital market values. In general, value relevance of accounting information refers to the ability to distinguish between financial statements so that shareholders may make more informed decisions regarding the firm's worth. Its quality can be determined by evaluating accounting data using reliable methods and increasing the strength of connections between market returns and profitability. Financial information influences stock prices; financial information is beneficial if it contains the variables used in a valuation model for forecasting those variables; and the relationship between financial information and prices or returns[8].

The worth of a corporation is described as amounts of accounting numbers that encompass the usefulness of information influencing users' decisions; nevertheless, the range of measuring ways results in varying accounting information that varies based on context and reasons. Accounting value relevance is defined as equitable knowledge that provides

consumers with discretion. Furthermore, increasing value relevance is connected with lower equity costs, leading investors to regard value as contributing to lower risks[6]. Accounting information, such as profit and stock price, can be quantified for investors using valuation theory, and accounting theory represented the link between accounting information and market value. Another alternative is to investigate accounting value by applying accounting theory and standard setting theory to draw conclusions about accounting numbers to assist standard setters[11].

Traditional performance measurements (net income, ROA, ROE, and profits per share) do not adequately reflect risk and hence promote either excessively aggressive (that is, maximizing earnings) or too conservative behavior (aims to prevent dilution of returns)[18]. Shareholder worth Economic value added (EVA), an increasingly common performance metric, can greatly improve business decision making in the field of environmental management, as well as general capital investment decisions. Stern Stewart & Company's registered trademark is EVA.) EVA is similar to traditional profit metrics, however there are two key differences: i. EVA takes into account the whole cost of capital, including the cost of equity; and ii. EVA corrects for any distortions induced by generally accepted accounting principles (GAAP). To comprehend economic value added, one must first comprehend market value added (MVA). Market value added is defined as the difference between the company's market value and its invested capital (including equity and debt) contributed to the company[17].

Following on from the preceding, market value added is the net present value (NPV) of a company's current and projected future investments, or the company's net present value. Market value added, also known as net present value, can be estimated as the present

value of all future economic value added, exactly like cash flow. The mathematical equivalent of net present value is economic value added. Both valuation models will generate the same result if the same assumptions are used. This is a critical theoretical foundation for economic value addition. Unlike NPV, however, EVA provides a period-by-period evaluation on whether management is truly generating positive NPV, as well as a basis for analysts to forecast potential future gains in NPV. EVA is a period performance metric that measures how much net operational profit exceeds or falls short of the cost of all debt and equity capital: EVA is defined as net operating profit minus capital charges or net operating profit minus invested capital. As well as the weighted average cost of capital, The University of Pretoria's Bureau of Financial Analysis computes EVA as follows: Capital EVA = (Return on total capital - Weighted average cost of capital) If GAAP distorts the measure of capital or operational profit, it can be corrected as needed. The majority of the modifications are in the form of "equity equivalents." The idea behind these adjustments is that when corporations use GAAP, certain things like as provisions, deferred taxes, and goodwill are charged to income, which unfairly (and misleadingly) reduces stated capital. The number of possible modifications is virtually infinite.

More than 150 modifications to operating profit and invested capital have already been identified by EVA consultants. However, most businesses make no more than five changes out of fear that the EVA-based evaluation and reward system will become too cumbersome. EVA is the most reliable metric of firm profitability, although it is difficult and time intensive to calculate. "EVA drivers" study determines the specific characteristics and parameters of any product or service that are critical to achieving a

sustainable, positive EVA, and it is acknowledged that such comprehensive profitability evaluation may appear to be a daunting undertaking[18]. However, they believe that this does not have to be the case, especially if the following three principles are followed: •The 80/20 rule is the empirical discovery that by evaluating the most significant 20% of the data, one can gain 80% of the information sought. EVA is typically implemented as a "top-down" procedure. This means that all analyses originate at the top level of the organization and are "drilled-down" to lower levels only when necessary and beneficial. The concept of responsibility (e.g., line managers should only be liable for the risk types they manage) simplifies the EVA analysis of main line units by reducing the risk dimensions and cost allocation types that should be done.

2.1.1.1 Profitability

Profitability is a term commonly used in finance to describe the success of an investment. Profitability is linked to a company's capacity to create money that exceeds exploration and financing costs, or to the notion of measuring business efficiency, linking the concept of profitability with the ability to deliver outcomes[19]. Profitability refers to an organization's, company's, firm's, or enterprise's capacity to profit from all of its commercial operations. It demonstrates how effectively management may benefit by utilizing all available market resources. Many scientists have their own idea of profitability. According to one study, profitability is defined as a particular investment's capacity to make a return on its usage[20]. Profitability is an organization's ability to create revenue, whereas failure to generate income is a loss[19]. If the money generated exceeds the input cost, the business is profitable; nevertheless, if the income is less than the input

cost, the business may perform poorly. As a result, it can be inferred that any firm must produce adequate profits in order to exist and develop over time.

Every company is worried about its profitability. Profitability measures how successfully an enterprise's management creates earnings by utilizing the resources at its disposal. In other terms, profitability refers to the capacity to generate a profit[21]. Furthermore, profitability is a crucial instrument for every enterprise's efficient functioning. Profitability is a gauge of efficiency and is used as a measure of efficiency as well as a management guide to increased efficiency. Profitability refers to an entity's ability to "create" profit. Profitability in the firm after taxes is required not only to cover all expenditures, but also to ensure expanded reproduction and prosperity[19,21]. As a result, all of these researchers affirm the validity of many economists in stating that profitability is an essential signal for the efficient functioning of a business.

Furthermore, some writers see a profitability ratio as both a net outcome and a class of financial measurements. According to one research, profitability is the net consequence of different policies and managerial actions, and profit rates are the net operational result of the combined impacts of liquidity, asset management, and debt management[20]. Profitability ratio is a measure of how much production you can generate from a given amount of an asset. According to the scientist, in an ideal business environment, profitability is the only metric that any economic entity need[20]. Thus, theoretical literature considers profitability to be one of the most significant goals of financial management since the primary goal of financial management is to maximize the wealth of the owners.

It is critical to analyze an enterprise's profitability in order to understand how it operates and how to improve its performance on the economic market. Several researchers have

made significant contributions to the field of profitability analysis research. The specialist literature recognizes the relevance of profitability analysis at the firm level. Firm-level profitability analysis is thought to have two major goals: determining the degree of profitability and establishing profit margins.

Profitability may be extracted: in order to be profitable, a firm must function under profit circumstances, which implies that income must surpass expenditures associated in carrying out the activity. To summarize all of the principles discussed above, profitability is a vital prerequisite for an economic entity's commercial performance, and it is determined by attaining positive outcomes after comparing the financial consequences with the financial effort required[20]. To be successful, a firm must be lucrative in the long run. Almost everything a profit-oriented organization does, according to the experts, may be classified as a finance activity, an investment activity, or an operational activity. A corporation that excels in these three areas will excel overall[19]. Profitability has a significant influence on the survival and development of businesses; it is especially crucial to increase company profitability in order to gain profits, minimize costs, and prevent risk. As a result, study on the elements impacting a company's profitability is critical.

Profitability is seen as a major indicator of a company's overall performance. Profitability ratios assess a company's capacity to create profits and allocate capital to security analysis, shareholders, and investors. Profitability ratio research is critical for shareholders, creditors, potential investors, and bankers[19]. As a result, profitability ratios assess a company's capacity to create profits and allocate capital to security analysis, shareholders, and investors.

Government variables have a significant impact on corporate profitability. Any company's financial performance is determined by a variety of government laws or acts (industrial policy, accounting standards, government subsidies, etc.). The legal framework encompasses all laws and legal regulations, whereas the policy framework refers to the relational structure established between political authority and business, such as commercial law, tax law, labor law, and environmental legislation[22]. In terms of industrial policy, the listed news publishing businesses serve as samples, and the financial factors (total assets, net assets, total profit, net profit, etc.) firm profitability are compared to the four stages of the press publishing industry's industrial policy reform process. It is discovered that actual financial data and relevant industrial policies exhibit clear stage characteristics, and empirically, the influence of relevant industrial policies on firm profitability is objective[22].

Profitability is one of the primary issues in the whole business management process, and several measures, such as the Price Earnings Ratio, market value, and financial indices, may be used to quantify it. A research identified a number of characteristics that influence the profitability of publicly traded corporations, including profits per share, dividend per share, and interest rate[19,20,21,22]. The authors also highlight various profitability inducers, such as inflation [20,21] and GDP (Gross Domestic Product) growth, which will be the focus of our research. Simultaneously, a study reports on a series of characteristics that affect the profitability of non-listed Portuguese enterprises, including as company growth, size, financial leverage, and liquidity[20,22].

Profitability indicators assist managers and investors in providing information on the company's economic and financial status in a specific period, comparing the evolution of the business, and comparing data acquired over a long period. Return on Assets (ROA), Return on Equity (ROE), Return on Sales (ROS) [26], Asset Rotation (AR), Gross Margin (GM) ratio, and Economic Value Added (EVA) are the most often used metrics in the literature[20,22]. However, profitability indices have inherent limits. Financial figures are important for understanding the company's short-term success, but they do not represent the medium and long-term goals. Economic and financial information, on the other hand, can be controlled and altered, as well as contain inaccuracies, resulting in indicators that do not represent a genuine image[22]. This research stresses tax incentives as a profit driver for manufacturing companies.

2.1.1.2 Return on Investment

Investments are a method of protecting the company's medium and long-term growth. Many authors have defined the term "investment" over the years. It is worth noting that investments are defined as "resources spent in the aim of obtaining rewards over a lengthy period of time." A successful investment initiative must meet its objectives. An investment has several goals: raising profit, enhancing customer happiness, growing the share market, and so on. Profits made on assets employed play an essential part in evaluating management effectiveness. By comparing earnings to assets, we may see how much profit generates a sufficient return on invested money. Return on Investment is one of the most often used measures for calculating the return on invested capital (ROI).

ROI (Return on Investment) is a performance term that applies to any type of investment. The ultimate purpose of the firm is stated in ROI for shareholders. ROI is a metric that indicates how much profit a certain firm generates from the use of capital. It demonstrates how much of the money invested in a specific action is returned as profit or loss. As a consequence, it permits an assessment of the efficiency of an amount invested, or, in other words, ROI allows assessing the outcome in proportion to the methods employed to get it. Return on investment (ROI) is a financial metric that has long been used in industry to track success[23]. It is a straightforward computation. "To calculate ROI, divide the benefit (return) of an investment by its cost; the result is reported as a percentage or a ratio."

Empirical papers attributed to scholars mostly address the impact of investment subsidies and the use of tax incentives on productivity and employment[20,22,23]. Except for the study another study which investigated the use of tax incentives on investment in industrial innovations, their criteria variables were mostly non-financial metrics[24]. Aside from the widely discussed use of policy tools such as lower raw material costs and interest rates to enhance industrial expansion, research Endeavour in this area has focused on the use of investment subsidies. Investment subsidies are primarily justified by the necessity to counteract major failures in financial markets, which cause many enterprises to lack adequate financing for important expenditures.

2.1.1.3 Return on Asset

Return on assets compares the worth of a company's assets to the profits it generates over a specific time period. Managers and financial analysts use return on assets to assess how well a firm uses its resources to create a profit. Since the advent of contemporary business

relations, return on assets has been a hotly debated issue in scientific circles, since it depicts the genuine picture of corporate performance. A substantial body of literature investigates the theoretical and practical issues of return on assets using multilateral techniques. Furthermore, multinational audit firms provide monitoring reports on recent developments in the use and limits of return on assets theory on a regular basis. According to the findings of previous studies, there is a growing level of doubt among academics over the suitability of return on assets as a metric for measuring a company's financial soundness.

One of the most common and helpful financial measurements is return on assets (ROA). ROA has been utilized in industry since at least 1919, when it was employed as the top of the DuPont Company's ratio triangle system. The return on investment ratio was computed as Profit / Total Assets. The extended ROA formula served as the foundation of the DuPont triangle: Profit Margin (Profit / Sales) and Capital Turnover Ratio (Sales / Total Assets)[25]. ROA's significance to educators and practitioners may be observed in three ways. To begin, most business textbooks include at least one ROA calculation. In a review of business textbooks, ROA was the third most often given ratio, appearing in 70 of the 77 textbooks[25]. Only the current ratio and inventory turnover ratio were more frequently observed than ROA. Second, at least one ROA variant is frequently utilized in failure prediction research. Altman's (1968) Z-Score includes ROA as one of five criteria used to forecast business failure using a version defined as Earnings Before Interest and Taxes / Total Assets (EBIT / TA).

ROA is not the best-fit metric for measuring a company's long-term financial health, it is useful in monitoring the company's performance in the near term. They demonstrated that

ROA is susceptible to changes in a company's financial state, particularly changes in revenues from sales, income, and assets[24]. Through financial ratio analysis, a study investigated the influence of company financial performance on sustainability[25]. According to their findings, return on assets is an essential measure of sustainability for firms in certain industries.

Obviously, business management uses tax incentives afforded by existing tax rules to make investment decisions that increase the enterprise's profitability. It is thus in the taxpayer's best interest to take advantage of tax rules through efficient tax planning in order to benefit from tax avoidance. To safeguard his net profits, the taxpayer devises methods of avoiding his responsibilities by taking advantage of tax incentives given by tax regulations[26]. The Federal Government of Nigeria (FGN) has developed a package of tax incentives for various sectors of the economy as part of its efforts to provide an enabling environment for industry growth and development, inflow of Foreign Direct Investment (FDI), shield existing investments from unfair competition, and stimulate the expansion of domestic production capacity[26]. These incentives are expected to help the economy recover, promote growth and development, and eliminate poverty. All of this is dependent on business organizations responding to government generosity by implementing methods to capitalize on these incentive possibilities in making investment decisions targeted at increasing corporate Return on Asset (ROA).

2.1.3 Tax Incentives

Taxation is a component of public finance; an examination of public finance begins with the fundamental role of government. Market forces should effectively distribute goods and

services among members of a particular community, making sure that no one is left out and that no resources are wasted. Government intervention is no longer necessary when the market succeeds in achieving this objective, which leads to an income distribution that is broadly supported by society's stakeholders. In most instances, non-rivalry and non-excludability in consumption make it difficult for market forces to function as effectively for all types of goods and services. Widely acknowledged shortcomings in the operation of market forces, particularly in the creation and distribution of public goods, necessitate government intervention. Inefficiencies in the delivery of public goods by the government or nonprofit organizations are referred to as government failure, which is comparable to market failure. Due to the failure of the government and the market, it became necessary to finance the provision of public goods with money raised from the general populace, giving rise to the concept of taxation[19,20].

Taxation is essential for the long-term growth and expansion of growing economies, especially in regions with limited natural resources. Tax credits are largely meant to increase current investments and bring in new ones in priority industries that can assist economic growth according to the government's development strategy. Economic research regularly links the existence of sizable tax incentives to the growth of a nation's tax base. Exemptions must be taken into account since they significantly affect the actual tax base. Generous exemption provisions typically have a tendency to reduce the tax base, which has an effect on the tax-to-base elasticity and the income elasticity of a tax. Tax incentives have taken many different shapes over the years[21].

Tax reductions are seen as a measure for boosting economic development and growth. Tax incentives are special clauses in tax laws that promote businesses or people engaged

in certain activities or that are intended to draw, hold, or increase investment in a certain industry. He continued by saying that achieving overall economic growth and the development of all sectors is the key building block[20]. Therefore, tax incentives may be characterized as tax discounts provided to promote or support certain courses of action intended to encourage investment in particular sectors of the economy or geographical regions.

Tax incentives are fiscal tools used to entice domestic or foreign capital to invest in particular industries or regions of a nation. In order to promote domestic or foreign investment, the government must offer a reduction in tax obligations for a certain length of time with an exemption for payback. They contend that a tax incentive is any tax measure that is applicable to all investment projects[6]. This approach excludes general tax deductions like accelerated depreciation that are applicable to all investments. Such expansive tax measures should be viewed as incentives for three reasons. To begin with, they function as they are designed to. Second, even if the tax incentives are in the form of general rather than particular tax law provisions, it makes sense for the government to make the public aware of them. Third, in order to encourage investment, a number of countries including Indonesia and Uganda have switched from selective to universal incentives[21]. Tax incentives are described by the UNCTAD as "any demonstrable advantages offered to specific enterprises or categories of business by (or at the direction of) a Government in order to encourage them to operate in a particular manner." Tax incentives are any rewards that reduce an organization's tax liability in order to persuade it to invest in a particular undertaking or sector of the economy. It describes a tax incentive as a special arrangement made possible by tax laws and intended to: promote economic

development in certain sectors; draw, hold, or increase investment in a particular industry; or assist organizations or individuals engaged in particular activities. They comprise activities specifically designed to either increase a sector's rate of return or reduce (or redistribute) its costs or risks[22].

Regardless of their level of development, the majority of nations employ a range of incentives to meet their investment objectives. The use of financial incentives like grants, subsidized loans, or loan guarantees is increasingly common in industrialized countries. Financial incentives are generally regarded to be a direct drain on government resources, and as a result, impoverished countries (like Nigeria) seldom provide them. Instead, these governments choose for fiscal incentives that do not need the use of government funds up front[3]. Any measures taken by the government to encourage taxpayers to fulfill their tax obligations are considered tax incentives. It entails adjustments to tax laws intended to lessen the effects of taxation on a certain industry, population, or the provision of certain services. A benign low tax rate, effective fiscal information dissemination by tax authorities, or not imposing any taxes at all are some examples of such strategies[23]. Similar to this, tax incentives are described by the government as a deliberate reduction in taxation granted by the government to entice particular economic entities (such as business organizations) to behave in a desired manner (e.g. invest more, produce more, employ more, export more, save more, conserve less, pollute less, and so on).

Tax incentives are specific exclusions, exemptions, or deductions that provide beneficial tax rates, special credits, or the ability to delay taxes. Tax incentives include things like tax holidays, investment allowances and tax credits, accelerated depreciation, special zones, investment subsidies, tax exemptions, lower tax rates, and indirect tax incentives.

Tax incentives may therefore be thought of as fiscal policies that aim to draw domestic or foreign investment capital to particular economic activity or regions of a nation. Tax incentives are financial tools used to control or attract investments in particular financial activities or sectors of a nation. There are several ways to set up tax advantages. Relevant tax incentives include tax credits, tax exemptions, allowances for investment-related expenses, accelerated devaluation policies, special zones, subsidized investments, tax exemptions, lower tax rates, and indirect tax incentives. Any tax can be modified to produce a tax benefit. By decreasing the tax rate, the tax base, and other factors, a tax incentive can lessen one's tax burden[24].

The history of tax incentives in Nigeria dates back to the early days of British rule over the region, when several types of reliefs, exemptions, and tax holidays were provided to British citizens and businesses as a means of fostering trade ties with Nigeria. In particular, tax incentives for industrial development became available in 1958 and included the following: Pioneer companies relief, which exempted businesses operating in pioneer industries from company income tax for up to five years; Companies Income Tax relief, which provided capital allowances for investments in machinery, buildings, loss carry-forward facilities, and other things; Import duties relief, which exempted certain pioneer businesses from paying import duties on imported goods. Generally speaking, Nigeria has made use of tax incentives, investment allowances, rural investment allowances, tax-free interest, deductible capital allowances, research and development, tax-free dividends, tax treaties, reliefs and allowances, and capital allowances[26].

Similarly, UNCTAD provided the following list of some of these financial incentives: Reduced profit tax rates, tax holidays, accounting rules allowing accelerated depreciation

and loss carryover for tax purposes, reduced tariffs on imported or exported equipment, raw material components, or increased tariffs to safeguard domestic markets from imported investment projects that would otherwise be substituted, are all examples of tax incentives that are meant to ensure the Nigerian economy's overall growth. However, in some situations and with certain types of investments, their effect could be more noticeable. Tax advantages may play a significant role in the decision of where to locate an investment for some foreign investors, such as those that are export-oriented. In addition, if the nation has promising (untapped) economic potential, tax advantages may be more pronounced[27]. The extent and magnitude of the tax benefits that are offered may also change at the government's discretion. These factors make incentives a crucial policy component for luring investment for economic growth, according to investment experts, especially those from investment promotion groups.

In accordance with the Nigerian Government's current policy, incentives are sector-based and not granted arbitrarily, the benefit to the Nigerian economy exceeds the costs of taxes foregone, incentives are reviewed on a regular basis to confirm if they are serving the intended purpose, and foreign investors who benefit from incentives are expected to voluntarily plough back into the Nigerian economy. Tax regulations give numerous incentives to firms doing business in Nigeria. Incentives may be awarded based on industry or tax type and may include: exemption from payment of taxes, decrease in tax rate to be paid, grant of allowances and deductions from earnings to tax, and so on.

Pioneer status is provided to eligible businesses and/or products and services, resulting in tax incentives lasting 3-5 years. Industries that qualify include: It is granted to companies if the government is satisfied that: an industry is not being carried on in Nigeria on a scale

suitable to the requirements of Nigeria, or at all; there are no favorable prospects for further development in Nigeria; and it is expedient in the public interest to encourage as a consequence, the following benefits are available: tax exemption for three years in the first instance and a total of five years, tax-free dividends during the pioneer period, carryover of losses made and capital allowances incurred to the pioneer period.

Apart from withholding tax deducted at source, dividends received from Nigerian companies are exempt from tax. Profits of shipping and airline companies subject to tax in Nigeria are limited to activity carried out in Nigeria. Dividend interest, rent, or expenses are exempt from tax. Nigerian companies with a minimum of 25% foreign equity and within their first four years are exempt from tax.

Employees of foreign companies based outside of Nigeria who spend a total of less than 183 days in Nigeria over the course of a year and whose income is subject to tax in their home country may be free from tax in Nigeria. Under the Capital Gains Tax Act, an incentive Foreign companies operating in Nigeria are excluded from paying capital gains tax on asset sales, unless the revenues are carried back into Nigeria. Incentive under the Petroleum Profit Tax Act Interest on inter-company loans obtained on the open market terms is allowed as a deduction, as well as expenses incurred outside of Nigeria that are wholly, exclusively, and absolutely necessary for the Nigerian operations. Import of several items exempted from value added tax, exported goods and services also exempted from value added tax[11].

There are laws creating tax free zones and export zones, which exempt companies operating in those areas from tax obligations in Nigeria for operations carried out in the zones. Companies are to require to register before enjoying the benefits and all incentives

must be performed exclusively within the zone- activities outside the zone will be subject to tax[24].

On Nigeria, taxation and tax incentives have been centered in this sector. On the basis of the availability of trustworthy amenities, all types of development and growth are expected. These facilities, which eventually serve as the foundation for economic growth and development, are made available by tax money. Although Nigeria has made a complete circle since becoming independence in this sense, notable development does not appear to have materialized.

Industries and goods that the government has designated as having such status are given pioneer status. The Nigerian Investment Promotion Commission (NIPC) grants the tax holiday under the Industrial Development Income Tax Relief Act CAP 179 LFN 1990 for 5 years in the initial instance and is renewable for an additional 2 years[43].

For the purpose of its business, a firm located at least 20 kilometers distant from the provision of power, water, paved roads, or telephone may claim rural investment allowance, which is in addition to the original allowance on such capital expenditures. The following facilities and proportion of claims are listed: No phone: 5% of capital expenditures on active assets No tarred road: 5% of capital spending on active assets 30% of capital expenditures on active assets are lost due to lack of water. No water: 30% of capital expenditures on active assets 50% of capital expenditures on active assets would be lost due to lack of electricity. No telephone, tarred road, water, or electricity (i.e., absolutely no facilities for the full amount of spending allowances on asset usage), investment tax relief (ITR), The exact same restrictions that apply to the rural investment

allowance also apply to this award. A corporation that has been given pioneer status is not eligible for the relief, which may only be sought for three years. This comprises Interest due on any Loan issued by a bank on or after 1st April 1980 for the purpose of producing products for exports is Exempt from Taxation and Input Taxes Paid in the Course of Production of Goods are Creditable. See CITA Section 9(a).

This exemption is contingent upon production of a certificate from the Nigeria Export Promotion Council attesting to the company's achievement of the stipulated level of export. Please take notice that if the Nigerian Export Promotion Council certifies that at least 50% of a firm's manufactured goods sold in its accounting year are sold outside of Nigeria and are not re-exported to Nigeria, the company is regarded to be involved in manufacturing for export. Tax incentives for companies who produce tools, machinery, and replacement parts locally. All businesses that manufacture just tools, spare parts, and small machinery for domestic use and export are eligible for a 25% investment tax credit on their high-quality capital expenditures[4].

Regional Investment: To direct investment towards the development of a certain area or region, countries frequently use a combination of incentives. The goals of regional development include fostering rural growth, constructing industrial hubs outside of big cities, and lowering environmental risks. Some nations that make advantage of this incentive include Angola, Brazil, Ecuador, Ghana, India, and Thailand. Nigeria also has a regional incentive program that offers enterprises who locate operations in rural regions devoid of amenities like power, paved roads, telephone, and water incentives ranging from 100% to 5%[20].

Sectorial Investment: Countries use tax incentives to fund industries or activities that are thought to be essential for development. These are aimed at businesses using new technology, mining and industrial parks, export-driven enterprises, the film sector, and so on. For instance, Nigeria exempts pioneering businesses operating in locally underdeveloped industries from paying income tax for a maximum of five years. Performance Boosting The emergence of the telecommunications industry, where MNT was given pioneer status, serves as an example of how tax incentives might be utilized to improve performance in particular economic sectors. This also holds true for other industries, such those in the tourist, entertainment, and film industries.

Transfer of Technology: The transfer of technology is a key goal of employing incentives to draw investment to developing nations, including Nigeria. Specific incentive kinds are created with this objective in mind. For instance, Nigeria has implemented a special set of incentives for R & D (research and development) operations. It states that when a person invests in a research and development company's equity, he is entitled to a deduction equal to the lesser of the actual amount invested or 25% of the total income[20]

Tax incentives may be used to encourage investment in areas that are less competitive because they are spread out from important urban centers. According to UNCTAD, conducting business in a remote location may result in significantly higher transportation and communication costs for obtaining raw materials for production and delivering the finished product to customers. The location is at a competitive disadvantage compared to other potential sites because of these increased costs. Additionally, businesses may have a difficult time convincing competent labor to relocate to and work in rural areas that lack the same amenities and conveniences as urban areas. In order to compensate for this,

workers can demand greater wages, which would mean higher costs for potential investors. The first and best course of action would be for the government to create enough infrastructure and services in order to lower these costs. Additionally, the government might reimburse investors for the costs associated with constructing the area and hiring local laborers[16].

Incentives can be justified by positive spillovers such as the diffusion of new technology, the upgrading of labor skills, or investment in research and development. In this instance, the investor may not realize the full economic worth of the investment. For example, where the benefit to society outweighs the profit to the investor, the investor may train people or import managerial talents. Employees who complete such training may leave the project to work elsewhere in the country. Without corrective public measures, such projects may fall short of their potential. Furthermore, incentives include more than simply the influx of capital; it also includes the internal exploitation of intangible assets such as technology and managerial expertise that are unique to each organization. As a result, one of the most significant effects of this investment in the transfer of technology, managerial expertise, and talents from one country or state to another[16]

Different countries use various forms of incentives which are suitable for the purpose it was meant for and in line with the economic realities. The tax incentives used in Nigeria as spelt out by the NEPC are: Government may set a lower corporate tax rate as an exemption to the general tax regime in order to attract investment in specific sectors, Nigeria and other counties use this type of incentive. It is targeted at the income of investors whim met the specific criteria, Government that employ a low corporate tax rate often use other mechanism to lower the effect of tax rate. One of such mechanisms is to

allow investors to carry losses forward for a specific number of years (usually 3 to 5 years). In Nigeria for example losses are carried forward only in the first year of the post pioneer period,while for a continuing business, loss are carried forward for a maximum of four years, Tax holidays are a common form of tax incentive used by developing countries and countries with economies in transition to attract investment in certain sectors. Under a tax holiday, qualifying newly established firms are exempted room paying corporate tax for a specified period (e.g. five years).

Investment allowance are deductions from taxable income based on some percentages of new investment, it is used by the Nigerian government to encourage investment in some preferred sectors of the economy. Investment allowance in Nigeria has the following key features; it is granted once in the life of a qualifying capital expenditure and in the first year when the qualifying capital expenditure is first put into sue, it is and additional allowance and hence cannot be considered in the process of computing the tax written down value, when the profit available in a particular tax year is not enough to cover the investment allowance, then the investment allowance utilized cannot be carried forward.

Government generally levy taxes on dividend, these taxes may be reduced or removed altogether to attract investment. In Nigeria the dividend exempted from taxation includes; dividend received by way of bonus issue, dividend received by a pioneer company, dividend received from a company subjected to tax under the provision of the petroleum profit tax act, dividend received from investment in wholly export oriented business, dividend from small business in the manufacturing sector in the first five years etc.

Government can grant two types of tariff incentives. On the one hand, they can reduce or eliminate tariffs on imported capital equipment and spare parts for qualifying investment project. This has the effect of reducing the cost of investment. On the other hand, they can increase tariffs on the final products of the investor in order to protect the domestic market from import competition.

Investment tax credit may be flat or incremental. A flat investment tax credit is earned as a fixed percentage on investment expenditure incurred in a year on qualifying capital. In contrast, an incremental investment tax credit is earned as a fixed percentage of qualifying expenditure in a year in excess of some bases that is typically a moving average base.

Decree No. 34 of 1991, which established the Nigerian Export Promotion Zone, establishes a geographical enclave within the nation to which typical customers' tariffs or levies do not apply. Under other terms, an export processing zone (EPZ) is a provision that offers incentives to exporters within a country's customs area and creates a favorable business climate, particularly in unfavorable circumstances. The Federal Republic of Nigeria's tenth president, General Ibrahim B. Babangida, lay the cornerstone for Calaba's first export promotion zone on November 7, 1991.

Costs associated with tax incentives, include: Forgone Revenues: tax incentives result in a loss of tax revenue from three different sources: first, the revenue that would have otherwise been collected from the activities carried out; second, the revenue from projects that would have been carried out even if the investor did not receive any incentives; and third, the revenue lost as a result of investors and activities (taxpayers abuse); or the shifting of income from related firms to those qualifying for favorable tax treatment.

Resource Allocation: originated when tax incentives distorted the way that different industries or activities chose to invest their money, rather than addressing market imperfections.

Costs associated with enforcement and compliance: These costs rise as the tax code and fiscal incentives become more complex (in terms of qualifying and reporting requirements). When tailored incentives are utilized, there is also a fairness issue, which lowers compliance and raises the cost of enforcement. Lack of Transparency: when the criteria for giving tax incentives are based more on discretionary and subjective standards than on automated and objective standards, they might lead to unfavorable investor behavior and make it easier for authorities to misuse the system.

The question of revenue productivity lies at the heart of the most crucial argument regarding the impact of tax incentives on the economy. It has been agreed that the revenue lost as a result of tax incentives will eventually be made up for by an increase in the tax capacity of the preferred tax base. Tax cuts encourage taxpayers to be more compliant with the law by lowering tax rates, which make tax evasion and avoidance less appealing. Incentives like tax incentives for capital investments, low tax rates, and the exemption from taxation of income and interest on deposits and loans can also encourage capital formation and expand the tax base. Economic planning requires knowledge of how sensitive tax revenue is to economic growth, especially in light of the fact that inflationary issues arise when budgetary deficits are paid through monetary expansion[31,44].

Incentives' influence on tax revenue In the 1920s, the US cut tax rates five times under President Hoover. The measure tripled tax receipts rather than reduce them by increasing

the number of effective tax payers. Similar to President F. Kennedy, whose tax cuts began in 192 and significantly raised the level of industrial and commercial activity, federal tax receipts increased by roughly 50% from their pre-tax cut foundation. Tax incentives, however, have the potential to undermine the statutory tax base. Risk to compliance, particularly if rewards are interpreted as subsidies. Tax incentives can be seen as a contributor to an enterprise's inefficiency and nonproductively because they come with the drawbacks of tax expenditure[32,45].

The majority of tax incentives are either driven by political objectives or contain elements of personal interests. For instance, in Nigeria, the majority of incentives put out in the oil business are either influenced by senior military leaders, traditional chiefs, or senior government officials with large financial stakes in the industry. Governments or candidates for public office could suggest tax cuts to increase their popularity and win the support of the population. Ronald Reagan began enacting his Economic Recovery Tax Act (ERTA), which offered significant tax reductions for both individual and business taxpayers, in an effort to carry out his vote-getting political campaign pledges in 1981. Reagan's tax incentive schemes neither helped to reduce America's ongoing budget deficits nor made the economy more productive. The US lost out on roughly N800 billion in tax revenue as a result of it[33].

Jacques Chirac, who vowed to lower taxes during his run for president of France, is another politician who has introduced tax incentives. Upon taking office, Macron recognized that his attempt to win over voters and attract investment through tax cuts was a fantasy and that France's issue wasn't a lack of tax incentives but rather the prevalence of significant tax cheating, which ranged from 175 billion to 235 billion Francs yearly. Tax

incentives confuse and make it more difficult to interpret tax regulations, which ultimately prevents proper monitoring of the performance of the investment that was initially meant to be increased by tax incentives. Therefore, it is important to carefully consider how the tax system can be used for particular tax benefits. By conferring windfall benefits on current operations or by reallocating resources to tax-preferred activities, using the system to give tax incentives (tax expenditures) typically results in a significant drain on the national purse. The sensitive question of equity and efficiency in the tax system also comes into play[34].

A country's current set of taxes constitutes its tax system. One must always take into account the context in which a tax system is applied while discussing one. The word "system" suggests harmony between taxes and between the state's budgetary and non-fiscal goals. The regulatory legal framework for taxation, the collection of taxes and fees, the people who pay the taxes and fees, and the mechanism for administering the taxes are the components of a tax system. The article summarizes Nigeria's continuous tax policies since 1992[35].

Most of the following characteristics should be met by a successful tax system for a developing nation:

Taxes ought to be a powerful tool for promoting economic expansion. A good tax system should encourage savings and capital development and should be suitable for the mobilization of resources for rapid economic growth because the finance system is economic growth rather than short-term economic stability; A sound tax structure should

make sure that a community's tax burden does not exceed its ability to pay. Tax reforms that enhance the nature of the tax amount, the timing, and the method of payment might reduce tax burden; Income and wealth are subject to taxes, which must be paid by the taxpayers through sacrifice. However, a smart tax system will always seek to minimize this cost; it should provide maximum advantages; A good tax system should have strict canons (canons of taxation discussed under section ii above). The likelihood of tax evasion and tax avoidance should be reduced via an easy-to-use tax system. Multiple taxes should be avoided in a healthy tax system. However, a broad-based tax system is necessary to guarantee appropriate public funding. In terms of the timing and method of payment, taxes should be easy for the taxpayers. A good tax system is one that enables the government to estimate tax revenue yields with ease and sufficient accuracy. A competent tax system for a developing country should aim to create an enabling environment for raising the level of employment and for raising the standard of life of the people. It should also be able to reduce the income and wealth gaps between the haves and the have-nots in society.

The Nigeria political environment embraces the federal system of governance; hence her fiscal operations adhere to the same principle which has severe consequences on the tax management system in the country[36]. The Federal, State, and Local Governments each have their own distinct tax authorities, and the fiscal strategy of the government is based on this three-tiered tax structure. They go on to say that in 2002, there were close to 40 separate taxes and levies that were split across the three tiers of government. Nigeria's tax system is characterized by needless complexity, distortion, and generally unfair tax

regulations that have little impact on the informal sector, which accounts for the majority of the country's GDP[37].

The Nigerian tax system has undergone notable changes recently. The tax system is the process of collecting taxes that includes a number of rules, regulations, and procedures, as well as the interaction of many administrative organs to produce revenue for the government. The tax system in Nigeria consists of a variety of activities, such as tax administration, tax laws, and tax policies. The three tiers of government, that is, are responsible for enforcing taxation in Nigeria under current legislation. In the Taxes and Levies (authorized list for Collection) Act of 2008, each level of government—federal, state, and local—has a clearly defined jurisdiction. According to the design of the Nigerian tax system, which generates money, the system is unbalanced and dominated by oil revenue[39]. They added that the federal government is in charge of the most legitimate tax collections, while state and local governments are in charge of the less reliable sources. This means that the federal government collects tax from corporate entities while state and local governments tax people. According to their research, the federal government only accounts for around 70% of total government spending, despite receiving 90% of the total tax revenue annually.

The Nigerian tax system, in general, consists of tax administration, tax laws, and tax policy. The efficient exploitation of tax resources in Nigeria would result from the proper administration of current tax legislation. Low tax revenue yield has been attributed to ineffective tax administration over the years, and it has been said that Nigeria's poor tax collection is a reflection of the effectiveness of the country's tax administration and public services. The various reforms to position taxes as a key source of revenue have not

yielded the desired results, according to the argument that ongoing tax reforms are necessary to meet the ever-increasing demands of governments at all three levels of government for quality infrastructure and services[40].

In the past, taxes have been used as tools of policy to achieve certain goals like raising money for public spending, wealth redistribution, or sectorial resource allocation. To fulfill their responsibilities to provide funds for infrastructure, education, and public health, governments must increase revenues, and in some situations, there is still much to be done to close the huge public deficits that still exist[87]. However, some governments also perceive a need to set up tax systems that are seen as being effective, can help attract investment, and in turn, can assist stimulate economic growth in a world that has now fully embraced globalization. A fair corporate tax system should have simple, straightforward tax laws in addition to appealing tax rates[41].

The proper use of tax money for the common benefit and improvement of the welfare of the populace are the main goals of the Nigerian tax system. the national tax policy committee of the president. The main goals of Nigerian tax policy are to directly increase the wellbeing of all Nigerians through better policy development and to indirectly improve the wellbeing of the population through the wise use of tax income. The government needs reliable revenue sources to carry out praiseworthy programs and investments for the benefit of the populace, among other things. promote economic expansion and development, economic stabilization, the pursuit of justice and the equitable distribution of resources, the rectification of market flaws and defects, Nigeria needs a highly effective tax administration system to achieve these goals. The current

initiatives to reposition tax as the primary source of revenue in Nigeria have not produced the anticipated results, so this study is required to advance our understanding of the issue[41]. With effect from 2006, the tax allowances have been enhanced in the following ways to lessen the tax burden on individuals and account for the effects of inflation and the rising cost of living. Employers of labor are required to deduct taxes and pay taxes to tax authorities on a monthly basis in respect of their employees using these PAYE guidelines as the benchmark. These PAYE rules have been released for the year 2006 in conjunction with the adoption of the federal budget for 2006 and those state taxes for the same year. All revenue (i.e., remuneration, which includes salary and allowances) of an employee that is derived from Nigeria or that is presumed to be generated from Nigeria is subject to the guidelines[42].

Offenses, Consequences, and Sanctions: The tax law specifies certain penalties when an employer or employee violates the law. When an offense under these regulations or the Act is committed by a corporate entity or other associations of individuals, it is prohibited, according to the PAYE Regulations 2007[19]. Each partner or officer of the firm, each director, manager, secretary, or other official of the corporate body, as well as anyone else involved in the management of the body corporate's business, shall be jointly and severally accountable for the conduct of the offense.

When an employer fails to register with the tax office within six months of starting a business in order to withhold income tax from his employees with or without formal notification or directive from the relevant tax authority, the employer commits an offense. Making inaccurate or fraudulent claims and returns, as well as failing to adhere to the demands of a notice served on an employer, are all offenses. Understanding any income

subject to tax, creating fraudulent accounts, and willfully avoiding or failing to pay tax are also included. There are two types of penalties for failing to pay taxes on time or doing so late: a 0% penalty per year of the tax owed and a 10% penalty per year of the tax due. payment of interest at the commercial bank rate on the outstanding tax The tax authority may charge such income to tax from the previous six years in the hands of the employers if an employer fails to report all emoluments paid to employees or under-deducts or under-remits tax from employees[43].

Offenses, Penalties, and Non-Payment 10% fine plus interest at the current commercial bank rate Without deduction 10% fine plus interest at the current commercial bank rate Late payments are subject to a 10% penalty and current bank commercial interest, as well as a $5,000 fine and/or five years in prison.

If an employee is unhappy with an assessment made by the tax office, he or she may object and/or appeal against it within 30 days after the assessment date. Before the tax authority can review the collection and make any necessary modifications, the dissatisfied employee must identify his basis for complaint. Draft Pay As You Earn Guidelines from the Joint Tax Board from 200, taken from the Personal Income Tax Act of 1993 Act, N0.104.

Personal Income Tax (PITA), No. 104 1993, Act No. 37, identifies taxable individuals, ascertains their assessable income, and calculates the tax due. The Act also establishes the taxpayer's residence and the source of his income. This Act oversees the administration of two types of taxes: Pay As You Earn (PAYE), which includes both company and employee taxes. While the FIRS handles tax administration for the federal capital territory, the police, the Armed forces, foreign affairs personnel, and non-residents, the state

internal revenue service's handle personal income tax (PIT) for residents of their respective states. Residents of Abuja's federal capital territory pay into the FIRS, whereas civilians serving in the military and police pay into their home states. Every person who resides in Nigeria and is not a member of the Nigerian Armed Forces functioning in a non-civilian role is subject to taxation under the PIT scheme[44].

The evolution of taxes, also known as the development of tax schemes, is crucial to evaluating the development and effectiveness of the numerous strands of taxation in almost every economy around the world. The majority of income tax revenue in most of Africa is generated by large corporations and by employees of the government. Since there is no method to determine income where adequate books are not kept, regular accounts are not created, and no audits are conducted, the application of the tax to small traders, artisans, and professionals encounters serious administrative challenges. The theory of tax structure development is an illustration of a historical legacy that has over time been reflected in the practices and policies of numerous countries worldwide[45].

The world's experience with various taxes, including how they are introduced, discontinued, or reinstated in response to changes in the economy. The low personal income tax base, the operation of the poll tax, the lack of trained tax administrators, and the dominating height of indirect taxation on international commerce in the tax system are the fundamental characteristics of taxation in the early phases of economic development. Additionally, there is a low ratio of tax revenue to GDP. These fundamental characteristics, however, move in opposing directions since the government's proactive initiatives eventually push the economy beyond the point of stagnation. Therefore, some taxes are likely to become more significant over time while others are almost certainly to

become less significant. Since PIT revenue is anticipated to climb together with per capita income, it serves as a suitable illustration of the former. As a result, the revenue from the progressive tax system is very income elastic[46].

Because monetization, trade, transportation, commercialism, and urbanization were in their infancy, direct taxes and non-tax sources were typically the most significant sources of income rather than indirect taxes. Internal and external forms of indirect taxation gain prominence throughout time as the financial, trading, and transportation networks mature. In such nations with open economies, indirect taxation takes over as the main revenue generator. Production and sales premises grow and become more permanent as economic activity organization advances, and the reach of indirect taxation may broaden[47].

It becomes possible to administer income tax as a personal income tax on a worldwide scale. There is hence considerable reason to anticipate that economic growth will result in a rise in the proportion of direct taxes. As nations expand, tax structures are satisfied to see tax bases grow more than proportionately to income growth. In other words, he believes that as income increases, so does the ability to tax. the potential for direct tax revenues to be more elastic than those from indirect taxes. Direct revenues come with a lot of long-term flexibility built in. It would appear so because import taxes are supposed to become less elastic as the economy grows. Import taxes will develop into an income-inelastic source of revenue. This is due to the fact that changes in the economic structure, particularly with rising industrialization, generate a shift in the composition of imports, which causes LDCs to import an increasing amount of capital goods and raw materials[48].

There are some services that are necessary in any nation and must be provided by the government to the people. Because services are so essential to existence, neither people

nor businesses are permitted to provide them, and even when they are, they are not permitted to control the supply or the creation. In order to benefit both the rich and the poor, government takes these steps to ensure that the supply of these products and services is spread fairly throughout each society.

My perspective is that it costs a lot of money to provide such basic products and services. One could wonder where the government gets the money to pay for such expensive residents' need. Although the government does print money, there are other significant economic considerations that must also be taken into account to prevent an economy from experiencing an overabundance of cash. Government must find means to finance its operations if an economy is to remain in balance. The private sector's financial contribution to government coffers in the form of fees, levies, or taxes50 is one source of this funding.

After the global economic depression of 192, the idea of taxing was given a significant boost. There are many different types of taxation, dating back to the days of our forefathers, when communities taxed themselves through communal labor to execute communal tasks, and in Nigeria the story was the same. There are so many forms of taxation, dating back to the days of our forefathers, whereby communities taxed themselves through communal labor to execute communal tasks, and at the same time, embarking on several ways to lift the standard of living of citizens in general.

The government of practically every nation engages in a number of activities that necessitate the expenditure of finances, and tax is defined as "a Compulsory Contribution from Individuals and/or Business Organization for Purpose of Financing Government Expenditure". The majority of these activities are funded by taxes, which the government

uses to raise the necessary revenue. This is why it's frequently referred regarded as a civic duty. Education, housing, health, pensions, national aid, family allowance, and other social services have all seen increases in national spending during the last eight years. Government subsidies for agriculture and other industries have recently been introduced. In order to pay the interest on the national debt, additional funds must be produced. In each of these situations, taxes are levied to raise money to pay for government expenses. It is significant to remember that the Raisemans panel of inquiry from 1957 served as the impetus for the current tax rules in Nigeria. Prior to that, we only had the so-called income tax legislation for the colonies, which was very standard throughout all of them and contained provisions that were quite similar. Raiseman's advice served as the foundation for the provision in section 70, subsection (I), of the Nigeria (Constitution) order in council of 190, which granted parliament the sole authority to enact laws pertaining to personal income tax for the all of Nigeria or any part of it[56].

In order to exercise these powers, the federal government passed the Income Tax Management Act of 191 and the Personal Income Tax (Lagos) Act of 191. All other regional tax laws had to be amended in order to be consistent with the federal Law because the territory was being administered as a region at the time. According to the 193 republication, the regions took on jurisdiction over the income tax of individuals who are not businesses. Taxation can be broken down into two different categories. Both direct and indirect taxes are used. A direct tax is one that has an immediate impact on an individual. After the revenue authority has separately assessed his tax burden, the person often pays directly to that authority. The income tax, corporate tax, and capital gains tax are the three main direct taxes in Nigeria. A tax assessed on a person who, to the greatest

extent possible, transfers the burden to others is known as an indirect tax. These additional parties then indirectly pay the tax. Customs duties, tariffs (Import & Export), exercise duties, expenditure tax, entertainment tax, and other types of taxes are examples of indirect taxes. Indirect taxes are imposed on the consumption of goods and services and are paid in accordance with the level and rate of consumption[57].

The following laws that impose tax on people and corporate entities in the nation are more significant. The Personal Income Tax Degree 1993 is the name given to the Income Tax Management Act of 191, as amended up to 1993. the 191 Company Income Tax Act (CITA) replaced by the 1979 Act, As Amended. Act of 1971 for Industrial Development (Income Tax Relief). The 1959 Petroleum Profit Tax Act (PPTA), as revised through 1993 The Capital Transfer Act of 1979, the Capital Gains Tax Act of 197, the Value Added Tax (VAT) Degree 102 of 1993, which repeated the country's sales tax, and the Education Tax Degree No. 107 of 1993 are among the amendments to the Stamp Duties Ordinance of 1958.

It is crucial to remember that there have been documented instances of people engaging in tax avoidance and evasion. Businesses cheat on their profit and loss statement. To pay less in taxes, they were all required to do this. It's a common belief that no one pays taxes while grinning. Because of these issues, the government establishes tax incentives to encourage taxpayers to make timely and efficient payments.

These rewards typically take the shape of concessions and exemptions. On second consideration, one is prone to suppose that with less tax to pay, occurrences of tax avoidance and evasion will be reduced to some extent[58]. Although this may not be the primary goals in offering tax concessions.

Various governments in emerging nations heavily rely on taxation as a tool for promoting capital formation for economic and industrial development. In some circumstances, the tax policy may be designed to raise enough money to finance necessary investments in the manufacturing sectors of the economy and, on the other side, expanding social services. There are, however, couplets related to the policy of capital formation. In a growing economy, tax policy may be structured so that high tax collections can provide enough cash for the government to invest in the infrastructure and social services that support industrialization. As an alternative, it might be designed to maintain tax rates that are low enough to support the movement of investment in the private sectors0.

The objective has always been to mix high rates of tax with preferential treatment on the desired development industries, punitive taxes for undesirable activities, in order to integrate these conflicting demands. The economy's manufacturing sector is projected to constantly be the most important and crucial contributor to the anticipated economic expansion that is typically linked to industrial development. Development models and techniques that emphasize the danger of tax incentives as a catalyst for business and economic growth have been developed. Like many developing nations, Nigeria has been making extensive use of tax incentives to guide investment activity in the private sector. These benefits may be claimed in accordance with the Income Tax Management Act of 191, as revised through 1993. modified Companies Income Tax Act of 1979. Act of 1971 Concerning Industrial Development Tax (Income Tax Relies)[61].

Nigeria's federal government has changed the tax laws because of its reliance on oil revenue. The goals of tax reforms in Nigeria are to close the funding gap for national development needs, ensure taxation as a fiscal policy tool to improve public service

delivery, increase the amount of tax revenue derived from non-oil activities relative to revenue from oil activities, continually review the tax laws to reduce/manage tax evasion and avoidance, and enhance tax administration to make it more efficient.

Since 1904, there have been numerous revisions to the Nigerian tax system. The following are the country's numerous reforms' effects: Income tax was first implemented in Nigeria between 1904 and 192; the country's Inland Revenue was granted autonomy in 1945; the Raisman Fiscal Commission was established in 1957; the Inland Revenue Board was established in 1958; the Petroleum Profit Tax Ordinance No. 15 of 1959; the Income Tax Management Act was established in 191; the Lagos State Inland Revenue Department was established; the Companies Income Tax Act (CITA) was established in 1979; and the Fede was established.

A significant participant in the Nigerian tax system and the Chartered Institute of Taxation of Nigeria (CITN), which was created in 1982 and chartered by Act No. 7 of 1992 to regulate tax practice and administration in the nation, filed a memo on the proposed 2004 modification. The goals of their memorandum include enhancing the Accountant General of the Federation's ability to oversee the revenue generated by Ministries, Extra-Ministerial Departments, and Parastatals; enforcing the remittance of the revenues collected to the Consolidated Revenue Fund or Federation Account; enhancing the oversight responsibilities of the National Assembly in overseeing the revenue generated by Ministries; and raising the penalty for failing to comply with Decleration[72].

Nigeria National Tax Policy

All participants in the tax system are required to abide by the guidelines, operating principles, and norms outlined in the presidential committee's report on national tax policy.

The Federal Inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies are in charge of developing tax policies in Nigeria, but they do so with the approval of the National Assembly, which is the country's legislative body[102]. Let's just state that the usage of the national tax policy document is still vitally necessary if the Nigerian tax system is to be implemented effectively or its goals are to be met. Further, it was noted that Nigeria requires a tax policy that not only outlines a set of guiding laws and principles, but also serves as a reliable point of reference for all national stakeholders, allowing for their accountability[73]. the tax system's incapacity to live up to the efficiency and equity standards by which it is measured. Furthermore, it was emphasized that tax policy is constantly under pressure and change, which frequently does not ensure outcomes that are consistent with the ultimate objective. Unfortunately, the majority of policy changes in Nigeria don't adequately take into account the taxpayers, administrative setup, and cost, in addition to the current taxes. This has significantly hampered the nation's tax system's ability to be implemented effectively and achieve its objectives[74].

The Nigeria National Tax Policy was created with the goal of positioning Nigeria among the top twenty economies in the world by 2020 by maximizing tax production, improving income redistribution, ensuring fiscal responsibility, and fostering socioeconomic growth. The Nigerian national tax policy was finally adopted in 2012 as a result of the research group's report, which was formed in 2002 to review the tax system and give creative ideas for improving the country's tax policy and effective tax administration. It is a comprehensive book that outlines the guidelines for taxation as well as the fundamental

ideas guiding tax administration and revenue collection across the three levels of government[75].

A joint return is a tax return submitted on Form 1040, 1040A, or 1040EZ to the Internal Revenue Service (IRS) by two married taxpayers filing under the marital filing joint (MFJ) status or by a widowed taxpayer filing under the qualifying widow or widower status (QW). These taxpayers can record their income, deductions, and credits on a single joint return while also combining their tax liabilities. A joint return enables qualified taxpayers to use the more advantageous tax rates, brackets, and perks when calculating their taxes. Couples who file a joint return as a result often pay less overall tax than those who file two individual forms. Married Filing Jointly (MFJ) or Qualifying Widow/er (QW) must be the taxpayers' filing status in order to submit a joint return[82].

The taxpayers must be legally wed on or before the last day of the tax year in order to qualify for the married filing jointly (MFJ) filing status. They also need to both agree to file and sign the joint return. The taxpayer's spouse had to have passed away within the previous two tax years for the taxpayer to qualify as a qualifying widow/er (QW), and the taxpayer also had to be supporting a dependent child. The law of the respective state or jurisdiction governs whether or not taxpayers are deemed married on the last day of the tax year. All federal tax purposes accept same-sex unions that are formally consummated. Taxpayers are regarded as single for the full tax year and are not permitted to file a joint return if they divorce or separate under a final decree of divorce or separate maintenance at any time during the year[83].

Married filing jointly (MFJ) or married filing separately (MFS) are the two filing statuses available to taxpayers who are married but not widowed (MFS). If one spouse makes the majority of the income and itemized deductions aren't taken into account, filing jointly is likely to result in lower tax. Since joint and separate tax rates are anticipated to be the same and since adjusted gross income floors will be lower, filing separately may save money on taxes if both spouses make the same amount of money and if one or both have medical expenditures, casualty losses, or other deductible expenses. The tax should always be calculated jointly and separately whenever both couples have taxable income, and a return should be filed under the status that has the lowest tax[84].

The Board was initially constituted by Section 3 of the since-repealed Income Tax Administration Ordinance 1958, as later Acts and Decrees altered it. The Finance (Miscellaneous Taxation Provisions) (Amendment) Decree No.3 of 1993 established the Federal Inland Revenue Service as the operating branch. Through its executive branch, the Federal Inland Revenue Service, the board manages tax revenue that has been collected on behalf of the nation. Value Added Tax (VAT), Company Income Tax (CIT), Education Tax (EDT), Capital Gains Tax (CGT), Withholding Tax (WHT), and Petroleum Profits Tax are among the levies they manage (PPT)[84].

The Federal Ministry of Finance officer temporarily holding or filling the position of Director responsible for planning, research, and statistics matters; a member of the Board of the National Revenue Mobilization, Allocation, and Fiscal; and a member from Nigeria make up the composition of FIRS. The Executive Chairman, who must be a taxation expert, will be appointed by the President.

As part of its duties, the FIRS may advise the federal government through the minister of finance on subjects relating to taxes, such as any changes to the law already in place, the assessment and collection of corporate income taxes, and more. Providing guidance on the assessment's financial aspects, including the interpretation of income tax laws, Examining and approving the service's strategic goals, Employers choose the terms and conditions of employment, including the disciplinary actions that will be taken against service personnel. Take any additional actions that, in its judgement, are required to guarantee the effective performance of the service's statutory functions.

Any country's development is based on how much money the government is able to raise for infrastructure development. Nigeria receives funding from a variety of sources, both domestic and foreign. The government's income can be classified into two categories based on the country's internal sources of income: non-oil (which includes direct and indirect taxes, loans, trades, grants, and assists) and oil (which includes royalties, the Petroleum Profit Tax (PPT), and gas taxes)[8]. Over the years, Nigeria has completely neglected other revenue sources in favor of the oil sector, which now accounts for more than 70% of the country's overall revenue. However, the Nigerian government has found it difficult to meet its constantly rising demand for public goods and services due to the uncertainty of the revenue inflow from the oil sector as a result of a number of factors, including international politics, insecurity, price fluctuations, oil theft, militancy in the Niger Delta, and systemic corruption[87]. As a result, the development of Nigeria's tax administrative system to produce a higher tax yield becomes imperative.

The majority of industrialized economies around the world have relied on taxes as a true source of income to fulfill their obligations. While other developing/underdeveloped countries have been unable to evolve a tax system that would provide the much-needed funds that can sustain the economy and provide a fulcrum on which the economy can take a progressive leap, taxation has evolved to become the mainstay of the economy in countries like the USA, UK, France, and a few others. Nigeria's tax collection is woefully inadequate to cover its ever rising social and public spending[88]. The 1973–1974 oil boom fostered Nigeria's excessive reliance on oil revenues at the expense of all other sources of income. This is unsustainable because of the change in the price of oil, which has frequently forced the country into budget deficits89. Nigeria's economy is unbalanced and heavily dependent on oil. Since the government budget for the year is heavily reliant on the oil industry, it was thought that Nigerian tax administration and practice should be organized to meet economic goals.

However, there is a lack of tax revenue in Nigeria, which can be attributed to a number of issues. Low tax revenue income is a direct result of insufficient statistical data, bad tax administration, an inability to prioritize tax work, a variety of taxes, the underground economy, and corruption. These are the main barriers to efficient and effective tax administration. Another reason for insufficient tax revenue inflow is the tax administrators' inability to use the tax resources in the unofficial sector of the economy[91].

Some of the causes for poor tax yield were found to be the prevalence of tax evasion, high cost of compliance, and complex tax rules. In Nigeria, having an effective taxation system that can produce more of the resources required for the nation's economic and social progress is crucial. As previously mentioned, a country must have a clear understanding of

the breadth of its tax system before considering how to administer it. The kind of tax system that is implemented has a significant impact on the amount and quality of resources needed by tax administrators[92].

A preferred tax administration system is one that rewards pro-tax behavior, encourages voluntary compliance, forcefully and legally enforces compliance, treats tax payers as partners, and functions in a climate of accountability.

Tax payers who are aware of the law and are properly guided would comply more willingly, increasing the overall amount of money collected in taxes. To position for better revenue collection, tax policies, legislation, and administration must be harmonized. However, there are no effective tax administrative systems that can solve the problem[93].

Inadequate tax revenue collection in Nigeria has always been a result of the following issues with tax administration in Nigeria[94]:

Tax evasion is the willful and intentional practice of not declaring all of one's taxable income in order to pay less tax. In other words, it is against the law for a taxable individual to fail to pay the required amount of tax or to lower their tax burden by making false or fraudulent statements on their income tax form. Various strategies are used to escape taxes, some of which include not registering with the appropriate tax authority, Failure to preserve the necessary records or to provide a return, statement, or information Making an erroneous return by understating or deleting income subject to tax, refusing to pay tax, or failing to pay it at all Tax avoidance is the arrangement of a taxpayer's affairs to reduce the amount of tax due than would otherwise be due by utilising tax shelters and avoiding tax traps provided by the tax rules. In other words, a person takes use of tax levy loopholes to pay less tax than they should, transforming the sole proprietorship or

partnership of the tax payer into a limited liability company; the capacity to utilize tax laws' allowances and reliefs in order to lower the amount of income or profit subject to tax; reducing the incidence of excessive taxation by the acquisition of a business concern that has incurred a significant loss in order to offset the loss against future profits; many tax payment methods are overly onerous and discourage taxpayers from paying their taxes on time. By bribing tax inspectors, they can sometimes avoid punishment in Scotland. Tax-Related Income Identification: The majority of the time, determining the global income tax purpose was challenging. All sources of income are included under "world income," including income from work, business, profession, or vocation, interest, rents, dividends, and other items generated in or imported into Nigeria. The excuse that they are illiterate or unsure of what to do is one that tax payers frequently make to ignore reminders to file return of income forms. They either fail to submit any returns at all or, if they do, submit returns that are essentially meaningless. People use fictitious transactions to avoid paying taxes and hide income-producing activities, such as building houses in other people's names or in the names of people who are otherwise insignificant in society and thus are unlikely to ever be called upon to pay taxes, let alone to account for the house(s) they are allegedly the owners.

The national development of Nigeria has been impeded by the numerous difficulties the country's tax system has faced throughout the years. According to the study group's studies on tax reform, the following are just a few of the significant issues that have contributed to poor tax yield over the years:

One, a subpar information management system to the detriment of appropriate tax collection, poor record keeping and data preservation by tax administrators have created a large loophole for tax evaders to operate. They can do this by changing the date of initiation, location, and other crucial information. Tax regulations that are difficult to understand and comply with by tax payers are complex and burdensome. The Nigerian tax rules that were passed down from the British have not been sufficiently examined to take into account our local culture and character, making it impossible for the average person to grasp them and encouraging a wave of evasions or non-compliance. Fraud and inefficiencies in the administrative system. Because tax payers frequently do not pay the full amount of tax owed and because a higher proportion of tax money may have ended up in private rather than public coffers, there has been a decrease in tax revenue[4]. Poor and irregular compliance visits and monitoring. The board has not developed an effective method of monitoring companies from the date of registration to the date of commencement of business activities, denying the government the much-needed funds. It has been discovered that many companies operate for longer than the statutory eighteen months without registering for tax payment. Most of the time, it has been discovered that even businesses that are registered with the board do not fully comply with their tax requirements as of the due date[5]. Inefficient assessment, communication, and collecting procedures. The inconsistency of the assessment, notification, and collection processes has been a major hindrance to Nigeria's ability to generate a sufficient amount of tax revenue income. The majority of businesses provided false addresses or locations, but even those in assessable locations have refused to cooperate consistently or allow the board to visit them for sensitization.

Ineffective agency interface and synergy strategies. In order to improve comprehensive disclosures, government organizations like banks, customs, and the immigration department are not in a position to share client information with the board[7]. The unorganized private sector cannot be incorporated into the tax system. In Nigeria, the unorganized private sector, which makes up around 0% of tax payers, is not included in the tax system.

The government must take into account the trade-offs involved in attracting foreign direct investment (FDI) in terms of providing incentives and the influence of these on the country's sustainable development in order to achieve sustainable development in the social and economic sectors of a country[9]. Tax is a fiscal tool used to support or oppose particular production or consumption patterns that have an impact on the sustainability of the economy, environment, or social systems[97]. According to this claim, the tax system offers a financial framework that promotes bilateral, regional, and global commercial interactions among nations as well as foreign direct investment (FDI). Whether or whether a country will attract foreign direct investment depends on its tax policies. When investors are attracted to a nation, it signifies that the investors will bring their reliable, unrestricted capital, technology, and efficiency, as well as their ability to contribute to the nation's capital accumulation and the development of jobs and riches. In order to ensure that developing countries receive an equitable distribution of the tax base and tax room in new economic relations, taxation also promotes fair relations between developed and developing nations[98].

Tax incentives is purposely put in place to ensure efficient in term of company investment to promote economic development in the long run. However, efficacy is defined as the amount to which investment tax incentives encourage investment[1]. This term emphasizes the quantity of investment, but the quality of investment is just as essential. Quality means effectiveness. Incentives that encourage unsound and unsustainable investments, hamper economic progress, just as driving faster in the wrong direction pushes you further away from your target[1]. Such investments should not be seen as proof that the incentives are working. Effectiveness as the amount to which investment tax incentives drive new productive investment. If tax incentives are successful in this regard, a thorough policy study must account for the accompanying costs. For example, an incentive that encourages N1 million in investment but costs the economy N1.5 million is a losing formula. Concentrating on the N1m gain leads to bad judgments and, eventually, a negative consequence[1]. As a result, The cost-effectiveness criteria. The fundamental problem, in their opinion, is whether the economic benefits of an increase (if any) in incentive-favored activities would genuinely balance the entire costs of the tax incentives offered. The idea of cost-effectiveness considers repercussions other than the increased expenditure itself.

However, impact refers to the larger fiscal, economic, and social repercussions of investment tax incentives. As a result, the research must look at both the efficacy of various tax incentives in boosting productive investment and their effects on government income, tax administration, economic efficiency, social equality, and, ultimately, the country's economic development prospects. In the case of newborn industries, it is

predicted that they will not be productive and competitive at first, but will become so within an acceptable time frame that the present value of future net benefits will surpass the short-term efficiency costs. Cost-effectiveness more narrowly as per dollar of revenue loss. A ratio less than one shows inefficient cost-effectiveness. This is not a sensible cost-effectiveness metric. The numerator should include the present value of future revenue losses, not just the yearly cost, and the denominator should include the present value of future revenue losses, not just the annual cost[2]. Even when adjusted in this manner, the ratio remains oversimplified since it disregards indirect costs and benefits.

The marginal effective tax rate (METR) model, tax expenditure budgeting, and the specification of screening criteria for applying selective incentives are three significant methods for examining tax incentive policies[3]. The METR model may be used to assess the amount to which various tax incentives increase the rate of return on typical investment projects[3]. Tax expenditure budgeting is a useful tool for tracking the amount of money lost due to tax incentives. They believe that every country or state should take measures to implement these instruments for policy analysis. When selecting projects for selective incentives, the objective should be to avoid sacrificing tax money for investments that would have been made anyhow. In general, projects that are efficient and sustainable are more likely to be realized even in the absence of specific tax benefits. The exception is "footloose" investment, which may be easily found in other nations or states. Incentives can also be used to stimulate investments that would not be feasible without a tax incentive[2]. He recognized them as low-productivity initiatives. He contends that the criteria used to target investment incentives frequently fail to select projects that will

provide significant advantages relative to the revenue cost. Furthermore, any selective screening procedure might be undermined by political machinations.

Low overall tax rates, preferential tax rates for investments, tax holidays, capital recovery allowances, investment tax credits, dividend treatment, excess deductions for designated expenses, special export incentives, reduced import duties on capital and raw materials, and protective tariffs4 are common incentives. Tax incentives are widely used to encourage investment, and their popularity is growing[3]. Tax incentives can be given in a number of methods, each having a different impact on the domestic treasury[4].

The Nigerian government has implemented a variety of investment incentives to encourage private sector investment from both inside and outside the nation. While some of these incentives apply to all industries, others are restricted to a few. These incentives' nature and application have been greatly simplified[3]. Among these incentives are: Income taxation of corporations The Companies Income Tax Act has been revised to promote existing and prospective investors and entrepreneurs. Except for petroleum, the current rate in all industries is 30%. Status as a pioneer The designation of pioneer status to an industry is intended to allow the industry to earn an acceptable profit during its early years. Profits are expected to be reinvested back into the company[5].

Pioneer status, is a tax holiday awarded to qualifying or (eligible) enterprises situated anywhere in the Federation and a seven-year tax holiday in respect of industries located in economically challenged local government areas of the Federation[1]. To qualify, a joint

venture company or a wholly foreign-owned company must have incurred a capital expenditure of not less than five million naira, while a qualified indigenous company must have incurred a capital expenditure of not less than N150,000, according to the Industrial Development Income Tax Act (IDITA), as amended[1]. Furthermore, an application for pioneer status must be submitted within one year after the applicant company's commercial production, otherwise the application would be time-barred.

Tax incentives may be a logical policy instrument, but the costs and benefits of such incentives must be calculated to see if they are worthwhile. Even if there is a justification in theory for tax incentives, a policymaker will be unable to make an informed decision until the costs and benefits of feasible incentive schemes are recognized. Even though there is a broad argument for tax incentives, one may choose not to utilize them if none of the available incentives can achieve their goals or if their costs are too high. Furthermore, the costs of tax incentives are extensive and extend beyond any immediate income loss. These costs include economic inefficiencies caused by preferential treatment of investment eligible for incentives, administrative expenses for administering and combating fraudulent use of incentive programs, and the social costs of rent-seeking behavior, which may include a rise in corruption[1]. All of these cost variables are difficult to measure when comparing the advantages of incentives. Even calculating the pure revenue costs of incentives is tough. Incentives only apply to investment that would not have occurred otherwise, the cost of direct income foregone is nothing. At the opposite end of the spectrum, if incentives are entirely redundant and have no effect on investment, the total amount of tax income waived covers the direct revenue cost[3].

The advantages of tax incentives, on the other hand, are harder to quantify. Tax incentives are frequently utilized to accomplish medium-term development goals that will be influenced by variables other than tax incentives. As a result, in the usual situation of tax incentives targeted at increasing investment and hence economic development, it will be impossible to tell what the growth performance would have been in the absence of the incentives. Cost-benefit analyses of tax incentives are difficult to do and maybe deceptive if they systemically omit general equilibrium effects[2]. They noticed that such studies often quantify the direct financial costs of lost tax income and compare them to the advantages of increased employment and activity, as well as the ensuing tax revenue. Other investments are typically not measured since doing so would be extremely difficult. Similarly, such analyses cannot determine if the investment was simply transferred inside the country or from one industry to another, or if it is actually new. Furthermore, it is impossible to build an effective tax administration without a highly-trained and well-educated workforce, as well as to computerize the activities, due to a lack of funding. Furthermore, if taxpayers lack the ability to keep accounts, the economy is informal, and there are budgetary constraints, statistical and tax offices will struggle to generate credible figures for estimating the impact of tax incentives on the economy[3].

2.1.3 An Overview of Manufacturing Firms in Nigeria

This section of the study discusses the effects of the oil discovery on Nigeria's manufacturing sector as well as how the sector has historically operated and performed, its current state, and its challenges.

It goes without saying that a discussion of Nigeria's manufacturing sector would be incomplete without addressing the impact and consequences of the oil sector. Nigeria's discovery of oil ended up being a blessing in disguise. The discovery of oil there is considered to be one of the primary causes of Nigeria's issues. Financial mismanagement, a high level of corruption, an excessive reliance on one industry, and the neglect of other industries, particularly the manufacturing sector, are all present at the time of the discovery.

With a production output of 2.5 million barrels of crude oil per day as of December 2006, Nigeria ranked as the eleventh-largest crude oil producer in the Energy Information Administration's (EIA) report, making it one of the influential members of the Organization of Petroleum Exporting Countries (OPEC). As a result, the Nigerian economy was highly dependent on changes in the price of oil, which also had an impact on Nigerians' economic activities. According to a study, Nigeria has a great potential to develop a strong and vibrant economy solely on the basis of enormous oil revenues because the country's entire economy is dependent on oil revenue and the country has very large oil reserves. Unfortunately, the country's level of poverty did not decrease as a result of oil revenues, and up until recently, it was one of the poorest in the world[2]. The study also identified some of the primary causes of this failure. Although the Nigerian government had set goals for reforms in the areas of spending, inflation, and privatization, he noted that few of these reforms had been actually implemented. As a result, Nigeria's stand-by bring considerable with the International Monetary Fund (IMF) was canceled. The study also asserts that political unrest and corruption further impeded economic growth. The researcher then came to the conclusion that in order to accelerate the growth

of its economy, Nigeria should concentrate on developing other sectors such as agriculture, energy, transport, and manufacturing rather than increasing its reliance on oil.

Nigeria has enormous economic potential due to its vast oil reserves, but due to its management history, the nation continues to experience significant issues like poor infrastructure, severe corruption, and inefficient resource allocation. Instead of being the blessing for the nation that it could be, oil has turned into a significant source of debt. The burden on the nation is that it must pay a significant sum for its import bills as a result of shifts in oil prices on the international oil market[4].

The nation made the grave error of ignoring other industries like agriculture, mining, and micro, small, and medium manufacturing during the 1970s oil price boom. At the time, the nation was exporting enough crude oil to fund the development of other industries, but due to its reliance on oil revenue, these other industries were neglected[5].

Additional factors also contributed to the decline of specific industries. For instance, many foreign nations showed interest in Nigeria's manufacturing industries between 1970 and 2005, including the steel, wood, food, electronics, chemicals, and vehicle sub-sectors. But only a few businesses were able to make a significant impact in those industries because of rules and other limitations, the need for capital, and a lack of knowledge. However, many of those foreign businesses that were able to form partnerships with Nigerian businesses were very sizable. As a result, some industries, like fuel refineries, electronics, chemicals, and vehicles, have experienced significant growth in foreign ownership and product output over time, while others, like textile, wood, and plastics, have experienced declines. Legislation and entry-level restrictions were the primary causes of the differences in foreign companies' interests in the various industries[5].

Nigeria's economy is overly dependent on oil and is not growing significantly as a result of inconsistent macroeconomic policies for the expansion of various economic sectors. The price of oil does not stay at an affordable level when the government only works to protect the oil companies' interests, and manufacturers must pay more for the energy resources they use during the manufacturing process. Foreign investors begin to pay attention to the news of new crude oil well discoveries in the nation, which raises both the level of foreign direct investment (FDI) and the employment rate. In this way, oil prices and production have an impact on Nigeria's economy[6]. Therefore, it is clear that Nigeria continues to be heavily dependent on oil, which has provided80 percent of its foreign exchange over the past forty years. The fluctuation in oil prices has a negative effect on the economy and contributes to a certain degree of instability and uncertainty, making this policy quite detrimental to the nation. Nigeria is now the least industrialized nation in the region due to the government's neglect of non-oil industries like manufacturing.

According to a study on Nigeria's economic conditions, the country's excessive reliance on the oil industry has made it one of the least industrialized in the sub-Saharan African region, with some significant weaknesses in its economic structure as a result. These various degrees of carelessness played a role in the 1980s collapse of the nation's social services and basic infrastructure. The country's economy was unstable due to fluctuating oil prices, and poverty was pervasive, particularly in rural areas[7]. Although the Nigerian manufacturing sector cannot currently support economic growth, it has great potential given that Nigeria is one of the region's most eye-catching markets with about 140 million consumers and millions more in the neighboring countries[8]. The fact that private consumption expenditures are rising significantly in the nation at a rate of 15 to 20 percent

annually highlights the significance of the manufacturing sector. However, a number of issues are impeding the expansion of Nigeria's manufacturing sector, and as a result, the nation is moving very slowly toward economic diversification[9].

Studies summarized the economic situation in Nigeria and the significance of the manufacturing sector by pointing out the major obstacles that historically and disproportionately have hampered its expansion and development. Insecurity, political unpredictability, market-distorting state-owned monopolies, inadequate infrastructure, lack of financing, and another study added an excessive amount of red tape and widespread corruption to this list of obstacles[10,11,12].

In Nigeria, the performance of manufacturing companies has been sputtering for more than three decades. Due to this particular sector of the economy's poor performance, managers of manufacturing companies may have engaged in dishonest practices (such as falsifying annual financial accounting statements, providing false results, and declaring false assets) to entice investors to invest in their businesses. This has caused many investors, both domestically and internationally, to lose interest in funding manufacturing firms in Southwest Nigeria. Disinvestment in the manufacturing sector's aftereffects has reduced internal financing sources and increased production costs as a result of rising per capita costs[9,13].

Globally, The ability of an economy to grow and develop sustainably is significantly impacted by the performance of the manufacturing sector. The manufacturing sector affects a nation's ability to achieve long-term economic growth and development. It therefore has a number of beneficial advantages related to economic transformation. The manufacturing industry is regarded as a growth and development engine in developed

economies. For instance, in 1920, Germany experienced severe economic problems as a result of a lack of natural resources and ongoing inflation problems. However, when Germany diligently focused on expanding its manufacturing sector, the economy of the nation began to turn around. Germany grew as a result and is now the richest nation in Europe and the fourth-richest nation in the world[13]. Similar to this, it has been asserted that the manufacturing sector of a nation's economy typically serves as its primary engine of expansion. This is supported by the fact that an expanding manufacturing sector can increase productivity, export performance, income, and subsequently economic growth. Economic efficiency is said to be primarily determined by the manufacturing sector[14].

The Nigerian economy was thought to be on the path to sustained economic development until the 1950s oil discovery. Although the industry was heavily dependent on the production of crude oil, it was abandoned in favor of the monolithic economy. As a result, the Nigerian economy began to under-industrialize, which had a number of negative social consequences, including an alarmingly high unemployment rate and low capacity utilization. It is instructive to note that, despite being the largest market in Africa and having an abundance of human and material resources, Nigeria is still characterized by extreme poverty and a low standard of living among its citizens because of its monolithic economy and complete disregard for other economic sectors[1].

Nigeria is currently experiencing significant economic difficulty; hence it is important to diversify the economy away from its current monolithic structure. Thus, in order to achieve economic growth, economic diversification is crucial, which is why the government is currently concentrating on the manufacturing and agricultural sectors. The Nigerian government is currently working to establish the necessary policies and

strategies in order to maximize the benefits of the manufacturing sector for Nigeria's economy. One of these programs entails granting tax incentives to the manufacturing sector in order to promote investment in the area and maximize firms' industry profits. This development resulted from the economy's diversification, which offered a mix of tax incentives and business incentives to draw in international investment. Numerous indications that threaten the advancement and growth of Nigeria's manufacturing industry have been revealed through studies on the historical performance of manufacturing firms[5]. A research that performed an empirical review of the Nigerian manufacturing sector's performance over a 30-year period found that the sector was operating at satisfactory growth rates. However, the expansion and profitability of the Nigerian manufacturing industry abruptly stopped after that period. The decline in oil prices on the global oil market had a detrimental impact on the success of the sector, especially after 1983. The worldwide oil crisis caused a dramatic loss in government revenue in Nigeria, which decreased foreign exchange earnings. As a result, the government was compelled to adopt a number of steps to rigorously regulate its commerce. A number of import charges were adopted in the form of tariffs and import permits, and some quantitative limits were also put in place on the importing of specific goods. As a result, the manufacturing industry suffered greatly since firms had several issues locating raw materials and replacement parts for their goods and operations[5,15]. Many of the nation's industries were shut down as a result of significant reductions in raw materials and replacement parts, and the capacity utilization in the industrial sector fell. For instance, the Nigerian bicycle manufacturing sub-sector saw a systematic reduction in capacity utilization between 1977 and 2007 of nearly 485 percent, going from 948,000 bicycles in 1977 to 161,500 in 2007[15].

In the majority of the nation's other manufacturing sub-sectors, a research also found this unsettling tendency. The actual manufacturing sector output fell by 25% between 1982 and 198, demonstrating the effects of the trade restrictions brought on by the oil price crisis. Although the yearly growth rate of the Nigerian manufacturing sector was 15% between 1977 and 1981, trade restriction measures taken by the government caused the sector's growth rate to sharply decrease in the years that followed[14]. The manufacturing sector's contribution to the nation's overall GDP definitely decreased throughout this time. The manufacturing sector's contribution to GDP increased by 4% in 1977, reaching a peak of 13% in 1981. However, within a short period of time after that, it fell to less than 10%[14]. According to the study's findings, one of the main reasons for the manufacturing sector's growth rate's drop, particularly after 1981, was the lack of availability and insufficiency of the companies' access to the necessary raw materials and spare parts. Thus, the policies that finally led to the fall in the growth of the manufacturing sector can be attributed to the shock caused by the oil price[15].

Following the previously mentioned drop in manufacturing performance, a different study[16] looked at the impact of Nigeria's trade policies on the country's manufacturing performance. The researcher examined the performance of the manufacturing sector after 1985 and discovered that the Nigerian government had made some substantial efforts to liberalize the trade environment there as well as to support manufacturing and import-export operations. The adoption of a flexible exchange rate system and some trade liberalization policies resulted in significant changes to the situation since they reduced trade rates and taxes. Duties on the importation of foreign goods were also increased at the same time, particularly those that competed with native products.

Similar measures were taken to lower import taxes on many of the raw materials and components used in the manufacturing sector, which were the cause of the sector's downturn in the previous years. The Nigerian government took these measures in order to provide indigenous manufacturing businesses a sense of security so that they would feel inspired to increase their output and efficiency[2,15]. According to a study, the early 1980s global oil price crash and the extended recession that followed it were responsible for the steep decline in Nigeria's foreign exchange earnings[117]. This further caused the nation's manufacturing sector's performance level to decline. It was anticipated that the situation would improve with the launch of the Structural Adjustment Programme (SAP) in 1985, but regrettably, little discernible improvement was seen. Nigeria is currently one of the countries in the world with the highest levels of poverty due to the manufacturing sector's continued poor performance as well as other significant factors[2,5,8,17].

2.2 Theoretical Review

The following theories were reviewed in this study given their relevance to the aim of this study. The theories include Optimal Tax Theory, Investment Behaviour Theory and Agency Theory.

2.2.1 Optimal Tax Theory

The theory of optimum taxation is another name for optimal tax theory. Ramsey presented the hypothesis in 1927. The premise of optimal tax theory is that the tax system is anticipated to be built in such a way that it optimizes social welfare function subject to economic limitations. The theory's central principle is based on utilitarian policymakers. The theory assumes that everyone in the economy has equal preferences for consumption

and leisure, implying that everyone in the system is totally same. According to optimal tax theory, the ideal purpose of government is to develop a tax structure that maximizes consumer welfare. The optimal theory of taxes stressed equitable income distribution and efficient revenue production at the price of reducing potential tax distortion. Consumer and supplier behavior is distorted by taxation. Consumers are impacted by increases in community prices and income tax cuts. Similarly, the effect of taxation might impair production activity and profit. The notion of optimum taxation is discussed in three taxonomies in this study: commodity, income, and sales.

Through distortionary taxation, the theory analyzes the optimum strategy to raise set revenues while eliminating inefficiency and distortion[100]. A neutral tax is a theoretical tax that totally eliminates distortion and inefficiency. Other things being equal, if a taxpayer must choose between two mutually incompatible economic projects (say, investments) with the same pre-tax risk and rewards, the rational actor would select the one with the lower tax or a tax credit. With this knowledge, economists argue that taxes in general distort behavior. For example, because only economic actors who engage in market activity of "entering the labor market" are subject to income taxation on their wages, people who are able to consume leisure or engage in household production outside of the market, such as providing housewife services in lieu of hiring a maid, are not taxed or are taxed lightly. There is a distortion caused by the incidence of commodity taxes. A famous example is the tax on restaurant-cooked meals, although commodities purchased from supermarkets to be prepared at home are usually not taxed. Thus, it can be fairly argued that tax discrimination in favor of domestic employment over market-place activity might lead to significant inefficiencies in tax operations.

He established a theory on optimum sales taxes applied on commodities, positing that producer and consumer surpluses exist where a demand curve sloping downwards coincides with a supply curve sloping upwards. Apart from imposing a deadweight loss, implementing a sales tax results in a significant fall in output[109]. A uniformly applied single rate of tax, assuming unchanged demand and supply elasticities, will result in the minimization of the sum area of DWL triangles that have formed. The theory's general premise is that if we make an assumption about suppliers' elasticity, assuming that they have perfect elasticity in their responses to tax changes, we can conclude that taxes levied on commodities with a more inelastic response to consumer demand will result in a smaller DWL distortion., the present version of optimum taxation theory is primarily concerned with marginal deadweight loss[109].

The paper "Exploration in the Theory of Optimal Income Taxation" was founded on asymmetric information. Asymmetric information happens when one actor in a transaction is more knowledgeable of the transaction's terms than the other agents. Inefficient transactions result from asymmetric information. In this system, the government may determine an individual's income but not his or her hours of labor or productivity. Asymmetric knowledge prohibits the government from administering taxes effectively. It constrains the government's ability to maximize income while also preventing them from taxing high-productivity persons at greater rates than low-productivity individuals[103,109].

The optimal income taxation theory is perceived as a compromise between efficiency and equity. The optimum income tax theory on individual labor seeks to determine the best trade-off between the three consequences of increased taxation:

If no individuals modify their behavior in response to a rise in tax rates, the mechanical impact increases government income. The behavioral effect - a rise in tax rates inhibits labor supply, resulting in decreased tax income.

Experts criticized optimal theory claimed that one of the complaints leveled at optimal tax theory, which mandates that each good in an economy be taxed at a different rate, with higher rates for requirements and lower rates for products with good replacements, is that it ignores the administrative expenses of tax systems.

While optimum tax theorists can safely ignore tax compliance costs, market players do not have this luxury. Scenario a plethora of selective tax rates for various things in the economy may make sense in a short-run theoretical setting devoid of political institutions and human cognition restrictions. However, when we consider the expenses of tax administration, tax complexity, and the political incentives and restrictions that tax officials face, economist James Buchanan's classic argument that uniform general taxation is efficient becomes much more appealing[108].

Edgeworth maintained that taxes should require an equivalent marginal sacrifice (of value) for each individual taxpayer in order to minimize the collective utility loss imposed on taxpayers following the neoclassical "marginalist" revolution in economic theory. This utilitarian concept of equal marginal (i.e. minimal total) sacrifice did give a basis for progressive income taxes when linked with the neoclassical premise of falling marginal utility of income. Edgeworth was aware of the trade-off between fairness and efficiency in redistributive taxes, but the construction of a rigorous unified framework for analyzing this trade-off had to wait until the seminal work. However, most of the optimum tax literature based on Mirrleess' contribution has been very technical and abstract, and this

body of theory appeared to produce few strong conclusions for many years. For these reasons, many policymakers see optimum taxation theory as having little practical application[115].

For the purposes of this study the theory is relevant on the basis that the welfare impact occurs when a tax increase reduces individual utility and hence community welfare. A analysis of the best corporation taxes. He looked on the impact of corporate income taxation on firm profits. He created a model that included two economic sectors: corporate and non-corporate. The model achieves long-run equilibrium when the after-tax rate of return of manufacturing companies equals accounting for the impact of corporate income taxes. He found that profit taxes reduce corporate profitability and return on investment[104]. In a nation like Nigeria, where manufactured items are heavily imported, a bad tax structure and unfavorable tax laws may lead the manufacturing industry to stagnate. As a result, the administration of tax incentives might have a far-reaching influence on improving manufacturing sector performance in terms of output and finance[105].

However, experts have criticized Arnold's work, claiming that corporate income taxes lowered business profitability. According to Martin, the main emphasis of policymakers is the personal income tax. He proposed that policymakers examine corporate and personal taxes separately. Martins also provide a method for calculating the net effect of changes in company tax rates on individual tax returns by concentrating on the difference between real and nominal capital income. Lack of data for comparing the two was cited as a flaw in his model, which he also noted. In this context, one research looked at the influence of taxation on corporate financial performance. They discovered that taxes on manufacturing

activities might affect manufacturers' profits. They argued that a tax incentive in the industry may help to support activities while also promoting economic growth and development. As a result, selecting a tax structure that encourages a thriving manufacturing sector can boost manufacturing enterprises' financial performance while also increasing the country's GDP (GDP).

Nigeria's manufacturing industry is extremely susceptible due to consumer preferences for locally manufactured goods. Unguided tax administration in the industrial sector may diminish the industry's economic potential. It may also damage local manufacturing's capacity to compete with overseas enterprises producing equivalent products. As a result, efficient tax management, such as tax incentives, might stimulate and increase the ability of local firms to compete globally. There is a compelling reason why the theory of optimum tax is relevant to this study since it gives critical information on tax incentives. Manufacturing businesses profited from tax incentives that allowed them to pay substantially less tax, giving them a significant advantage in terms of enhanced return on assets and return on equity (ROE), both of which are calculated from earnings after tax[116]. Tax incentives can make investments more appealing, increasing the profitability of manufacturing firms. Tax incentives in this sector will increase the number of manufacturing firms in the nation, and their financial performance will improve[102]. The optimal theory of taxation addressed distortions that may occur as a result of the influence of taxing on human behavior on commodity prices, labor income, and the welfare of persons in society in light of economic restrictions.

This theory is the second theory that relevant to this study as its encourages tax authorities' and government to develop a tax structure that maximizes consumer welfare.

2.2.2 Theory of Investment Behavior

The theory proposed the idea of investing behavior in 1967[107]. Economists and policymakers agree on the efficacy of tax policy in changing investment behavior[108]. Whatever the reasons for this theory, it had a significant impact on postwar American tax policy. The cost of capital is the required rate of return on an investment project to allowance even. The tax structure of an economy can affect the cost of capital in several ways: it can reduce the project's rate of return, change the cost of various sources of finance, and change the cost of investment. To encourage investment, capital allowances are frequently used as tax allowane[8]. However, in the absence of a tax incentive, corporation income tax tends to have a greater influence on the structure and form of investment transactions or investor decisions when it is deducted from investment returns. This is due to the fact that taxes frequently have an impact on an investment's profitability based on the current tax rate. An investment project must be anticipated to produce a rate of return that is at least equal to the cost of capital in order to be worthwhile. Government policy has a significant impact on how important taxes are as a fundamental variable in investment decisions. Corporate taxes and investment have a well-established relationship, especially when measured in terms of capital formation[105]. This relationship between taxes and investment has been empirically investigated. The loss or increase in a firm's capital stock as indicated by net investment is proportionate to the anticipated change in output because a firm's projected capital stock is directly related to its planned production level. This reasoning holds that the expected rate of GDP growth determines the ratio of net investments to net GDP. Even though the rate of growth is still positive, it was determined

that there is a general increase in investment when output growth quickens and a general decrease in investment when output growth slows. The growth rate's impact on investment level is discussed in terms of the accelerator model. Or, to put it another way, there is a constant high rate of investment as a result of rapid growth that does not show any signs of slowing down, which is frequently brought on by economic stagnation and shrinkage, which only slightly or not at all stimulate net domestic investment[68].

Capital investment is one of the factors of economic growth and really provides the majority of growth; hence, stimulating it will directly increase growth. As a result, this conclusion leads to two eventualities in an intriguing system. A high rate of growth will result in a virtuous growth-high investment situation, whereas a low rate of growth will result in a vicious loop of low investment. The flexible accelerator model is a more realistic variant of the accelerator model that emphasizes the fact that desired capital stock is impacted by the Undepreciated Capital Cost (UCC) as well as production. If investment produces extra output that exceeds the UCC, then it is quite likely that investment will be made using this model. When the benefits outweigh the costs, this is referred as as a resultant investment[10]. Thus, given the underlying circumstance, tax consideration may be added into the analysis. Because the UCC is the annual cost of deploying capital to carry out an investment project, all tax factors have a direct impact on it. When the user cost of capital is higher, the set of investments that are judged viable is considerably decreased. As a result of reduced investment owing to high UCC, most firms will find it appealing to move to labor-intensive initiatives in order to cut total spending on new investment.

On the other hand, if the UCC is low enough to ensure the profitability of the projects undertaken, there would be a general growth of the number of feasible projects, implying

that corporations will choose capital-intensive initiatives. It is crucial to remember, however, that when tax benefits exist, the overall impact on job creation is ambiguous, and there is an inverse link between investment increases and the ensuing labor intensity. A remedy by calling for a decrease in uncertainty via appropriate policy management and political stability[107].

The theory is relevant and applicable to this study since the theory begins with the premise that all factors other than taxes are equal to the company. Tax policies are clearly capable of influencing the amount and location of manufacturing company investment because, all else being equal, and in the absence of countervailing effects, higher tax rates diminish after-tax returns, reducing incentives to commit investment money. Furthermore, the theory formalizes the link between taxation and government spending that benefits manufacturing firms. Incorporate public goods or services as inputs into manufacturing businesses' production functions, and enable the funding of these public goods or services be based, in part or entirely, on corporate tax receipts.

The assumption utilized is that cutting the tax burden automatically attracts investment while ignoring the tax compliance costs as well as the information and image costs associated with tax incentives. These expenses may outweigh the lower tax burden, which makes tax incentives attractive to overseas investors. If tax incentives are offered at the discretion of the government, manufacturers must spend time and money lobbying the government. Companies may also invest significant effort and money to qualify for and gain tax incentives (James 2009). Even more concerning is the signaling impact of a tax regime that provides tax incentives to foreign investors. In comparison to tax systems with a low general tax rate and a large base, tax systems with incentives may convey the

impression of a government lacking transparency and accountability, particularly in countries with little tax administration capabilities. Furthermore, if tax incentives are exclusively given to new investment projects, current investment projects may feel overlooked. In addition to the broad non-tax reasons discussed above, these concerns suggest that whether tax incentives eventually have a favorable influence on investment is an empirical matter.

Underpinning theory for this study is the theory of investment behaviour because it is the most relevant to this study as the theory informs that the variables that is corporate income tax incentive, capital allowance, VAT Incentive, Excise Tax Incentive, and export promotion incentive are all weighed against the financial success of Nigeria's manufacturing industry.

2.2.3 Agency Theory

The theory was developed in 1976. They proposed a theory of corporate governance based on conflicts of interest between the company's owners (shareholders), managers, and major debt financiers. Each of these groups has distinct interests and goals. In this study, the principal is the government and its agencies providing tax incentives to the agent in the self-interest of stimulating economic growth through the agent's improved performance, while the agent is the manufacturing companies in the self-interest of business expansion to achieve its goals. This relationship exists and can be regulated through efficient tax policy and administration.

Corporate tax avoidance seeks to raise a company's value while lowering the amount of tax owed to the government. According to the agency theory, skilled managers may organize complicated transactions to lower or avoid paying taxes. An agent is someone

who deals with other individuals on behalf of another person, the principle. For example, a selling agent serves on behalf of a principal, a maker of products, to sell items on the manufacturer's behalf[121]. Similarly, a stock broker is an agent who purchases or sells shares on behalf of a customer (the principal). The agent operates in the principal's name and binds the principal to agreements and transactions. In company law, the directors operate as the corporation's agents. Individual directors and the board of directors have the ability to bind the firm to contractual agreements with third parties. Because the board of directors has the majority of the powers to act on behalf of the company, the directors (and the management of a company) have extensive powers in deciding what the company should do, what its objectives should be, what its business strategies should be, how it should invest, and what its performance targets should be. The powerful position of the directors creates concerns regarding how this authority is used, especially when the company's owners (the shareholders) and the directors are different people: - How can the company's owners ensure that the directors behave in the best interests of the shareholders? - If the directors act in ways that the shareholders disagree with, what can the shareholders do to persuade the directors to change their ways?

Directors have a fiduciary obligation to the corporation as its agents. A fiduciary obligation is a trust duty. A director must operate in good faith on behalf of the company and must not put his personal interests ahead of the company's. If a director violates this fiduciary obligation, he may be held legally accountable if the corporation takes legal action against him. A company's legal action against a director for breach of fiduciary responsibility would generally be taken by the remainder of the board of directors or, in some cases, a majority of the shareholders acting in the company's name.

Agency Law and Disputes Over Directors' Decisions In fact, it is extremely difficult for shareholders to utilize the law to question the company's directors' choices and conduct. If shareholders perceive that the directors are not operating in the best interests of the firm, the directors' capacity to address the issue is limited. – Any director can be removed from office by a vote of the shareholders, although this needs a majority vote, which may be difficult to acquire. - In order to persuade a court of law to take legal action against the directors, shareholders would have to establish that the directors were acting against the interests of the business or against the obvious interests of specific shareholders. To summarize, while there is a legal link between the board of directors and their firm, shareholders cannot readily utilize the law to regulate the choices or acts taken on behalf of the company by the directors.

Whereas agency law addresses the legal connection between a corporation and its directors, agency theory addresses the relationship between a firm's owners and its management (directors). Agency theory assumes that when a firm is originally founded, its owners are also its managers. As a firm expands, its owners hire managers to administer it. The owners expect the managers to run the firm in their best interests; hence, the owners and the managers have an agency relationship. Many businesses borrow, and a large amount of a company's long-term capital may originate from various forms of debt capital, such as bank loans, leasing financing, and bond offerings (debentures, loan stock and so on). Major lenders are also interested in how the firm is handled since they want to ensure that the debt will be repaid with interest created the notion of agency[121]. They proposed a hypothesis of how a company's governance is based on conflicts of interest

between the company's owners (shareholders), management, and key debt finance suppliers. Each of these organizations has distinct interests and goals.

The stockholders seek to enhance their wealth and income. Their primary concern is the dividends that the firm will pay out, as well as the value of their shares. The value of their shares is determined by the company's long-term financial prospects. Dividends are obviously important to shareholders, but long-term profitability and financial prospects are even more important since they impact the value of their shares.

Managers are hired to handle the business on behalf of the shareholders. If the management do not own stock in the firm, they have no direct stake in future shareholder returns or the value of the shares. Managers have a contract and are paid a salary. Unless they own shares or their salary is connected to earnings or share prices, their primary interests are likely to be the size of their remuneration package and their position as firm managers.

The major loan suppliers have an interest in the firm's managers exercising effective financial management so that the company can pay its obligations in full and on schedule.

The agency relationship is a type of contract between the owners of a company and its managers in which the owners (the principal) designate an agent (the managers) to administer the firm on their behalf. The owners must assign decision-making authority to management as part of this arrangement. The owners expect the agents to work in their best interests. In an ideal world, the 'contract' between the owners and the management would require the managers to always work in the best interests of the owners.

However, arranging the "ideal contract" is unachievable since actions made by managers (agents) influence both their own wellbeing and the interests of the owners. This presents

an important question. How can managers be convinced or persuaded to work in the best interests of the shareholders as agents of their company?

When the interests of a company's shareholders and management vary, agency conflicts emerge. They manifest themselves in a number of ways. Moral hazard is the likelihood that a party insulated from danger may behave differently than if it were fully exposed to risk. A manager is motivated by the desire to profit from his or her position as a management. All of the advantages that come with distinction, such as a corporate vehicle, a private chauffeur, use of a company aircraft, lunches, and tickets to sponsored sporting events, are included. According to Jensen and Meckling, when a management owns no or only a few shares in the company, his incentive to obtain these benefits is stronger. The most serious problem exists with huge organizations. Effort Level: Managers may work less hard than if they were the proprietors of the firm. This 'lack of effort' might lead to poorer profitability and a lower share price. In a big organization, the problem will occur at both the middle and senior management levels. Middle management's interests may differ from those of senior management, particularly if senior management is compensated for increasing profits but middle management is not. Profit Retention: The pay of directors and senior management is typically linked to the size of the firm rather than its profitability. This gives management an incentive to grow the company by expanding sales turnover and assets rather than boosting shareholder profits. Rather than paying dividends, management is more likely to want to reinvest money in order to develop the company. When this happens, firms may decide to engage in capital projects with low expected profitability and a negative net present value. Executive directors and top managers often get the majority of their pay from the company for which they work.

As a result, they are concerned about the company's stability since it will ensure their future job and profits. This suggests that management is risk averse and reluctant to engage in higher-risk enterprises. Shareholders, on the other hand, may want a company to take more risks if the expected earnings are large enough. Shareholders usually invest in a portfolio of numerous companies, thus it is less important to them if one company takes risks. Time Frame: Because the value of their shares is based on long-term expectations, shareholders are concerned about their company's long-term financial prospects. Managers, on the other hand, may be just thinking on the near term. This is due in part to the fact that they may get yearly incentives based on short-term success, as well as the fact that they may not expect to stay with the business for more than a few years. Managers may be driven to maximize the accounting return on capital employed (or return on investment), but shareholders may be motivated to increase long-term value as measured by net present value.

The costs of having an agent make decisions on behalf of a principal are referred to as agency costs. In terms of corporate governance, agency expenses are the expenditures incurred by shareholders by hiring managers to operate the firm rather than operating the company themselves. - Agency charges do not exist when the owners and managers are the same person.

- Agency fees begin to accrue as soon as any of the shareholders are not also company directors.

- Agency charges can be quite significant in large organizations with many distinct shareholders and a large professional management team. Agency costs are therefore

defined as the 'value loss' to shareholders caused by a conflict of interest between the shareholders and the company's management.

Agency expenditures are divided into three categories. A company's owners might set up systems to monitor management's activities and performance in order to guarantee that management is working in their best interests. The necessity for the directors to deliver an annual report and accounts to the shareholders, outlining the company's financial performance and financial status, is an example of monitoring. These financial statements are audited, and the auditors provide a report to the shareholders. Account preparation and auditing come at a cost.

Agency costs also include the costs to the shareholder that arise when the managers take decisions that are not in the best interests of the shareholders (but are in the interests of the managers themselves). For example, agency costs arise when a company’s directors decide to acquire a new subsidiary, and pay more for the acquisition than it is worth. The managers would gain personally from the enhanced status of managing a larger group of companies. The cost to the shareholders comes from the fall in share price that would result from paying too much for the acquisition.

The third aspect of agency costs is costs that might be incurred to provide incentives to managers to act in the best interests of the shareholders. These are sometimes called bonding costs. These costs are intended to reduce the size of the agency problem. Directors and other senior managers might be given incentives in the form of free shares in the company, or share options. In addition, directors and senior managers might be paid cash bonuses if the company achieves certain specified financial targets. The

remuneration packages for directors and senior managers are therefore an important element of agency costs.

An argument that when they act in the interest of the shareholders, managers bear the entire cost of failing to pursue goals that are in their own best interests, but gain only a few of the benefits[121]. Incentives should therefore be provided to management to increase their willingness to take 'value-maximising decisions' – in other words, to take decisions that benefit the shareholders by maximising the value of their shares. Several methods of reducing the agency problem have been suggested. These include:

Devising Remuneration Packages for Executive Directors and Senior Managers that give them an incentive to act in the best interests of the shareholders. Remuneration packages may therefore provide rewards for achieving a mixture of both long-term and short-term financial targets and non-financial targets. Having a Large Proportion of Debt on the Long-Term Capital Structure of the Company. The problems of the agency relationship are bigger in companies that are profitable but have low growth in profits[121]. These companies generate a large amount of free cash flow. Free cash flow is cash that can be spent at the discretion of management, and does not have to be spent on essential items such a payment of debt interest, taxation and the replacement of ageing non-current assets. It is in the interest of shareholders that free cash flow should be either: a. Invested in projects that will earn a high return (a positive net present value), or b. Paid to the shareholders as dividends. The directors and other senior managers of a company might want to invest free cash flow in projects that will increase the size of the company. These could be projects that will earn a high return. In a low-growth company, however, it is

likely that managers will want to invest in projects that increase the size of the company but are only marginally profitable and would have a negative net present value. One way of reducing this problem would be to have a high proportion of debt capital in the capital structure of the company. Interest must be paid on debt, and this reduces the free cash flow. Management must also ensure that new investments are sufficiently profitable so that the company can continue to pay the interest costs on its debt capital.

Having a Board of Directors that will Monitor the Decisions Taken for the Company by its Executive Management. A different method of reducing the agency problem is to make the board of directors more effective at monitoring the decisions of the executive management.

A board will be ineffective at monitoring the decisions of management if it is dominated by the chief executive officer (CEO). This is because the CEO is the head of the executive management team. The board would be especially ineffective in a monitoring role if the CEO is also the chairman of the board. An effective board must consist largely of independent non-executive directors. Independent nonexecutive director has no executive role in the company and are not fulltime employees. They are able to act in the best interests of the shareholders[110].

Independent non-executive directors should also take the decisions where there is (or could be) a conflict of interest between executive directors and the best interests of the company. For example, non-executive directors should be responsible for the remuneration packages for executive directors and other senior managers. The board of directors becomes less effective as it grows in size. This is because a large board is often slow to react to events and will often be incapable of taking action quickly when it is

needed. The directors on a large board are also less likely to be critical of each other than directors on small boards.

The government continues to give fiscal incentives to corporations and other enterprises in order to increase output. This is despite the fact that there is very little evidence of the usefulness and efficiency of fiscal policy. The government causes a large number of corporate hurdles that can be offset by tax incentives[108]. Fiscal incentives thus address market issues caused by the government in the same manner as they address market failure and are thus an appropriate approach of lowering market and government failures. There are various investment hurdles that cannot be easily addressed through traditional kinds of incentives because they are either too expensive or take longer to implement due to regulatory and compliance expenses, as well as a lack of sufficient skills. Establishing a grant or tax framework will assist to mitigate the consequences of these barriers. A subsidy to offset a popular distortion may not be the optimal answer, but it is a more realistic approach of reversing the tendency.

There is conflict between the government and the agencies in charge of the general business environment. Agencies that encourage investment frequently play a critical role in coordinating government actions and hence creating investment, since they argue for increased government incentives to stimulate investment. However, they are unaware of the costs of such incentives to the entire economy and hence only increase investment rather than total economic development. He goes on to suggest that such institutions essentially entice the government into extending incentives that wind up being tied up and hence not helpful to the entire economy. Manufacturing enterprises are watched by the government since they give tax incentives for their manufacturing operations, which

explains why this idea was included in this study[109]. The legality of the government's judgment that horizontal fairness in government taxes and spending is not justified since it may not fully satisfy policy objectives even if it addresses a portion of typical market failings in other sectors[110]. As a result, the policy proposes a number of concerns that must be solved in order for any government incentives to be justified. For instance, the government should focus its incentives to specific areas that are receiving less investment than they should as information asymmetry can alter economic fundamentals.

To apply the theory to this study, if the principal, which is the government and its agencies, and the agent, which is manufacturing companies, understand each other's interests, they can easily collaborate in the best way to have a joint influence on economic growth through better tax incentives policy and the agent's improved performance.

This theory is the third relevant theory to this study as it encourages both parties to work for the same goal while pursuing their interest.

2.3 Review of Empirical Studies

There are various studies that have investigated the interplay between tax incentives and financial performance across sectors of an economy. These studies have established the relationship and impact of various tax incentives on the financial performance of firms across sectors in the economies. Review of these studies was done in this section of the study to guide the objective of this study.

2.3.1 Tax Incentives and Profitability

This study examined the influence of tax incentive design in Free Trade Zones on the profitability of enterprises operating in the zones (FTZs). The study looked at how exempt corporate income tax, exempt education tax, exempt urban development tax, exempt import duties, exempt export duties, and exempt excise charges affected the profitability of enterprises in FTZs. This study looked at profitability as a function of tax claim investment. The study used the ex-post facto research approach, with a representative sample drawn using the basic random sampling procedure. The multiple linear regression model was used to investigate the links between tax incentives and profitability. It was discovered that the government's incentives did not stimulate investment because there was little or no rise in profitability of firms in the Zone based on the incentives offered. The study also found that tax incentives benefited company performance and so stimulated investment in the Zones. This mean that a viable tax incentive policy stimulates performance of manufacturing companies. Based on the large tax incentives provided by the government, this study was able to prove the certainty of company profitability in investments in Free Trade Zones. It also demonstrated that the tax incentives provided in the zones are a solid tool of economic development[1].

The purpose of this article is to examine how fiscal and financial incentives, as well as government support, influenced the profitability of Portuguese SMEs between 2010 and 2019. The substantial tax and financial obligations on SMEs have an impact on their sustainability and growth. As a result, the study examines various incentives given by the Portuguese government to alleviate this burden and boost corporate profitability. The

analysis employs panel data with fixed effects and five separate sources of information, including five different forms of internal tax grants, three different European Union program financial subventions, and three different national budget-specific costs. The findings indicate that tax incentives affect the profitability of SMEs; however, government breaks have little effect. The QREN (financial) incentives influence the ROA while negatively impacting the ROE, hence contributing to long-term success. Portugal 2020 incentives have a limited impact in the initial years, but improve in subsequent years. Thus, long run effective of tax incentives could bring about sustainable growth in the sector. However, the motivation for R&D is irrelevant. This effort intends to help managers, shareholders, and government bodies make decisions by allowing them to choose measures that will boost the company's added value, and for governments to use as a tool to select incentives that would best benefit SMEs' profitability. This study highlights the primary motivations that influence company profitability[6].

The primary goal of this research is to identify the elements influencing profitability in Bangladesh's banking sector. The research seeks to evaluate the influence of firm-specific and macroeconomic variables on profitability in the Bangladeshi banking sector. In this regard, 32 banks were used as a sample, and the situation of these institutions during the previous ten years was observed (2011-2020). Panel data research approach was applied in this case. To examine data, the OLS regression model is utilized. Furthermore, in this scenario, a generic to specialized modeling technique is applied. This study found that both firm-specific variables (equity to asset ratio, deposit to asset ratio, debt to equity ratio, loan to deposit ratio) and macroeconomic variables (GDP growth rate) have a statistically

significant impact on profitability, as measured by Return on Asset (ROA) and Return on Equity (ROE) (ROE). All of the research findings are extremely beneficial to investors, shareholders, bank authorities, policymakers, and the government in improving the performance of Bangladesh's banking system[7].

This study investigates the effects of corporate governance standards on the going concern status of Nigerian listed non-financial institutions. The study investigates the directional impacts of corporate governance indicators on the long-term and predictable survival of entities delivering non-financial services in Nigeria but listed on the Nigerian Stock Exchange. The ex post facto approach was adopted, and data were gathered from the firms under study. The study analyzed corporate governance characteristics such as board size, board makeup, board meetings, and board tenure to assess their link with the going concern index. The findings reveal, among other things, that corporate governance characteristics had no meaningful aggregate influence on the going concern status of the firms analyzed. However, the decomposed data show a non-significant link between two of the corporate governance metrics and the going concern index of the analyzed organizations. According to the report, organizations should closely monitor all indicators of going concern difficulties rather than focusing just on corporate governance because it does not totally separate them from going concern dangers. Companies should appoint directors based on skill, experience, and qualifications rather than gender[3].

The advantages of tax incentives for young, innovative enterprises, as well as more general R&D tax incentives with implications for young businesses. It investigates how

creative activities affect R&D additionally, R&D wages, employment growth, turnover growth, and sales growth. It employs a mixed-method approach based on assessment synthesis and references academic literature and policy evaluation research. The information on the impact of tax incentives on the employment and economic performance of new and small enterprises is quite limited, owing in large part to a lack of evaluations. Based on a small number of studies, this research suggests that when it comes to R&D additionally, young firms profit more from general R&D tax incentives than older enterprises (with the exception of a study on an Irish tax instrument) and grants and loans. Some statistics also indicate a positive influence on pay. According to more circumstantial evidence, R&D tax incentives focused at young enterprises have a positive influence on R&D intensity and pay, although such advantages are significantly lessened when additional instruments, such as subsidies, are incorporated. Generic R&D tax incentives have a minimal impact on all enterprises' innovation in terms of output additionally, but they have a positive impact on turnover, turnover share of new goods or services, and labor productivity. Although targeted programs have been demonstrated to have some positive effects on employment, productivity, sales, and added value, these findings must be validated using more reliable techniques[23].

This paper investigates how fiscal incentives effect business performance in the Dominican Republic. The Dominican Republic's government has approved a variety of new corporate tax cuts. While there is a lot of evidence on value-added tax incentives, the impact of corporation tax incentives has gotten less attention and is currently being debated. Using firm-level panel data from 200 to 2015, this study use fixed- and random-effects models to evaluate the relationship between corporate tax incentives and specific

firm-level performance metrics. The findings reveal that, while corporate income tax exemptions in the Dominican Republic benefit particular firms, differential tax treatment across enterprises undermines business competition and reduces total economic output[24].

This study investigates the influence of tax incentives on the corporate profitability of Nigerian listed manufacturing firms. The operationally applied tax incentives include annual allowance, investment allowance, and tax holidays. A moderating variable is profit per share (EPS), which serves as a proxy for corporate profitability. Secondary data for this study came from 81 manufacturing businesses of which are listed on the Nigerian Stock Exchange[9]. Agriculture, conglomerates, consumer products, healthcare, industrial goods, natural resources, and oil and gas activities are among the industries represented by these companies. Data analysis utilizing multiple regression and descriptive statistics demonstrated that the defined operational parameters influenced EPS; adjusted R2 = 0.2, p 0.05. As a result, tax incentives have an impact on corporate profitability in Nigerian industrial firms with publicly listed equities. The government should keep tax incentives in place to boost business income and encourage investment. Furthermore, in order to successfully drive the Nigerian economy to new heights, investment booster organizations should do more to coordinate activities, disseminate information about current incentives, and assist investors in maximizing capacity utilization[26].

A study was done to determine if enterprises who specialize in the creation of green structures and have received tax incentives are more likely to have overall greater financial performance as a result of the tax incentives connected with getting government assistance. The empirical analysis relied on secondary data. From 2015 to 2017, the

features of the firm's board size, asset tangibility, deferred tax balances, and leverage vs financial performance were examined using 138 firm-year data. The Theory of Firm Growth was used to explain the relationship between financial attributes and firm performance. We collect data that demonstrates no discernible difference in financial performance between GBI and non-GBI firms. It is demonstrated that the deferred tax balance, which serves as a substitute for the Malaysian government's investment tax incentives granted to GBI corporations, is ineffective in improving these firms' financial performance. This mean that only viable tax incentives policy serves its purpose. According to the findings of this study, any type of tax relief offered by the government to the building business has not benefitted the recipients and must be modified[27].

This study will look at the influence of quality financial reporting and tax incentives on business investment efficiency, with excellent corporate governance serving as a moderating variable. The approach utilized was purposeful sampling. The independent factors include tax incentives and financial reporting quality. The dependent variable is hence Corporate Investment Efficiency. The moderating influence is good company governance. This study's population consists of manufacturing companies that were listed on the Indonesian Stock Exchange between 2013 and 2017. The study's findings indicated that the quality of financial reporting or tax incentives had little influence on the efficacy of company investment. Good corporate governance has a detrimental influence on business investment efficiency. Good corporate governance may improve the influence of quality financial reporting on the efficacy of company investment. Furthermore, excellent

corporate governance cannot improve the impact of tax incentives on the efficacy of business investment[28].

The Malaysian government has offered many incentives to small and medium-sized firms (SMEs), including those in the food manufacturing industry, in an effort to boost their performance. Financial and tax incentives, in particular, will be assessed for their influence on the performance of SMEs in Malaysia's food manufacturing business. Malaysia's government has put aside millions of Ringgit towards the expansion of SMEs. The findings of this study are designed to assist policymakers in improving current incentive-giving programs in order to boost their efficacy and reduce the number of SMEs forced to close their doors after less than five years in operation. The study was conducted over a five-year period (2013-2017), collecting secondary data from 140 businesses and employing the structure, conduct, and performance (SCP) paradigm. Correlation analysis was used to explore the relationship between each explanatory market variable contained in the SCP paradigm. This study examines how different government incentives impact the performance of SMEs in Malaysia's food manufacturing industry. The study revealed that financial and tax incentives influenced the performance of SMEs in Malaysia's food manufacturing industry differently during the study period. Financial incentives have a moderately negative relationship with capital and a substantial positive relationship with the advertising-to-sales ratio (ASR), return on assets (ROA), and market share (MS) ratio[29].

a study of the effect of the VAT Incentive on the performance of Kenyan EPZ firms Methodology: In this study, correlation research was used. The sample size for this investigation was all 8 registered EPZ firms. Primary data was gathered through questionnaires. Secondary data on ROA, the number and value of jobs, and the duration of the firms' stay were acquired from the registered businesses. The research data was analyzed using both descriptive and inferential statistics. The outcomes of the study revealed that, at a 5% level of significance, VAT incentives had a significant and favorable correlation with EPZ firms' ROA-measured performance. The data also revealed that, at a 5% level of significance, VAT incentives were shown to have a positive and significant relationship with the success of EPZ firms as measured by the total number of employment produced in Kenya. The data also revealed that, at a 5% level of significance, VAT incentives had a favorable and substantial relationship with EPZ firm success as measured by the number of years in operation. contribution to original thought, practice, or policy Based on the study's findings, it was advised that the government reconsider its VAT policy by providing larger VAT refunds to firms in order to increase output and export volume. The report recommends that the government establish a strong monitoring arm to oversee the usage of tax incentives. To get the most out of tax incentives, the government should prioritize both basic infrastructure and security[30].

The study identified methodological research needs that matched the approach used in the current investigation. To achieve its goals, the study employed a difference-in-differences technique. The study also looked at temporary tax incentives and equipment performance. The current study varied from previous factors by focusing on a number of tax incentives

vs company performance. This was done in an attempt to close the conceptual knowledge gap left by this study by[31].

A research focusing on startup and innovative enterprises to explore the effects of tax policy on investment incentives. The analysis agreed with previous studies in establishing that existing laws imposed significantly variable tax rates on investments made in various businesses as well as diverse activities that favored debt over equity. It was also pointed out that current regulations imposed effective tax rates by favoring pass through businesses over corporations. The targeted tax benefits for select specific enterprises, such as those who invested in intellectual property, beginning businesses, and small businesses, significantly reduced the cost of capital. Two variables were discovered to reduce the benefits in some circumstances while reversing the advantages in others[32].

The first element explained why businesses that depended more on tangible investment were found to rely less on higher-taxed stock than enterprises that invested substantially in new materials. The second aspect proved that the initial losses sustained by startups limited their capacity to reap the full extent of the benefit of tax deductions and credits. As a result, the benefits of tax incentives were shown to be negated by these limitations. The impact of tax reforms that would result in more equitable tax treatment across various company investment forms, in addition to increasing a drop in the corporate income tax rate, were also investigated[32].

Agribusiness tax incentives in Nigeria concluded that, due to a lack of sufficient money caused by a lack of capacity to borrow more funds from the financial markets, incentives

should be targeted at small and expanding agribusinesses. As a result, lowering tax rates or even instituting tax holidays may not achieve the desired outcomes. More effective approaches, such as upfront funding through investment tax credits, were therefore discovered to be more relevant to Nigerian agriculture. The study acquired primary data through the use of semi-structured questionnaires. This gathered both quantitative and qualitative information. A significant approach utilized to examine the acquired data was descriptive methods. The study concentrated on small and medium-sized agribusiness firms. Because of the contextual variations, it was necessary to focus on another sector, manufacturing, to determine the influence of the identical tax incentives on performance[33]. To cover conceptual and situational knowledge gaps, the current study focused on four tax incentives and their impact on enterprises operating in Kenya's EPZ zone.

A similar research was done in Kenya to determine the effect of tax incentives on the performance of Kenyan manufacturing enterprises. The study was descriptive, and the research design was descriptive. Secondary sources, such as the Kenya Revenue Authority, were used to acquire secondary data on (tax incentives and Foreign Direct Investment). To provide depth, the data was also gathered from the Kenya National Bureau of Statistics. The study also gathered primary data using structured questionnaires in order to acquire quantitative data. According to the report, Kenya offers a variety of tax incentives to residents, including capital investment allowances such as the Industrial Building Allowance (IBA). Capital investment allowances were provided on capital expenditures spent during the construction of an industrial facility. The Kenyan government also has an allowance on investments, whereby some deductions are made on each investment made,

with the goal of spurring the expansion of the industrial sector. Other incentives were charged on farm labour in the amount of up to fifty percent each year for a period of twenty-four months. Other incentives were reductions in shipping investment, which were levied at a rate of up to 40% of total capital shipping cost. If a corporation is involved in spending on capital to be utilized in mining related operations such as exploration, testing, and getting access to mineral deposits, it is eligible for the mining allowance[72].

A research examined the use of pro forma revenue statements in examining financial circumstances as well as the impact of government incentives on the sustainability of aquaculture farms in Malaysia. The research was divided into two parts. The first section discussed financial analyses of freshwater and brackish water producers, as well as their findings and comparability. The first portion covered financial viability factors such as net present value, internal rate of return, and benefit cost ratio for the base research. The evaluation method was divided into four stages. The first part included a basic research and simulations of government incentives. The second phase addressed pioneer status (PS), while the third and fourth phases addressed investment tax allowance (ITA) and accelerated capital allowance (ACA) for determining the effectiveness of government incentives as well as their roles in increasing profitability and production, respectively. The ACA had a greater and more positive value than the NPV, which came before both individual PS and ITA in the analysis for all brackish water farms. The impact of government incentives on Penaeus vannmei and Grouper revealed that the IRR and NPV on ACA (with PS as the basis) were 2% and 9% greater than that of ACA using ITA as the base, respectively. The study concluded that in order to optimize earnings, aquaculture operators should combine PS with ACA used on Penaeus vannamei and Grouper.

Aquaculture operators should choose ACA based on ITA on Barramundi, Tilapia, and Catfish in order to optimize profits[77].

The efficiency and efficacy of implementing a federally based job creation tax credit (JCTC), taking into account the experiences of U.S. states. The analysis of state panel data was done as an event study, with the event representing the month when firms in a given state could receive tax credits. The study took into account and analyzed various factors that are found to have a higher probability of affecting employment. The study's findings revealed a positive reaction to the tax credit that was also statistically significant among credit states with quick employment growth. This was not the case in delayed JCTC jurisdictions, where the tax credit had a negative overall effect. On the other hand, there was a consensus conclusion among enterprises from delayed states that during the months preceding or following the adoption of the Act, employment drastically reduced prior to the firms qualifying for tax benefits. As a result of the study's research, the program was determined to be less effective in lowering the headline unemployment rate. the initiative also fell short of efficiently raising the less visible rate of employment[82].

Study discovered a rationale for the current limited effect of the JCTC's rolling base feature greatly reduced the subsidy to employment, but it also reduced the cost ascribed to the government. The study's conceptual focus was on the job creation tax credit (JCTC). The current study attempted to fill this information gap by concentrating on tax incentives rather than the job creation tax credit. The research's focus on a fully developed economy also emphasized the necessity to perform a study in emerging nations so that the study

findings could be compared. This is due to the fact that the operating circumstances in established economies differed from those in emerging ones. As a result, there is no foundation for generalizing the findings in the two contexts[83].

The study looked at how income taxation affects company performance. Using SPSS 2020, regression analysis was used as a data analysis method. The study comprises data from twelve (12) Nigerian Stock Exchange-listed firms. The data for the study came from the companies' annual reports. The data cover a ten-year period, from 2011 to 2020. The study's findings revealed that corporate income tax (CIT) and (ROE). While CIT has a huge and positive influence on shareholder profits, Change in Shareholders' Funds (CSHF) has a small but significant negative impact on ROE. According to the study's findings, Nigeria's fiscal policy should take into account the conditions surrounding the operations of indigenous firms and the special role they play in the country's economic development. To encourage firms' ongoing operations, fiscal policy should provide tax incentives and favorable tax changes that reduce the tax burden and duty on Nigerian businesses[122].

The study examined the impact of corporate tax planning on the financial performance of 15 listed food and beverage companies on the Nigerian Stock Exchange for ten years between 2008 and 2018. The total enumeration sampling method was used to collect the sample. Ex-post facto research was used in this study. The required audit of the financial statements, as well as the regulator's approval for the use of the instruments, served as proof of their legitimacy and dependability. Descriptive and persuasive statistics were used to examine the data. The study's findings indicate that corporate tax planning factors such as effective tax rate, capital intensity, and thin capitalization have little to no positive

impact on the financial performance of a listed food and beverage firm in Nigeria. F(input)=8.81; R2adjusted=0.09; p=0.03830.05). All proxies for corporate tax evasion tactics were found to have no effect on the return on capital employed of listed food and beverage companies in Nigeria (Adjusted R2= 0.038: F-statistic 1.09, p= 0.03537>0.05). All proxies of corporate tax planning measures had a significant positive impact on industry return on assets (Adjusted R2= 0.1095: F-statistic 37.7, p= 0.0000.05). None of the proxies for corporate tax planning tactics had a significant impact on the industry's return on equity (Adjusted R2= 0.008: F-statistic 0., p= 0.957>0.05). The analysis also reveals that none of the proxy measures of corporate tax planning methods had a discernible positive impact on food and beverage profits per share (Adjusted R2= 0.08: F-statistic 1.34, p= 0.239>0.05). As a result, the study discovered that corporate tax planning proxy variables such as the effective tax rate, capital intensity, and thin capitalization had a significant impact on the performance of listed food and beverage enterprises in Nigeria[130].

The goal of corporate tax avoidance is to reduce the amount of tax that must be paid to the government while increasing the firm's value. According to the agency theory, opportunistic managers can avoid or reduce tax payments by structuring complicated transactions. As a result, research on the relationship between corporate tax evasion and company success is clearly needed, but none has been conducted in Vietnam, a country where tax evasion is common. We are the first to analyze the empirical relationship using a variety of performance and tax-sheltering criteria using a sample of Vietnamese listed

businesses from 2010 to 201. Overall, the data indicate a shaky link between Vietnamese corporate tax evasion and economic performance[132].

The purpose of this research is to look into the relationship between corporate tax preparation and financial performance of publicly traded non-financial firms. Secondary annual statistics were collected from 47 non-financial organizations from 2007 to 201. A panel vector autoregressive approach was used in conjunction with structural analysis methods such as variance decomposition and impulse response function. According to the study's findings, tax avoidance had an inverse relationship with financial success, whereas tax savings had a direct relationship. Any surprises or incorrect predictions were mostly due to the financial components in question. In contrast to financial performance responses to shocks in tax evasion, which had an expansionary impact, financial performance responses to shocks in tax savings had a contractionary impact, which may improve firm performance. The profitability of non-financial enterprises is therefore significantly impacted by corporate tax planning that increases tax savings. As a result, they should not only engage in tax planning, but also ensure that it is legal and saves businesses money on taxes, preventing them from paying too much or too little tax, and resulting in an improvement in financial performance[133].

The purpose of this research is to look into the relationship between corporate tax planning and the financial performance of publicly traded non-financial companies. Between 2007 and 201, non-financial organizations provided supplementary annual statistics. A panel vector autoregressive method was used in conjunction with structural

analysis techniques such as variance decomposition and impulse response function. The study's findings revealed that, while tax savings had a clear correlation with financial success, tax avoidance had the opposite correlation. Any surprises or incorrect estimates were mostly due to the financial components in question. Financial performance responses to tax savings shocks had a contractionary impact, which may improve firm performance, in contrast to financial performance responses to tax evasion shocks, which had an expansionary impact. Corporate tax planning, which increases tax savings, has a significant impact on the profitability of non-financial enterprises. Companies must not only engage in tax planning to avoid paying too much or too little tax and to improve financial performance, but they must also ensure that it is legal and saves firms money on taxes[134].

The goal of this research is to investigate the relationship between financial performance on the Thai Stock Exchange from 2014 to 2015 and tax preparation (henceforth referred to as TP) (hence referred to as TP). The sample consists of 873 firm-years, excluding the banking industry. Unlike the FP, which is calculated using return on equity, the TP is calculated using the effective tax rate (hence referred to as ETR) and the ratio of tax costs to total assets (hence referred to as Tax/Asset). This study discovered that the TP influenced the FP in two ways. When measured by ETR, the impact is positive; however, when measured by Tax/Asset, the impact is negative. In terms of control considerations, the BIG4 auditors have a favorable influence on the FP. Furthermore, the data show that the relationship between the FP and the TP, as measured by Tax/Asset, is significantly unfavorable for auditors who are not BIG4s. As a result, the link is minor and weak to

BIG4 auditors. The findings could thus be used to help publicly traded companies manage their resources and money more effectively[135].

A study examines how American companies respond to changes in their effective corporate income tax rate in terms of investment, financing, and payment patterns. I employ the quasi-experimental variation enabled by the Domestic Production Activities Deduction, a corporation tax break enacted in 2005. When tax rates are reduced by one point, tax rates rise by 4.7 percent of installed capital, payments rise by 0.3 percent of sales, and debt falls by 5.3 percent of total assets. Under both faster accelerated depreciation and lower corporation tax rates, these calculations show a comparable gain in investment per dollar of lost income.

A study looked into how deferred tax accounting affects the financial performance of Nigerian listed agricultural firms. Ex post facto research was used in the study, which included data from four publicly traded agricultural firms. Simple linear regression was used to analyze the data, which ranged from 2011 to 2017. The study's findings revealed a positive and significant relationship between deferred tax accounting and the profitability of publicly traded companies. Further investigation revealed that deferred tax had no statistically significant impact on the cash flow and profitability per share of Nigeria's publicly traded agricultural firms. Based on the findings of this study, it is recommended that enterprises in Nigeria incorporate tax planning into their strategic financial planning by utilizing efficient deferred tax accounting due to the complexity of the current deferred tax accounting standard. Companies should use all available tax planning strategies to

improve their financial performance even further. Due to the complexities of deferred tax accounting by firms in Nigeria, the research concludes by recommending that accounting standard authors develop a clear and accurate deferred tax accounting norm that would enable uniformity and easy deferred tax accounting by all businesses[136].

2.3.2 Tax Incentives and Return on Investment

A study focuses on the impact of tax-exempt income and loss relief on the investment performance of listed organizations over a five-year period, with the goal of studying the impact of tax incentives on the investment performance of listed manufacturing companies in Nigeria (2015-2019). The study's sample size was twelve (12) businesses listed on the Nigerian Stock Exchange as of December 31st, 2019. The dependent variable was measured using return on investment (ROI). Secondary sources of data for the research included the annual reports and financial statements of the selected companies, as well as the NSE website. The pooled OLS regression analysis found that, whereas loss mitigation has a negative and significant influence on return on investment (ROI), tax-exempt income had a positive and significant impact on ROI. The research concludes that, while loss mitigation has a negative influence on investment performance, government exemption from tax on a certain type of revenue will help improve the performance of listed manufacturing enterprises in Nigeria. The research recommends, among other things, that manufacturing businesses be made more aware of the importance of tax-exempt revenue and compelled to utilize it in order to develop Nigeria's manufacturing sectors[10].

To ascertain the association between ROI and research methodology quality in workplace health promotion initiatives. Source of data A systematic literature search was conducted using the National Health Service Economic Evaluation Database (NHS EED), the Database of Abstracts of Reviews of Effects (DARE), the Health Technology Database (HTA), the Cost Effectiveness Analysis (CEA) Registry, EconLit, PubMed, Embase, Wiley, and Scopus. Study The effects of quality score and key research features on ROI were investigated. Between 1984 and 2012, 51 studies (61 intervention arms) were published, with 261,901 participants and 122,242 controls from nine industries and 12 countries. Methodological quality scores were substantially associated (r 14.84-.93) amongst checklists. Over time, the methodological quality increased. Overall weighted ROI [mean 6 standard deviation (confidence interval)] was 1.38 6 1.97 (1.38-1.39), indicating a 138% ROI. When methodological quality was taken into consideration, a negative connection to ROI was discovered. High-quality studies (n 14 18) showed a lower mean ROI, 0.26 6 1.74 (.23-.30), than moderate studies (n 1416). 2.32 6 2.14 (2.30-2.33) studies and 0.90 6 1.25 (.90-.91) studies. Randomized controlled trials (RCTs) (n 14 12) revealed a negative ROI of 0.22 6 2.41. (.27 to .16). Financial returns rise in quasi-experimental, non-experimental, and modeled studies: 1.12 6 2.16 (1.11-1.14), 1.61 6 0.91 (1.56-1.65), and 2.05 6 0.88 (2.04-2.06), respectively. Overall, the mean weighted ROI in workplace health promotion was positive. Higher methodological quality research revealed lower financial results. The quality of the methodology and the design of the study are crucial considerations[4].

A study of the impact of tax incentives on the growth of Nigeria's manufacturing sector as a real tool in the government's armory. The study develops a relationship between a few of the tax incentives available in the country and the profitability index of manufacturing firms in the country in order to examine the overall influence of tax incentives on the performance of participants in the Nigerian manufacturing sector. Pioneer status and the investment allowance were used to analyze tax advantages, while Return on Capital Employed (ROCE) was used to assess manufacturing enterprises' efficiency. In the study, cross-sectional data analysis and secondary data were employed. The Ordinary Least Squares regression approach was utilized for analysis. The empirical findings based on 201 tax data obtained for 15 listed industrial businesses in Nigeria support the research's goal. With a coefficient value of 0.35, investment allowance was shown to be beneficial in modifying the ROCE of manufacturing businesses. This shows that one tax break, the investment allowance, aided the performance of manufacturing businesses. More tax incentives for Nigerian enterprises are supported as a means of increasing investment in the country's economy while also providing the government with a positive boomerang effect that would eventually enhance revenue collection[11].

A study is being conducted to determine the effectiveness of capital allowance incentives on the performance of EPZ enterprises in Kenya. The study's research design was descriptive and explanatory. The research used a stratified sample technique because Kenya's EPZ enterprises are divided into four strata. According to the Export Processing Zones Authority, the total number of businesses used in the research was eight registered EPZ enterprises in Kenya (EPZA). The study employed a census survey methodology. A census survey was used because the population of interest was so small. The sample size

for this analysis was all eight registered EPZ companies. Primary data was gathered using questionnaires. Secondary data on ROA, the quantity and value of new job creation, and the length of a firm's stay were gathered from registered businesses. The secondary data came from the annual reports of EPZ companies in Kenya. The study compared the efficiency of EPZ companies to the tax incentives they received over the previous ten years. The research data was analyzed using both descriptive and inferential statistics. Descriptive statistics included frequencies, percentages, means, and standard deviations, while inferential statistics included correlations and regression analysis. According to the study's findings, at a 5% level of significance, the capital allowance tax incentive had a significant and positive relationship with the success of EPZ enterprises as measured by ROA, the number of jobs generated, and the duration of stay. According to the study, increasing the capital allowance tax incentive resulted in an increase in the ROA of businesses as well as their number of jobs and length of stay. The report recommended that those involved in tax policy reconsider the monetary value of capital allowances[34].

The statistics cover a ten-year period, from 2011 to 2020. The study's findings revealed that company income tax (CIT) has a positive and significant impact on returns on equity and profit after tax (PAT) (ROE). While CIT has a large and positive impact on shareholder profits, Change in Shareholders' Funds (CSHF) has a small but significant impact on ROE. According to the study's findings, Nigeria's fiscal policy should take into account the conditions surrounding the operations of local businesses and the unique role they play in the effort to boost the country's economy. To support the ongoing operations

of businesses, fiscal policy should include tax incentives and beneficial tax changes that may reduce the tax burden and responsibility on Nigerian corporations[51].

A study looked at how capital allowances affected manufacturing companies in Nigeria's Enugu state's southwest. While the major source of data was the source of data used for this investigation, the survey research design was used in the study. The questionnaire was distributed to 45 employees from three accounting departments of three industrial enterprises in Enugu, Nigeria. The study used the Z test statistical method with the Statistical Package for Social Sciences to test the research hypotheses (SPSS). The findings of the study revealed that annual allowance has a significant impact on the success of manufacturing enterprises in Enugu state. The study also discovered that initial allowance has no significant impact on the efficiency of manufacturing firms in the state of Enugu. As a result of the research, it is recommended that all manufacturing businesses in Enugu State make an effort to hire expert accountants in order to achieve the highest levels of performance, which are critical for their survival and sustainability. It also advises Enugu-based manufacturing companies to apply for yearly and initial allowances on their legal capital expenditures through their qualified accountants and management[36].

The main focus of the study was the impact of capital allowance on the investment decisions made by a few Nigerian oil and gas companies. The expo-facto study design was used. Two hypotheses were developed and tested with a 95% confidence level to guide the investigation. The research used a sample size of seven oil and gas companies and a judgmental sampling approach. The population consists of fifteen (15) Nigerian

Stock Exchange-listed oil and gas companies. The data for the study was gathered from secondary sources. This was investigated using the Ordinary Least Squares (OLS) regression analysis. The tested hypotheses also revealed a significant and positive relationship between capital allowance and investment choice. According to the findings, the government should establish a body to oversee routine reviews of capital allowances given to investors and ensure that any concerns are addressed in order to improve and attract additional investors[37].

A capital allowance is given to encourage and assist investment in critical economic areas. This study investigates how much the capital allowance acts as a genuine alluring investment incentive for those involved in Nigeria's manufacturing industry. Profit after tax (PAT), return on total assets (ROTA), and return on shareholders' equity are all important factors in determining a company's financial success (ROSE). 58 manufacturing companies listed on the Nigerian Stock Exchange are the subject of the financial data acquired for examination (NSE) (NSE). Because capital allowance is so closely related to PAT, ROTA, and ROSE, statistical findings from the process, such as coefficients of correlation and determination, support capital allowance's effectiveness. Accounting and finance executives in Nigerian manufacturing firms must professionally list and profile their investments in qualifying industrial assets in accordance with the most recent tax guidelines in order to qualify for capital allowance grants. This is because the findings of the analysis are critical. Despite the allure of financial efficiency in capital allocation, investors in the manufacturing sector should exercise caution and refrain from acquiring and expanding industrial assets arbitrarily. It is also critical to be aware of technical,

managerial, and interpersonal dynamics so that the alluring intentions of capital allowance do not end up triggering decapitating elements in the Nigerian economy. A key phrase is capital allowance. Nigerian manufacturers, economies that invest[38].

A study looked at the Reinvestment Allowance, Investment Tax Credit, and the Reality of Corporate Cash Flow in Nigeria. To accomplish this, research questions and hypotheses were developed, and the sample for this study included sixty (0) listed manufacturing businesses in Nigeria, secondary data from the Nigeria Stock Exchange fact book, and ordinal data collected via questionnaire. The presented hypotheses were statistically tested using the paired t-test of two means from the same sample. Because ordinal data may not meet the normal distribution requirement, the T-test was ultimately chosen. According to our tax incentive results, the average cash flows from financing, investing, and operating operations of Nigerian manufacturing businesses all increased significantly. As a result, if Nigeria is to rank among the top twenty countries by 2020, the Nigerian government must provide adequate tax incentives for local producers[39].

A study that took advantage of a sudden change in the tax credit rate by company size in Germany in 1999 to investigate the impact of investment tax credits on firms' input decisions. More generous tax credits have implied elasticities with regard to capital costs of 2.8 and 1.1, respectively, resulting in a significant increase in investment and employment. Local cross-firm spillovers are especially beneficial. The employment impact is caused by an increase in hiring rather than a decrease in separations, with roughly half of the influx of workers coming directly from the labor force. A heterogeneity study found that companies with higher capital cost shares are more

receptive to tax incentives, and spillover effects frequently favor businesses in the same industry. Although there is no evidence that the average company's skill mix or occupational structure changes, businesses in industries with higher ICT investment shares are more likely to shift toward highly educated workers and high-skilled jobs[40].

What effect do tax incentives have on business investment? Using private UK corporate tax filings, we provide new data on the effectiveness of depreciation allowance incentives. We employ a difference-in-differences approach to capitalize on an exogenous change in the first-year depreciation allowance (FYA) qualifying levels in 2004. According to the data, the investment rate increased by 2.1 to 2. percentage points when compared to enterprises that did not qualify for FYAs. This implies an average increase in investment rate of 11%. We use exogenous variation in the timing of tax payments to show that this large impact is primarily due to a cost of capital effect rather than an increase in available cash. Businesses typically respond within 12 to 18 months of receiving an FYA. Furthermore, firms cluster slightly below the qualifying criteria's cost of capital notches, indicating the significance of the FYAs. Such behavior has no bearing on our primary findings[41].

2.3.3 Tax Incentives and Return on Asset

From 200 to 201, the study examines the impact of corporate income tax on the monetary results of Nigeria's listed consumer goods firms. Regression analysis was used as a data analysis tool. The data for the study came from the firms' annual reports and accounts. According to the study, the relationship between corporate tax and financial performance

as measured by return on assets is insignificant. However, there is a small but significant positive correlation between age, risk, and ROA. Size, on the other hand, shows a favorable and significant relationship with performance, supporting earlier hypotheses. According to the findings, using tax specialists to participate in legitimate tax planning, such as transfer pricing or structuring intra-company debt to reduce net tax payments, would improve the financial performance of listed Nigerian consumer products. As a result, after-tax income will increase, improving financial performance[53].

The purpose of a study was to investigate how custom duty incentives affected the performance of EPZ enterprises in Kenya. In this study, a correlation research design was used. The sample size for this analysis was all eight registered EPZ companies. Primary data was gathered using questionnaires. Secondary data on ROA, the number and value of jobs, and the duration of the enterprises' stay were gathered from the registered businesses. The research data was analyzed using both descriptive and inferential statistics. The study's findings revealed that, at a 5% level of significance, custom duty incentives had a significant correlation with EPZ enterprises' ROA-measured performance. The findings also revealed that, at a 5% level of significance, custom duty incentives had a significant correlation with the success of EPZ enterprises as measured by the number of employees in Kenya overall. The findings also revealed that, at a 5% level of significance, custom duty incentives had a favorable and substantial link with EPZ enterprise performance as measured by the number of years in business. a unique contribution to philosophy, practice, and policy: Based on the study's findings, the government should increase excise tax incentives in order to reduce imports and, as a result, foster the expansion of domestic product demand in the country. The government may employ this strategy to combat

smuggling and promote the growth of the tourist industry. The report also recommends that policymakers create strategic incentive programs, tailored incentive schemes that target specific industries, or strategic tax incentives that add value or have a positive economic impact and are consistent with the nation's 2030 goal[45].

Financial liberalization policies are expected to improve credit distribution to critical economic sectors. Unlike previous studies, which primarily focused on the impact of financial liberalization on economic development in Nigeria, this study examined the impact of financial liberalization on export promotion in Nigeria from 1987 to 2018. The study relied on secondary data from the Central Bank of Nigeria's Statistical Bulletin 2018. Among the methods used were the Bound Co-integration Test, Augmented Dickey-Fuller (ADF), Philip Perron, Autoregressive Distributed Lag, and Pairwise Granger Causality. The unit result revealed that the lending rate was stationary at the level form, but the loan on export, savings rate, GDP, exchange rate, and trade openness were all integrated at the first difference. A long-term relationship between the factors was also discovered. According to the ARDL findings, export loans, GDP, and trade openness significantly increased total export while the savings rate and currency rate had a negative impact on total export in Nigeria. The Pairwise causality test also revealed that total export was caused by loan to export, GDP, and exchange rate granger. According to the study's findings, financial deregulation could boost exports in Nigeria by providing export-oriented businesses with adequate funding. To increase savings and financial resource mobilization, it was recommended that sufficient credit be provided to export-based industries at a low rate of at least 12%, that the savings rate be increased to at least 10%, and that the exchange rate be stabilized through the implementation of effective policies[42].

A study examines the effects of export incentive programs on the performance of agricultural exports in Nigeria using quarterly time series data from 1990 to 2014. In the study, the Granger causality test and the Autoregressive Distributed Lag (ARDL) model were used to assess the long-term and causal link between increased agricultural export performance and export incentive programs in Nigeria. There is no long-term equilibrium link between Nigeria's agricultural export performance and export incentive programs, according to the study's limits tests. According to very important data, the Granger Casualty Test reveals a unidirectional relationship between agricultural export (AGR), export expansion grant (EEG), and export development fund (EDF) (AGR). Because the study's findings show that the export development fund has a positive and significant impact on the performance of agricultural exports in Nigeria, the study recommends that significant attention be paid to its management and disbursement to ensure stable growth in the sub-component (agriculture) of non-oil export in Nigeria. This is possible with sufficient funds provided by the relevant authorities[43].

The research done on the effect tax incentives have on the expansion of the manufacturing sector in Nigeria as a real instrument in the government's hands The primary goal of this essay is to establish a relationship between a few of the tax incentives available in the country and the profitability index of manufacturing firms in order to determine the overall impact of tax incentives on the performance of players in the Nigerian manufacturing sector. Pioneer status and the investment allowance were used to assess tax benefits, while Return on Capital Employed (ROCE) was used to assess manufacturing

companies' efficiency. In the study, cross-sectional data analysis and secondary data were used. The Ordinary Least Squares regression method was used for analysis. The empirical findings based on 201 tax data collected for 15 listed industrial enterprises in Nigeria support the research's purpose. With a coefficient value of 0.35, investment allowance was found to be beneficial in changing the ROCE of manufacturing enterprises. This suggests that one tax break, the investment allowance, aided the performance of manufacturing businesses. More tax incentives for Nigerian businesses are advocated as a means of increasing investment in the country's economy while also providing the government with a positive boomerang effect that would eventually increase tax collection[44].

Export incentives have been a driving force in developing countries' export promotion. However, it is critical to understand how export incentives influence industrial export growth. The research looked into how industrial export incentives affected Ethiopian export performance. Using time-series quarterly data on manufacturing export incentives, global GDP growth rate, and real effective exchange rates from 2005 quarter 1 to 2019 quarter4, the study aims to shed light on whether there is an impact and to what extent the government's incentives have contributed to the country's manufacturing export value. The research was divided into three stages: an examination of the growth in manufacturing exports and trends in the export incentive program; an examination of the correlation between variables; and, finally, a quarterly time series econometric analysis of manufacturing export value against the independent variables. According to the study's findings, Ethiopian manufacturing export growth increased with the implementation of export tax incentives, though their contribution to total exports remains small. According

to the study's findings, export incentives help to increase manufacturing exports. Furthermore, the impact of the real effective exchange rate and the global GDP growth rate has only a long-term impact on manufacturing exports[47].

Financial deregulation policies are expected to improve credit distribution to critical economic sectors. In contrast to other studies, this study evaluated the role of financial liberalization on export promotion in Nigeria from 1987 to 2018, whereas others focused on the impact of financial liberalization on economic growth in Nigeria. The analysis relied on secondary data from the Central Bank of Nigeria's Statistical Bulletin in 2018. Augmented Bound Co-integration Test Among the methodologies considered were Dickey-Fuller (ADF), Philip Perron, Autoregressive Distributed Lag, and Pairwise Granger Causality. The unit result showed that the lending rate was stationary at the level form, but the loan on export, savings rate, GDP, exchange rate, and trade openness were integrated at the first difference. A long-term link between the components was also discovered. According to ARDL statistics, export loans, GDP, and trade openness significantly increased total export while the savings rate and currency rate decreased total export in Nigeria. The Pairwise causality test also revealed that total export was caused by loan to export, GDP, and exchange rate granger. According to the study's findings, financial deregulation could boost Nigerian exports by providing export-oriented firms with adequate funding. To increase savings and financial resource mobilization, it was recommended that sufficient credit be provided to export-based industries at a low rate of at least 12%, that the savings rate be increased to at least 10%, and that the exchange rate be stabilized through the implementation of effective policies[123].

The investigation of How Corporate Income Tax Impacts Listed Ghanaian Manufacturing Firms' Financial Performance. Panel data methods were used in the study to objectively assess the impact of corporate income tax on financial performance for ten publicly traded manufacturing enterprises over a seven-year period. The study found a significant inverse relationship between corporate income tax and financial performance. A firm's size, age, and growth, on the other hand, have a strong positive correlation with its financial success[48].

Since 1970, the debate over the relationship between taxes and corporate financial success has heated up. The purpose of this essay is to evaluate the relationship thesis. If it is agreed that incentives have spread throughout the world as a means of encouraging investment, this paper will add to the body of knowledge by investigating the impact of inciting taxes on the profitability of Tunisian exporting firms in the mechanical and electrical engineering industries. The empirical investigation, which included a sample of 0 businesses, yielded the following results: The benefit and output calculations show that an increase in taxes has a negative impact on these two performance-related financial metrics. In addition to the use of temporal data, a method based on questionnaire research supports the findings made at the time of the other methods[49].

This study investigates the impact of corporation tax mix on the financial performance of listed manufacturing enterprises in Nigeria. Data were gathered from 10 listed manufacturing enterprises across sectors listed on the Nigerian Stock Exchange from 2014

to 2018 based on companies having comprehensive information for the years under consideration. The study employs an ex post facto research design, and the data is analyzed using multiple linear regression and Pearson correlation. The findings revealed that, while deferred tax has a minor negative impact on the net income of listed companies in Nigeria, tax mix has a minor positive impact on the net income of listed manufacturing enterprises. Furthermore, research findings revealed that corporation income tax had a positive and significant impact on the net income of listed manufacturing enterprises in Nigeria. According to the study's findings, the tax incentives provided to manufacturing companies are insufficient to stimulate manufacturing operations for company development, forcing the companies to postpone paying their taxes, resulting in deferred tax obligations. The government should provide more tax incentives to lower corporate income tax payments and encourage tax deferral in order to improve manufacturing operations and, as a result, the net income of the listed manufacturing enterprises. Manufacturing firms should consider the numerous tax incentives available in order to find the best corporate tax mix[50].

The study looked at how income taxes affect business performance. SPSS 2020 was used for data analysis, and regression analysis was used. Data from twelve (12) Nigerian Stock Exchange-listed companies were used in the study. The data for the study came from the companies' annual reports.

The study looked at how corporate taxes affected the long-term financial success of listed manufacturing enterprises in Nigeria. Data on corporation tax paid, return on equity, and debt to equity ratio were extracted from public financial statements of ten publicly traded

manufacturing companies from 2013 to 2017 and used in the study using an ex post facto research approach. Corporate tax payments had no discernible impact on businesses' returns on equity, but there is a positive and substantial causal relationship between corporate tax payments and listed companies' debt-to-equity ratios, according to data examined using basic linear regression. The paper concludes that manufacturing firms' tax payout practices are significant factors in modeling investment choices, and it suggests that corporate investors in the sector coordinate their tax payout practices with their capital combination choices for the best firm performance and market value[52].

2.3. 4 The Moderating effect of firm size

Tax incentives should go a long way in enhancing performance of the manufacturing companies. According to the study's findings, at a 5% level of significance, the capital allowance tax incentive had a significant and positive relationship with the success of EPZ enterprises as measured by ROA, the number of jobs generated, and the duration of stay. According to the study, increasing the capital allowance tax incentive resulted in an increase in the ROA of businesses as well as their number of jobs and length of stay[34]. Tax incentives could therefore improve performance when considering findings of studies such that tax reliefs, corporate tax, increases, financial performance[1,2]. This mean that a viable tax incentive policy stimulates performance of manufacturing companies. The larger the tax incentives provided by the government, this study was able to prove the certainty that the more the company profitability in investments in Free Trade Zones. This couple with a finding from a study that tax incentives take effect on ROI, & ROA on the long run may mean that economies advantage based on the size of the business can

strengthening performance of the companies. Because of this reality, the specific goal of a study was to find out whether firm size had a moderating effect on micro variables influencing firm financial performance, as well as the relationship between operational practices and firm financial performance. Operating procedures, manufacturing capacity, and management procedures were examples of macroeconomic variables. The theoretical framework is agency theory, with reinforcements from resource-based theory and wealth maximization theory. The study used a descriptive research method. 180 Kenyan industrial companies were surveyed using a self-administered questionnaire. 95% of those polled responded. The data was analyzed using descriptive statistics, correlation, and regression methods. The findings of the study reveal a statistically significant and beneficial relationship between micro variables and business financial performance. According to the findings, a company's size has a moderating effect on the relationship between micro variables and firm financial performance. Further investigation revealed a strong and positive relationship between a company's size and its financial success. Because of the economies advantages larger firms may utilize tax incentives to improve performance than small firms. The study also discovered a positive relationship between manufacturing enterprises' financial performance and the moderating influence on micro variables. The size of the company, according to the study, moderates the relationship between micro variables and the financial success of Kenyan manufacturing enterprises[54].

Another study investigated the relationship between inside ownership and financial management in companies listed on the Indonesian Stock Exchange. Between 2014 and 2018, samples were collected using the purposive testing approach from 14 businesses in

the food and beverage purchasing sub-sector. The data was analyzed using multiple linear regression and moderated regression analysis. The findings indicated that the selection of investment options could be based on a consistent number of stocks. Furthermore, in terms of financial performance, the size of the company strengthened the link between privileged property and profit-oriented businesses[55].

Another study established a relationship between a few of the tax incentives available in the country and the profitability index of manufacturing firms. And find out that pioneer status and the investment allowance had impact on performance, also tax benefits, return on Capital Employed (ROCE) was used to assess manufacturing companies' efficiency. However, a study examines how Vietnamese private firms perform in relation to their size. Using data from the Annual Enterprise Survey from 2009 to 2018, this study employs an ordinary least-squares regression model (OLS) to highlight the effects of firm size (growth rate, total assets, and total labor) on the performance of Vietnamese private enterprises in both static and dynamic states. The findings of the quantitative model show that total assets, total labor, and growth rate are the most important determinants of business success. Thus, firm size in term of total assets influencing not only firm performance but also companies' growth with best utilization of tax incentives[55].

The impact of 55 manufacturing enterprises listed on the Indonesia Stock Exchange on financial performance was investigated. The data is analyzed using R Studio software. In the study, data panel analysis with a random effect model was used. According to the study's findings, (1) firm size has no bearing on a company's financial success as

measured by return on assets, and (2) firm size has no bearing on a firm's financial performance as measured by market-to-book value[56].

A study considered the effects of total sales and firm age on financial performance. The study compared the performance of a sample of Nigerian construction industry enterprises from 2004 to 2017 using yearly data to investigate the effect of company size. The study methodology employed was panel analysis. Two of the four variables used as size indicators in determining return on assets, namely total sales and firm age since incorporation, were statistically significant based on financial performance measurement using both return on assets (ROA) and return on equity (ROE). Total sales have a positive influence on return on assets, whereas the firm's age since incorporation has a negative influence. Age of the firm is not necessarily determining its size and performance but firm sizes does Furthermore, it was demonstrated that the only leverage that had a significant impact on return on equity was leverage. Based on productivity measurements of the performance of the chosen firms in Nigeria's building industry using both output per labor and output per capital, two of the four size indicators—total sales and age of the firm since incorporation—were statistically significant in determining output per labor and total number of employees, while leverage had a negative significant impact on output. This implies that only the company's age since incorporation has a significant positive impact on output per capital[57].

Firm size influences a company's ability to function economically in the swine industry (CZ-NACE 01.40). As an indicator of economic performance, the chosen coefficients of

the profitability ratios, labor productivity, and operating ratio are used.. Multiple criterion assessments of various approaches are used to assess economic performance. The linear regression model is used to investigate the relationship between firm size and performance. Going further to productivity of firm size. The study makes use of data from the Business Register and the Bisnode company's Albertina CZ Gold Edition database for 2013. In terms of economic success, the findings showed that larger businesses outperformed smaller ones. These findings indicate that economies of scale will most likely be important in the swine farming industry[58].

The performance of the insurance companies listed on the Nigerian Stock Exchange (NSE) has been inconsistent, raising concerns about their financial health and corporate value. Given the recent unfavorable trend in the firm values of the listed companies, a review of the company's financial performance and firm value was warranted. As a result, the purpose of this study is to assess the impact of firm size and financial performance on the market value of 21 insurance companies listed on the Nigerian Stock Exchange as of December 31, 2020. The trial took eight years (2012- 2019). Return on assets and return on equity proxied financial performance; the natural logarithm of total assets proxied company size; and tobin's q proxied firm value. Firm age, defined as the length of time since incorporation, serves as a control variable. The study used a longitudinal panel with time series and cross-sectional data and an ex-post facto research approach. The data was analyzed using descriptive statistics and regression in STATA 15 version. Except for return on assets, business size, and firm age, all explanatory factors have a positive, statistically significant impact on Tobin's Q, according to the research. Return on Equity

has little effect on Tobin's Q in particular. According to the research, managers of insurance companies in Nigeria should only use return on assets and firm size to increase the business's worth[59].

From 2005 to 2013, the size of 112 publicly traded manufacturing companies in Turkey was compared to their profitability in a study. Methodology - A dynamic panel data methodology (i.e., a two-step system GMM estimator) is used to estimate the impact of different firm size indicators on firm profitability while accounting for possible endogeneity of firm-level variables. Findings: After controlling for financial risk, liquidity level, growth opportunities, unsystematic risk, firm age, and other factors, estimation results show that indicators of firm size, as measured by assets, sales, and employee count, have a positive influence on firm profitability, as measured by operating return on assets. Conclusion: Throughout the study period, there is statistical support for a linear relationship between company size measures and firm profitability. However, our empirical results contradict the quadratic or cubic relationship between size measurements and profitability[60].

A study was carried out with the goal of adding to the existing debate on the relationship between relational capital (RC) and firm performance by investigating the moderating impact of firm size and its critical role in setting the parameters for competitive advantage. Using the interpretive framework of resource dependency theory, the study updates consolidated research anchored on RC. It defines a set of metrics for measuring the impact of RC on corporate performance, such as cost of goods sold, interest costs, and profits per

share. Content analysis was used to identify certain elements of corporate disclosure tools using 51 relevant items to RC. As data sources, the authors used a specific disclosure index and 73 publicly traded companies in France, Germany, Italy, and the United Kingdom. Data from 2011 to 2013 were examined using six regression models. Firm size moderates the relationship between RC and various factors related to company success. The research adds to the continuing discussion about the connection between RC and company performance by combining an internal and external viewpoint to analyze the interaction between businesses and market circumstances. It proposes several strategies for transforming RC into a valuable source of competitive advantage[62].

2.4 Conceptual Model

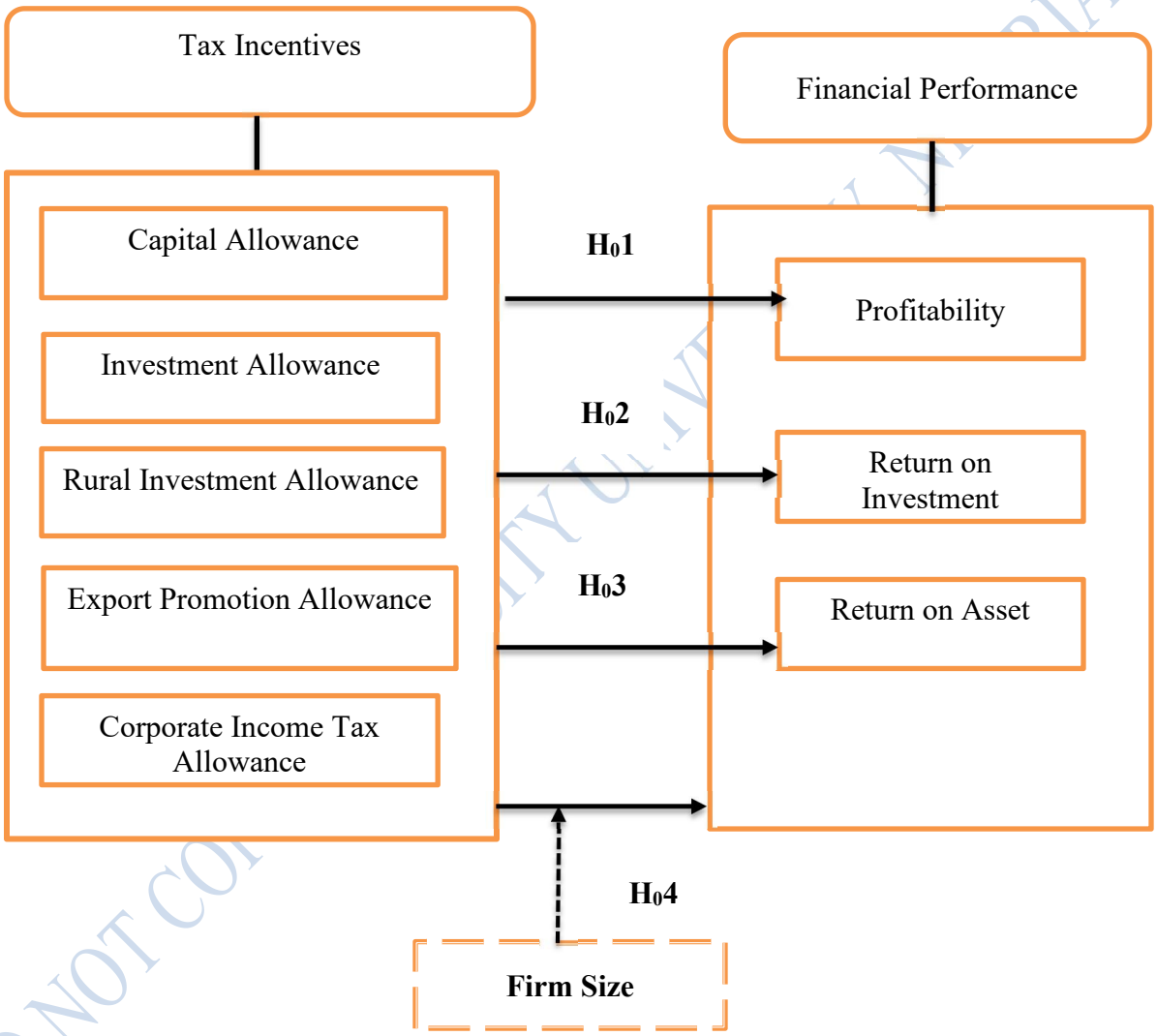

Figure 2.1 Conceptual Framework of Tax Incentives and Financial Performance

Source: Researcher, (2022)

There are three major variables in this study. Financial performance of manufacturing firms is the dependent variable in this study. It is measured by its proxies such as

profitability, ROI and ROA. The independent variable is tax incentives. It is also measure by its proxies such as: capital allowance, investment allowance, rural investment allowance, corporate income tax incentive and export promotion duty incentive. However, the third variable is moderating variable which is firm size. The theoretical framework of this investigation is built on the foundations of the theory of investment behavior. tax incentives are exclusively given to new investment projects, current investment projects may feel overlooked. In addition to the broad non-tax reasons discussed above, these concerns suggest that whether tax incentives eventually have a favorable influence on investment is an empirical matter. Thus, the theory informs the variables corporate income tax incentive, capital allowance, investment allowance rural incentive allowance, export promotion incentive and corporate incentive are all weighed against the financial performance of Nigeria's manufacturing companies. Thus, the conceptual model is a synopsis of the research into tax incentives and the manufacturing companies better financial performance.

Financial performance of manufacturing firms is measured by profitability, return on Investment (ROI) and Return on Asset (ROA), whereas tax incentives are measured by capital allowance, investment allowance, rural investment allowance, corporate income tax incentive and export promotion incentive. As there are various tax incentives based on the Nigeria tax policy this study specifically explores tax incentives that are available for manufacturing companies in Nigeria. As a result, we established the following connections between the four null hypotheses: Tax incentives (capital allowance, investment allowance, rural investment allowance, corporate income tax incentive and export promotion incentive) and Profitability; Tax incentives (capital allowance,

investment allowance, rural investment allowance, corporate income tax incentive and export promotion incentive) and Return on Investment; Tax incentives (capital allowance, investment allowance, rural investment allowance, corporate income tax incentive and export promotion incentive) and Return on Asset, and moderate effect of firm size and the relationship between tax incentives and the financial performance. The study's findings, conclusions, and potential recommendations were guided by statistical testing of the formulated null hypotheses.

2.5 Summary of Literature Review

Over three decades, manufacturing companies' performance in Nigeria has remained porous. However, in countries like China and India, manufacturing companies' contribution to Gross Domestic Products cannot be underestimated. The development of manufacturing companies in these countries hinged on good governance, availability of human and material resources, employees' motivation and favourable tax policy such as tax incentive. The absence of these factors and many other factors like poor tax system, high level of corruption, poor infrastructure, bad roads, use of outdated method in production, consumption pattern of citizen, lack of trust in local products produce in manufacturing industry and bad economic status have contributed to underdevelopment of manufacturing sector in Nigeria. This reduces the industry's quotas persistently contributed to Nigeria's Gross Domestic Product (GDP).

Addressing the issues of the impact of tax incentive on financial performance of manufacturing firm in Nigeria has not be given a detail consideration. Administration of

tax incentives in Nigeria has remained underexplored. However, reviewed studies have established that tax incentives improved the general performance of firms in the industry in those developed countries and some developed countries like China and Indian. It was also established that tax incentives given to manufacturing companies have assisted the industry to tangibly contribute to growth and development and gross domestic product (GDP).

A study examined the effect of tax incentives on the growth and development of manufacturing companies in Southwest, Nigeria. This study creates a gap of not investing financial performance of manufacturing companies. Hence this present study will establish the impact of tax incentive on manufacturing companies' financial performance. In addition, secondary data used in the study but this present study considered primary source for data collection. Another study investigated the impact of the tax incentives on the overall performance of manufacturing companies in Rivers State, Nigeria. This study used small scale business in food and beverages industries in a particular state. Location and enterprise size are identified as the gap left unsatisfied in this study, thus, this current study considered large scale manufacturing firm in South-West region of Nigeria. The relationship between tax policy, growth of manufacturing companies and the Nigerian economy was studied in the South-East of Nigeria. This created a gap on location and independent variable. Hence, this present study will close this gap by investigating the relationship between tax incentives and manufacturing companies' financial performance in South-West, Nigeria. However, a study carried out in Ghana examined the variables in the context of this study but the shortcomings of the

study was that financial performance of manufacturing companies and tax incentive are not measured in their proxies. This gap will be filled in this study as both manufacturing firm's financial performance will be measured in proxy (profitability and return on investment) and tax incentives likewise (corporate income tax incentives, capital allowance incentives).

In addition, some scholars in Nigeria have investigated related variables in banking industry, among small and medium scale firms and in public good with heavy reliance on secondary data. It was also observed that no study has investigated impact of tax incentives on financial performance of manufacturing companies. Hence, this current study will investigate the effect of tax incentives on financial performance of manufacturing companies in Southwest, Nigeria.

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Chapter Three

Methodology

This chapter presents the methodology and procedures required for gathering data to facilitate and achieve the general and specific objectives of the study. This includes: research design, population, sources of data, validity of the research instrument, reliability test, model specification and method of data analysis.

3.1 Research Design

The study employed cross sectional design. The fact that this design can accurately describe the phenomena and methods makes it suitable for this inquiry. As a result, a cross section survey research was adopted because design enables the collection of quantitative data, allowing for the investigation of the relationships and effects of tax incentives such as: capital allowance, investment allowance, rural investment, exception, and corporate income tax holiday on the financial performance of manufacturing companies in Southwest, Nigeria. The usefulness of this design in evaluating the interactions and effects of two or more variables led to its selection (that is, the dependent and independent variables).

3.2 Population of the Study

The population of this study comprised of all male and female finance or accounting employees in the top management cadre of all 3,064 manufacturing enterprises listed in the Manufacturer Association of Nigeria (MAN) directory as of 2022[1]. Lagos and Oyo States were chosen for this study due to their close proximity and concentration of manufacturing companies in those location. According to the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), 25% of all manufacturers in Nigeria are based in Lagos State, while 20% are located in Oyo State[2]. Thus, registered manufacturing company under MAN was used in this study as categories below[1].

Table 3.1: Target Population

Category	Population
Food, Beverage and Tobacco	1,057
Textile, Apparel and Footwear	458
Wood and Wood Products	37
Pulp, Paper and Products	259
Chemical and Pharmaceutical Products	34
Non-Metallic Products	202
Plastic and Rubber and Products	104
Electrical and Electronics	98
Basic metal, Iron and Steel	34
Motor Vehicles and Assembly	13

Other Manufacturing	12
Total	**3,046**

Source: Manufacturer Association of Nigeria directory[2]

3.3 Sample size and Sampling Technique

The size of this study was determined using Yamane sampling size technique[4]. This sampling formula was used to derive a sample size of manufacturing companies for this study The formula is as follows:

$$n = \frac{N}{1 + N(e)^2} \quad \text{.....(formula 1)}$$

Where n is the sample size, N is the population size, and e is the level of precision. The level of precision is also the level of significance which is 0.05.

The sample size will be calculated

thus:

Sample size formula = $n = \frac{N}{1+N(e)2}$

n is sample size

N is total number of population (3,064)

e^2 is precision level $(0.05)^2$

$n = \frac{3064}{1+3064(0.05)2} = 353.81$

Hence, the 354 manufacturing companies were used as sample for the study

Purposive sampling was used to select the sample of manufacturing companies for the study. Purposive sampling was implored to identify manufacturing companies in the

manufacturing sector whose records were available, appropriate and suitable for this study and not distort the study's overall panel data. It is worthy of note that selected manufacturing companies were based in Lagos and Oyo States. Thus, this technique has the potential to ensure that the selected samples are a true representation of the entire population when the study's objectives are considered. For this study out of this 354 manufacturing companies 65 and 21 companies total 86 companies were chosen from Lagos and Oyo State respectively that were purposively based on the availability and suitability of their records to the study data needs. A total of 172 respondents were chosen from 86 manufacturing companies, with two (2) financial managers or accountants chosen from each. Thus, the summary of the samples and sample size for the study is presented in table 3.2 Below:

Table 3.2: Summary of the Samples and Sample Size

Sampled Companies (Yamane Formula)	Sampled (Purposive)			Sampled Finance Managers/accountants	Sample Size
	Lagos	Ibadan	Total		
354	65	21	86	2 each	172

Source: Fieldwork, (2022)

3.4 Description of the Research Instrument

For this study, a modified questionnaire was developed using various scales from previous studies that were relevant to the variables used in this study. The questionnaire comprises of eight sections. The first section of the questionnaire elicits information on the socio-demographic characteristics manufacturing firms. Section B will address information with

respect financial performance of manufacturing firms (i.e. profitability, return on investment and return on assets). This section will be categorized into three sections, namely; profitability, return on assets and return on investment.

Section C to F will focus on the tax incentives that is Capital Allowance (section C), Investment Allowance (section D), Rural Incentives (section E), Export Promotion Incentive (section F), Corporate Income Tax Holiday. This section will collect information from the manufacturing firms on the tax incentive they enjoy and how these incentives have impacted on the financial performance. The rating technique was based on the five point Likert type as follows:

Strongly Agree (SA) – 5 points
Agree (A) – 4 points
Undecided (U) – 3 points
Disagree (D) – 2points
Strongly Disagree (SD) – 1 point

Model Specification

Two categories of variables that will be used in the study are:

Independent Variable A - (Tax incentives): This variable will be measured using the following proxies

Capital allowance

Investment allowance

Custom duty incentives

Corporate income tax allowance

Rural investment allowance

Dependent Variable C – (Financial performance of manufacturing companies): This variable will be measured using the following indices

Profitability

Return on Investment (ROI)

Return of Assets (ROA)

The purpose of this study is to examine impact of tax incentives on financial performance of manufacturing firms. To achieve this, two variables are identified in the study, these are: independent and dependent variables. The independent variables are the Tax incentives proxies mentioned in the objective of the study and the dependent variable is financial performance of selected manufacturing companies from MAN. A model, is a mathematical expression of reality though it can exist in different forms[3]. The model for this study was specified in line with the research questions.

$FP = \alpha + \beta_1 CA + \beta_2 IAf + \beta_{3E} CD + \beta_4 XI + \beta_5 CII + \mu$

αit = Constant of the equation

β- β = Coefficient of the explanatory variable

μ = Error terms

Where; A

FA= Financial Performance

CA= Capital Allowance

IA = Investment Allowance

RI= Rural Incentives

XI=Export Promotion Incentive

CITA=Corporate Income Tax Holiday

Moderating Effect of Firm size

The one of the purpose of the study was to investigate the moderate influence of firms 'size on the association between tax incentives and the financial performance of Nigerian manufacturing firms. All independent variables were aggregated into a single composite before performing the moderating effect hypothesis test. The composite of all independent variables, firm size, and the interaction term (Interaction of both Composite of Independent variables and firm size) were then used as predictors in a multiple regression model, with financial performance of manufacturing businesses acting as the dependent variables. If the p value of the interaction term is less than 0.05 (p value0.05), moderation is supported and the null hypothesis should not be rejected.

Thus the optimal model was;

Firm Financial Performance= $\alpha it + \beta_1 CI + \beta_2 M + \beta_3 CI * M$

Where;

CI= Composite of Independent variables

M= Firm size

CI*M= Interaction term (Interaction between independent variables and Firm size (moderator)

3.5 Validity of Research Instrument

The research instrument was validated on the basis of face and content validity in order to evaluate the extent to which operationalization of a construct actually measure what it tends to measure[1]. In order to determine the face and content validity of the instrument,

the questionnaires were shown to the supervisor and other experts in Accounting and taxation.

The content validity was established by seeking opinions of experts who are aware of tax incentives and performance. The experts gave their take on whether the questionnaire was suitable in measuring what it was supposed to capture. They basically gauged the meaningfulness, clarity / ambiguity and offense. Before using the questionnaire in the main survey, the opinions sort was established and adjusted to the questionnaire to enhance content validity. The experts in tax matters came from the university, fellow students as well as consulting firms. The performance of manufacturing company was discussed with 10 managers drawn from manufacturing companies, who were selected randomly and thus helped to validate the instrument. Before printing the final questionnaire, all the issues raised during the pilot study were addressed through the supervisors‘ guidance so as to retain the original intention of the research instrument.

Convergent and discriminant validity were used to measure construct of the factor loading. In the table 3.3 below all the Average Variance Extracted (AVE) value exceeded 0.5 so that it is adequate for convergent validity. The Fornell-Larcker criterion which state that the construct (discriminant) validity hold when the correlation of factor loading lesser than the square roots of the AVEs was used to test the construct (discriminant) validity of the instrument for this study. The Fornell-Larcker indicator's results were utilized to examine the discriminant validity. The bolded values in Table 3.3 below indicate the square roots of the AVEs and are greater than the correlation coefficients among the constructs, satisfying the criterion for discriminant validity[1,2,3]. Hence, the instrument satisfied the construct validity requirements.

3.3 Results of Discriminant Validity by Fornell-Larcker Criterion

Load Factors	Average Variance Extracted (AVE)	Capital	Investment	Rural Investment	Export promotion	Corporate	Financial Performance
Capital	0.7459	**0.864**					
Investment	0.7116	0.13	**0.844**				
Rural Investment	0.7676	.273**	.307**	**0.876**			
Export promotion	0.7397	.378**	0.14	.512**	**0.860**		
Corporate	0.7334	0.05	0.13	0.09	0.09	**0.856**	
Financial Performance	0.732	0.231	.312	.34	.321	0.291	**0.855**

Note: Diagonals represent the square root of the average variance extracted while the other entries represent the correlations.

3.6 Reliability of the Research Instrument

A common measure of reliability is the use of Cronbach's Alpha which ranges on a scale of 0 to 1. A high reliability is indicated by a number that is close to one than it is to zero. The study nevertheless, used a threshold of 0.7 as the standard of reliability such that a coefficient below 0.7 indicated that the sub constructs were not reliable in capturing the variable.

To ensure that the questionnaire was efficient and effective, 15% of the sample size was tested. Reliability was conducted on the questionnaire fully completed by twenty (20) randomly chosen respondents who are were not part of the sample size for this study. A coefficient of 0.7 was used as the threshold for this study. Table 3.2 shows the reliability results. All the statements were reliable since the Cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study. The results of the test reveal the alpha

coefficient is above 0.7 and therefore all the statements were reliable since the reliability threshold is 0.7 Capital Allowance (0.743), Investment Allowance (0.706), Rural Incentives (0.710), Export Promotion Incentive (0.803), Corporate Income Tax Holiday (0.713) and financial Performance (0.729). Therefore, the internal consistency reliability of the measure was excellent. This indicates that the data was reliable since an alpha coefficient higher than 0.70 signifies that the collected data has a comparatively high internal reliability and can be assumed to mirror the respondent 's views on the study problem.

Table 3.2: Reliability Coefficient

Variable	Cronbach's Alpha	Comment
Capital Allowance	0.743	Accepted
Investment Allowance	0.706	Accepted
Rural Incentives	0.710	Accepted
Export Promotion Incentive	0.803	Accepted
Corporate Income Tax Holiday	0.713	Accepted
Financial Performance	0.729	Accepted

Source: Fieldwork, (2022)

For the purpose of this study, the data on Companies Income Tax, Value Added Tax, Petroleum Profit Tax, export promotion incentive and the financial performance of manufacturing firms will be collected from samples of accountants and tax officers of the

firms. A pilot test will be done after the instrument is approved for administration before general administration. The result of the pilot test will be incorporated in the study.

3.7 Data Collection

A letter of introduction was collected from the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State, Nigeria, to obtain permission to conduct the research on the tax incentive and financial performance of manufacturing companies in Lagos and Oyo states. The researcher recruited four research assistants for the two States. The research assistants were exposed to a-week long training that will facilitate the success of the study.

The researcher will familiarise the research assistants with the basic pieces of information relevant to the study. These include the aim and objectives of the study, time and duration of the administration of the instruments and established rules of engagement for the manufacturing firms in the study locations. During the process of administering the instrument, the spread within two (2) weeks and data obtained from the field will be properly scored, coded and then, subjected to data analysis.

3.8 Method of Data Analysis

The method of data analysis adopted was descriptive and inferential analysis. The data collected was statistically manipulated. To assess biographical data, a simple percentage was utilized. Biographical data was interpreted using descriptive statistics particularly simple percentage tables. Furthermore, the hypotheses were tested using inferential statistics, specifically regression analysis, which is best suited for examining the effect of

independent variable on dependent variable(s). The Statistical Package for Social Science (SPSS) version 25 was used to assure the accuracy of the data analysis for the study.

Endnotes

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5. M. Fishbein, & I. Ajzen, *Belief, attitude, intention, and behavior : an introduction to theory and research*. **Reading Mass.: Addison-Wesley Pub**. Co. 1975.

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Chapter Four

Results and Discussion of Findings

4.1 Introduction

The conclusions of the investigation are presented in this chapter. The findings were based on the hypotheses that were raised in accordance with the study's objective. In this study, tax incentives were examined as potential predictors of financial performance among manufacturing enterprises in Ibadan. Information on the impact of a tax incentive on the financial performance of a manufacturing firm in Ibadan was acquired through a questionnaire to meet the study's objectives. Descriptive and inferential statistics were used to analyze the data provided by the financial manager, tax manager, and accounting officer of the selected industrial enterprises in the research area.

The demographic profile was analysed by frequency count and percentage. The relationship between the independent variables and the dependent variable was

investigated using Pearson Product Correlation, and Multiple Regression was used to determine the joint effects of the proxies of tax incentives on financial performance, which was measured by profitability, return on assets, and return on investment. This chapter was broken down into three sections

4.1 Presentation of demographic information of respondents

4.2 Testing of hypotheses

4.3 Discussion of Findings

4.1 Demographic Information

4.1.1 Instrument Response Rate

Table 4.1: Instrument Response Rate

Research Instruments	**Frequency**	**Percentage**
Copies of questionnaire retrieved & Validated	143	83.1
Copies of questionnaire not retrieved	29	16.9
Total copies of questionnaire **administered**	**172**	**100.0**

Source: Fieldwork, (2022)

Table 4.1 presents the amount of research instrument that were administered, collected (retrieved) and validated including the rate of responses. 172 questionnaires were administered to two most senior accountants in the sampled manufacturing companies in southwest. However, 143 questionnaires were retrieved of which 29 were rendered invalid. This gave a huge response rate of 83.1%.

Table 4.2: Demographic Data Distribution

Variables		Frequency	Percent
Gender	Male	99	69.2
	Female	44	30.8
	Total	**143**	**100.0**
Age of	21-30 years	12	8.4
Respondents	31-40 years	3	25.2
	41-50years	4	32.2
	51-0 years	41	28.7
	1 years above	8	5.6
	Total	**143**	**100.0**
Respondents	Financial managers	15	10.5
Position	Operational managers	6	4.2
	Tax manager	68	47.6
	Accountant	54	37.8
	Total	**143**	**100.0**
Age of the	1-5yrs	30	21.0
Business	6-10yrs	20	14.0
	11-20yrs	32	22.4
	21-30yrs	34	23.8
	31-40yrs	12	8.4
	40yrs and above	15	10.5
	Total	**143**	**100.0**

Educational	S.S.C.E.	6	4.2
Level	N.C.E/ND	38	26.6
	H.N.D/B.Ed/B.Sc	69	48.3
	Master Degree	30	21.0
	Total	**143**	**100.0**
Insurance	Yes	91	3.
Scheme	No	52	3.4
	Total	**143**	**100.0**
Number of	1-5	21	14.7
Employees	6-10	61	42.7
	11-20	35	24.5
	21-30	20	14.0
	31-40	3	2.1
	41 & Above	3	2.1
	Total	**143**	**100.0**

Source: Fieldwork, (2022)

Table 4.2 shows 99 (69.2%) male and 44(30.8%) female. There are more male respondents in the study area.

Table 4.3 shows that 12 (8.4%) respondents are within the age bracket 21-30 years, 3(25.2%) respondents are within the age bracket 31-40 years, 4(32.2%) respondents are within the age bracket 41-50 years, 41(28.7%) respondents are within the age bracket 51-0 years, and 8(5%) respondents are age 1 years above.

Table 4.4 shows that 15 (10.5%) are financial managers, (4.2%) are operational managers, 68(47%) are tax managers and 54 (37.8%) are accountant.

Table 4.5 shows that 30(21.0) companies have been in business for 1-5 years, 20(14.0) companies have been in business for -10 years, 32(22.4) companies have been in business for 11-20 years, 34(23.8) companies have been in business for 21-30 years, 12(8.4) firms have been in business for 31-40 years, and 15(10.5) companies have been in business for 41 years or more.

Table 4.6 shows that 6(4.2%) respondents are SSCE holders, 38(26.6%) respondents are N.C.E./ND holders, 9(48.3%) respondents are H.N.D/B.Ed./B.Sc. and 30 (21.0%) are Master degree holders.

Table 4.7 shows 91 (9.2%) respondents attested that the business is insured, and 52(3.4%) respondents attested that the business is not insured.

Table 4.8 shows that 21 (8.4%) respondents attested that their businesses have 1-5 employers, 61 (42.7%) respondents attested that their businesses have -10 employers, 35 (24.5%) respondents attested that their businesses have 11-20 employers, 20 (14.0%) respondents attested that their businesses have 21-30 employers, 3 (2%) respondents attested that their businesses have 31-40 employers, and 3 (2%) respondents attested that their businesses have 41 and above employers.

4.2 Testing of Hypotheses

Ho1: Tax incentives have no significant effect on profitability of manufacturing companies in Southwest, Nigeria.

In order to test the first hypothesis, linear multiple regression analysis was used. In the analysis, the values of profitability were regressed on the values of each of the values of tax incentives. The data for tax incentives was generated by summing responses of all items for capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax while that of profitability was generated by adding responses of all items used to measure the variable. Data from one hundred and forty-three (143) respondents were collated and analysed. The result of the multiple regression analysis is presented in Table 4.3.

Table 4.3: Summary of Multiple Regression Analysis for The Effect of Tax Incentives on Profitability of Manufacturing Companies in Southwest, Nigeria

Model	Beta	t	Sig.	R	R^2	Adj. R^2	Anova Sig.	F(df)
				.972[a]	.944	.942	0.000	461.796 (5,137)
(Constant)	-2.209	-2.247	.026					
Capital allowance	.060	1.750	.082					
Investment allowance	.418	2.085	.039					
Rural investment allowance	.511	6.943	.000					
Custom duties	.040	.161	.872					
Corporate income tax	.017	.143	.887					

Dependent Variable: Profitability
Predictors: (Constant), Capital allowance, Investment allowance, Rural investment allowance, Custom duties, corporate income tax.
Source: Researcher's Field Survey Results (2022)

Table 4.3 presents the results of multiple regression analysis for the effect of tax incentives on profitability of manufacturing companies in Southwest, Nigeria. Table 4.6 presents a model summary which establishes how the model equation fits into the data. The *Adj* R^2 was used to establish the predictive power of the study's model. From the results in Table 4.3, tax incentives (capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax) have strong positive relationship with profitability of manufacturing companies in Southwest, Nigeria (R = 0.972, p=0.000). The Adjusted coefficient of determination (Adj R^2) of 0.942 shows that tax incentives explained 94.2% of the variation in profitability of manufacturing companies in Southwest, Nigeria under study while the remaining 5.8% changes in profitability is explained by other exogenous variable different from tax incentives. This result suggests that tax incentives influence 94.2% of profitability of manufacturing companies in Southwest, Nigeria.

The result also suggests that the results of ANOVA (overall model significance) of regression test which revealed that the combined tax incentives have a significant effect on profitability of manufacturing companies in Southwest, Nigeria. This can be explained by the F-value (461.796) and low p-value (0.000) which is statistically significant at 95% confidence interval. Hence, the result posited that tax incentives received by manufacturing companies in Southwest, Nigeria the influenced profitability.

Furthermore, the results of regression coefficients which revealed that a significant effect was reported for all the components of tax incentives except for capital allowance, custom duties and corporate income tax which shows insignificant effect. Further, the results reveal that at 95% confidence level, investment allowance (β = 0.418, p= 0. .039) and

rural investment allowance (β = 0.511, p=0.000) of the manufacturing companies in southwest Nigeria were statistically significant as the p-values were less than 0.05 and the t-values greater than 1.96.

Further analysis posits that, taking all factors constant at zero, profitability of manufacturing companies in Southwest, Nigeria in Lagos State is -2.209. The result also indicates that taking all other independent variables at zero, a unit change in investment allowance will lead to a 0.418 increase in profitability of the manufacturing companies in southwest Nigeria given that all other factors are held constant. Similarly, the results also revealed that a unit change in rural investment allowance will lead to a 0.511 increase in profitability of manufacturing companies in Southwest, Nigeria given all other factors are held constant. Overall, from the results, rural investment allowance had the highest effect on the profitability of manufacturing companies in Southwest, Nigeria with a coefficient of 0.511 and t value of 6.943, followed by investment allowance coefficient of 0.418, and t value of 2.085. Based on the results, this study can conclude that tax incentives significantly influence profitability of manufacturing companies in Southwest, Nigeria. On the strength of this result (*Adj* R^2 = 0.942, $F(5,137)$= 461.796, p= 0.000), this study rejects the null hypothesis one ($H_0 1$) which states that tax incentives have no significant effects on profitability of manufacturing companies in Southwest, Nigeria.

Ho2: Tax incentives have no significant effect on return on investment of manufacturing companies in Southwest, Nigeria.

In order to test the second hypothesis, linear multiple regression analysis was used. In the analysis, the values of return on investment were regressed on the values of each of the values of tax incentives. The data for tax incentives was generated by summing responses of all items for capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax while that of return on investment was generated by adding responses of all items used to measure the variable. Data from one hundred and forty-three (143) respondents were collated and analysed. The result of the multiple regression analysis is presented in Table 4.4.

Table 4.4: Summary of Multiple Regression Analysis for The Effect of Tax Incentives on Return on Investment of Manufacturing Companies in Southwest, Nigeria

Model	Beta	t	Sig.	R	R^2	Adj. R^2	Anova Sig.	F(df)
				.942[a]	.886	.882	0.000	213.859 (5,137)
(Constant)	-16.365	-7.617	.000					
Capital allowance	.505	6.761	.000					
Investment allowance	-2.406	-5.493	.000					
Rural investment allowance	-.367	-2.282	.024					
Custom duties	4.340	8.057	.000					
Corporate income tax	-.671	-2.590	.011					

Dependent Variable: Return on investment

Predictors: (Constant), Capital allowance, Investment allowance, Rural investment allowance, Custom duties, corporate income tax.

Source: Researcher's Field Survey Results (2022)

Table 4.4 presents the results of multiple regression analysis for the effect of tax incentives on return on investment of manufacturing companies in Southwest, Nigeria. Table 4.6 presents a model summary which establishes how the model equation fits into the data. The *Adj* R^2 was used to establish the predictive power of the study's model. From the results in Table 4.4, tax incentives (capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax) have strong positive relationship with return on investment of manufacturing companies in Southwest, Nigeria (R = 0.942, p=0.000). The Adjusted coefficient of determination (Adj R^2) of 0.882 shows that tax incentives explained 88.2% of the changes in return on investment of manufacturing companies in Southwest, Nigeria under study while the remaining 11.8% changes in return on investment is explained by other exogenous variable different from tax incentives. This result suggests that tax incentives influence 88.2% of return on investment of manufacturing companies in Southwest, Nigeria.

The result also suggests that the results of ANOVA (overall model significance) of regression test which revealed that the combined tax incentives have a significant effect on return on investment of manufacturing companies in Southwest, Nigeria. This can be explained by the F-value (213.859) and low p-value (0.000) which is statistically significant at 95% confidence interval. Hence, the result posited that tax incentives received by manufacturing companies in Southwest, Nigeria the influenced return on investment.

Furthermore, the results of regression coefficients which revealed that a significant effect was reported for all the components of tax incentives shows significant effect. Further, the results reveal that at 95% confidence level, capital allowance (β = 0.505, p= 0.000), investment allowance (β = -2.406, p= 0.000), rural investment (β = -0.367, p= 0.024), custom duties (β = 4.340, p= 0.000) and corporate income tax (β = -0.671, p=0. 011) of the manufacturing companies in southwest Nigeria were statistically significant as the p-values were less than 0.05 and the t-values greater than 1.96. Further analysis posits that, taking all factors constant at zero, return on investment of manufacturing companies in Southwest, Nigeria in Lagos State is -16.365.

Also, the result also indicates that taking all other independent variables at zero, a unit change in capital allowance will lead to a 0.505 increase in return on investment of the manufacturing companies in southwest Nigeria given that all other factors are held constant. The result also indicates that taking all other independent variables at zero, a unit change in investment allowance will lead to a -2.406 decrease in return on investment of the manufacturing companies in southwest Nigeria given that all other factors are held constant.

Similarly, the result also indicates that taking all other independent variables at zero, a unit change in rural investment will lead to a 0.367 decrease in return on investment of the manufacturing companies in southwest Nigeria given that all other factors are held constant. The result also indicates that taking all other independent variables at zero, a unit change in custom duties will lead to a 4.340 increase in return on investment of the manufacturing companies in southwest Nigeria given that all other factors are held constant. Lastly, the results also revealed that a unit change in corporate income tax will

lead to a 0.671 decrease in return on investment of manufacturing companies in Southwest, Nigeria given all other factors are held constant.

Overall, from the results, custom duties had the highest relative effect on the return on investment of manufacturing companies in Southwest, Nigeria with a coefficient of 4.340, and t value of 8.057. In second place is capital allowance (β = 0.505, t= 6.761), followed by rural investment (β = -2.282, t= 0.024), corporate income tax (β = -0.671, t=0. 011) and investment allowance has the least relative effect (β = -2.406, t= -5.493) on the return on investment of manufacturing companies in Southwest, Nigeria. Based on the results, this study can conclude that tax incentives significantly influenced return on investment of manufacturing companies in Southwest, Nigeria. On the strength of this result ($Adj\ R^2$ = 0.882, $F(5,137)$= 213.859, p= 0.000), this study rejects the second null hypothesis ($H_0 2$) which states that tax incentives have no significant effects on return on investment of manufacturing companies in Southwest, Nigeria.

Ho3: Tax incentives have no significant effect on return on asset of manufacturing companies in Southwest, Nigeria.

In order to test the second hypothesis, linear multiple regression analysis was used. In the analysis, the values of return on asset were regressed on the values of each of the values of tax incentives. The data for tax incentives was generated by summing responses of all items for capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax while that of return on asset was generated by adding responses of all items used to measure the variable. Data from one hundred and forty-three (143) respondents were collated and analysed. The result of the multiple regression analysis is presented in Table 4.5.

Table 4.5: Summary of Multiple Regression Analysis for the Effect of Tax Incentives on Return on Asset of Manufacturing Companies in Southwest, Nigeria

Model	Beta	t	Sig.	R	R^2	Adj. R^2	Anova Sig.	F(df)
				.940[a]	.883	.879	0.000	207.562 (5,137)
(Constant)	7.117	4.672	.000					
Capital allowance	.843	15.924	.000					
Investment allowance	-1.029	-3.312	.001					
Rural investment allowance	-.015	-.131	.896					
Custom duties	1.669	4.372	.000					
Corporate income tax	-.585	-3.185	.002					

Dependent Variable: Return on asset
Predictors: (Constant), Capital allowance, Investment allowance, Rural investment allowance, Custom duties, corporate income tax.

Source: Researcher's Field Survey Results (2022)

Table 4.5 presents the results of multiple regression analysis for the effect of tax incentives on return on asset of manufacturing companies in Southwest, Nigeria. Table 4.5 presents a model summary which establishes how the model equation fits into the data. The *Adj* R^2 was used to establish the predictive power of the study's model. From the results in Table 4.5, tax incentives (capital allowance, capital allowance, rural investment allowance, custom duties, and corporate income tax) have strong positive relationship with return on asset of manufacturing companies in Southwest, Nigeria (R = 0.940[a], p=0.000). The Adjusted coefficient of determination (Adj. R^2) of 0.879 shows that tax incentives explained 87.9% of the variation in return on asset of manufacturing companies in Southwest, Nigeria under study while the remaining 12.1% changes in return on asset is explained by other exogenous variable different from tax incentives.

This result suggests that tax incentives affect 87.9% of return on asset of manufacturing companies in Southwest, Nigeria.

The result also suggests that the results of ANOVA (overall model significance) of regression test which revealed that the combined tax incentives have a significant effect on return on asset of manufacturing companies in Southwest, Nigeria. This can be explained by the F-value (207.562) and low p-value (0.000) which is statistically significant at 95% confidence interval. Hence, the result posited that tax incentives received by manufacturing companies in Southwest, Nigeria the influenced return on asset. Furthermore, the results of regression coefficients which revealed that a significant effect was reported for all the components of tax incentives shows significant effect except rural investment allowance with insignificant effect.

Further, the results reveal that at 95% confidence level, capital allowance ($\beta = 0.843$, $p= 0.000$), investment allowance ($\beta = -1.029$, $p= 0.001$), custom duties ($\beta = 1.669$, $p= 0.000$) and corporate income tax ($\beta = -.585$, $p=0. 002$) of the manufacturing companies in southwest Nigeria were statistically significant as the p-values were less than 0.05 and the t-values greater than 1.96. However, rural investment allowance had p-values were greater than 0.05 and the t-values less than 1.96 to suggest statistically insignificant effect on return on asset for the manufacturing companies in Southwest, Nigeria

Further analysis posits that, taking all factors constant at zero, return on asset of manufacturing companies in Southwest, Nigeria is 7.117. Also, the result also indicates that taking all other independent variables at zero, a unit change in capital allowance will lead to a 0.843 increase in return on asset of the manufacturing companies in southwest Nigeria given that all other factors are held constant. The result also indicates that taking

all other independent variables at zero, a unit change in investment allowance will lead to a -1.029 decrease in return on asset of the manufacturing companies in southwest Nigeria given that all other factors are held constant. Similarly, the result also indicates that taking all other independent variables at zero, a unit change in custom duties will lead to a 1.669 increase in return on asset of the manufacturing companies in southwest Nigeria given that all other factors are held constant. Lastly, the results also revealed that a unit change in corporate income tax will lead to a -0.585 decrease in return on asset of manufacturing companies in Southwest, Nigeria given all other factors are held constant.

Overall, from the results, custom duties had the highest relative effect on the return on asset of manufacturing companies in Southwest, Nigeria with a coefficient of 1.669, and t value of 4.372. In second place is capital allowance (β = 0.843, t= 15.924), followed by corporate income tax (β = -0.585, t= -3.185) and investment allowance has the least relative effect (β = -1.029, t= -3.312) on the return on asset of manufacturing companies in Southwest, Nigeria. Based on the results, this study can conclude that tax incentives significantly influenced return on asset of manufacturing companies in Southwest, Nigeria. On the strength of this result (*Adj* R^2 = 0.879, $F(5,137)$= 207.562, p= 0.000), this study rejects the third null hypothesis ($H_0$2) which states that tax incentives have no significant effects on return on asset of manufacturing companies in Southwest, Nigeria.

Ho4: Firm size has no significant moderating effect on the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

To evaluate the null hypothesis six, hierarchical regression was applied whereby the analysis was carried out in the order of hierarchy. A composite score was obtained for tax

incentives (X) as adopted by the manufacturing companies in Southwest, Nigeria and were used in the regression analysis. Also, data for financial performance (Y) was created by adding responses of all items for the variable, while that of firm size (Z_1) was obtained from adding responses of all items for the variable. In addition, an interaction term for tax incentives and firm size (X_i*Z_1) was obtained by multiplying the composite score for tax incentives and firm size. The hypothesis would be supported if the effect of the interaction of tax incentives and firm size (X_i*Z_1) on financial performance of selected manufacturing companies in Southwest, Nigeria is statistically significant. The results of the analysis step by step are presented in Table 4.6

Table 4.6: Summary of Hierarchical Regression Analysis for The Moderating Effect of Firm Size on the Relationship Between Tax Incentives and Financial Performance of Manufacturing Companies in Southwest, Nigeria

Model	Beta	t	Sig.	R	R^2	Adj. R^2	ΔR^2	ΔF	Sig. F Change
(Constant)[a]	-22.596	-5.846	.000	.954[a]	.911	.910	.911	1435.572	.000
Tax incentives	3.394	37.889	.000						
F & Anova Sig: 1435.572 (1,141), p= .000									
(Constant)[b]	-24.410	-10.119	.000	.983[b]	.966	.965	.055	222.929	.000
Tax incentives	2.188	22.286	.000						
Firm size	1.298	14.931	.000						
F & Anova Sig: 1959.019 (2,140), p=.000									
(Constant)[c]	-209.110	-6.116	.000	.986[c]	.972	.971	.006	29.302	.000
Tax incentives	6.522	8.096	.000						
Firm size	5.623	7.004	.000						
Tax Incentive*Firm size	.101	5.413	.000						

F & Anova Sig: 1579.804 (3,139), p=.000

a. Predictors: (Constant), Tax incentives
b. Predictors: (Constant), Tax incentives, Firm size
c. Predictors: (Constant), Tax incentives, Firm size, Tax incentives*firm size
d. Dependent Variable: Financial Performance
Source: Researcher's Field Survey Results (2022)

Tables 4.6 present hierarchical multiple regression results for the moderating effect of Firm size on the interactions between tax incentives, and financial performance. Results in Table 4.6 model one, summarize the output for the analysis if moderation effect is not considered. Therefore, in this model, the independent variable was tax incentives. From table 4.6, Model 1 reveals that R = 0.954, AdjR^2 = 0.911, and $F(1, 141) = 1435.572$, p = 0.000. The value of the coefficient of determination, adjR^2 indicates that 91.1% of the variance in the financial performance of manufacturing companies in Southwest, Nigeria was explained by tax incentives. The remaining 8.9% of the total variation in financial performance are explained by factors not included in the model. The explained variation in the interaction between tax incentives on financial performance was found to be significant at p-value of 0.000 which is below the accepted threshold of 0.05. The regression coefficients section in Table 4.XX shows that the coefficient and constants were both statistically significant, given the p-value of 0.000.

In the second step, a multiple regression involving Tax incentives and Firm size was introduced in the model as predictor variables and the results indicates a change was experienced as R^2 change is 0.055 implying that the regression model explains 96.6% of variations in financial performance while the rest (3.4%) are attributed to variables not

included in the model. The F-statistics is 1959.019 with a corresponding p-value of 0.000 ($p<0.05$) indicating that the effect is statistically significant. Tax incentives has a coefficient of 2.188, t-statistic of 22.286, and a p-value of 0.000. This implies that tax incentives have positive and significant influence on financial performance of the manufacturing companies in Southwest, Nigeria. More so, a unit change in tax incentives will have a concomitant 2.188 change in financial performance. In addition, firm size has a coefficient of 1.298; t-statistic of 14.931 and a p-value of 0.000. This implies that firm size has positive but statistically significant influence on performance of financial performance of the manufacturing companies in Southwest, Nigeria. The result posits that a unit change in firm size would result in significant change in financial performance up to 1.298.

The third step involved the introduction of interaction term of Tax incentives and firm size, using regression model. Result in Table 4.6 indicates that the R square change is 0.006, and F-change of 29.302 with a corresponding p-value of 0.000, implying that the interaction term of tax incentives and firm size have a positive and moderating significant influence on financial performance of manufacturing companies in Southwest, Nigeria ($p<0.05$). Furthermore, the interaction term of tax incentives and firm size has a beta coefficient of 0.101 and a corresponding p-value of 0.000. Hence, this imply that firm size moderates the functional relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

The results posit that firm size has moderating effect on the functional relationship between tax incentives, and financial performance of manufacturing companies in Southwest, Nigeria. Based on this result ($\Delta R^2 = 0.006$, $\Delta F = 29.302$, P= 0.000), this study

rejects the null hypothesis four ($H_0$4) which states that firm size has no significant moderating effect on the association between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

4.4 Discussion of Findings

According to the study's first objective, tax incentives' effects on the profitability of manufacturing companies in Southwest Nigeria was examined. The findings of this study reveal that tax incentives have a combined significant effect on the profitability of manufacturing companies in Southwest Nigeria. Furthermore, all components of tax incentives had a substantial effect except for capital allowance, export promotion allowance, and corporate income tax, which had a negligible effect. This conclusion was consistent with research on the influence of tax incentives on the expansion of Nigeria's manufacturing sector as a real instrument in the government's arsenal, which discovered a link between a few of the country's tax incentives and the profitability index of manufacturing firms[3]. Another study looks into the impact of tax incentives on the corporate profitability of Nigerian-listed industrial companies. An annual allowance, investment allowance, and tax holidays are examples of operationally implemented tax incentives. Profit per share (EPS), which serves as a proxy for company profitability, is a moderating variable. Tax incentive is therefore, a tool to regulate economic activities of manufacturing firms in Nigeria. Even beyond Nigeria cases, a similar study was carried out in Kenya to determine the effect of tax incentives on the performance of Kenyan

manufacturing enterprises. According to the report, Kenya offers a variety of tax incentives to residents, including capital investment allowances such as the Industrial Building Allowance (IBA). Capital investment allowances were provided on capital expenditures spent during the construction of an industrial facility. The Kenyan government also has an allowance on investments, whereby some deductions are made on each investment made, with the goal of spurring the expansion of the industrial sector. Other incentives were charged on farm labour in the amount of up to fifty percent each year for a period of twenty-four months. Other incentives were reductions in shipping investment, which were levied at a rate of up to 40% of total capital shipping cost. If a corporation is involved in spending on capital to be utilized in mining related operations such as exploration, testing, and getting access to mineral deposits, it is eligible for the mining allowance[72].

The study's findings confirm that tax reductions have an influence on corporate profitability in Nigerian industrial enterprises with publicly traded stocks, and the government should retain tax incentives in place to improve business income and stimulate investment. Research on the impact of capital allowance on industrial financial performance showed a direct and substantial relationship[2]. The relationship of tax incentives and financial performance may in long run strong. This is further supported by a study that agribusiness tax incentives should be targeted at small and expanding agribusinesses. As a result, lowering tax rates or even instituting tax holidays may not achieve the desired outcomes. More effective approaches, such as upfront funding through investment tax credits, were therefore discovered to be more relevant to Nigerian agriculture.

Furthermore, Nigerian research on the influence of capital allowance on the financial performance of 58 quoted manufacturing businesses listed on the Nigeria Stock Exchange discovered a statistically significant association between capital allowance and manufacturing firm financial performance. Similarly, a River State research on the influence of a tax incentive on the financial success of small and medium-sized firms discovered that tax incentives improve financial performance, staff strength, growth, and development in the industry[3]. Increasing the unit change in capital allowance incentives received by manufacturing businesses in Kenya, according to one research, resulting in increased company performance.

In a similar line, another Nigerian research discovered that capital allowance had a favorable influence on the performance of Nigerian manufacturing firms4. Capital allowance, according to the findings of the preceding research, is a favorable subset of tax incentives that encourage the growth and development of both small and large-scale manufacturing enterprises in the economy. As a consequence, the conclusion was reached that capital allowance had a favorable impact on the financial performance of manufacturing firms[27]. This study supported previous findings that capital allowances improved the financial performance of manufacturing firms.

According to the conclusions of research, Nigeria's fiscal policy should take into account the conditions surrounding indigenous enterprises' operations and the unique role they play in the country's economic growth. Fiscal policy should give tax incentives and favorable tax modifications that minimize the tax burden and charge on Nigerian businesses122 to encourage them to continue operations. The findings backed up a study that sought to determine the tax incentives that affected the profitability of manufacturing

companies listed on the Nigerian Stock Exchange (NSE) and discovered that custom duties led to high commodity prices[12]. High customs duties on imports and inputs resulted in high production costs, which further reduced the profits of manufacturing firms. Otherwise, lowering the export promotion incentive would increase manufacturing profits. The conclusion was reached that export promotion incentives could reduce production costs and improve company financial performance. On a final note all of the aforementioned studies support the study's findings that both the combination and individual tax incentives (capital allowance, investment allowance, rural investment allowance, export promotion, and corporate tax allowance) have a significant effect on the profitability of manufacturing companies in Southwest, Nigeria.

Following on from the second objective of this research on the influence of tax incentives on the return on investment of manufacturing firms in Southwest Nigeria. The study's findings demonstrated that tax incentives granted to manufacturing companies in Southwest Nigeria have significant effect on return on investment (ROI). Tax incentives have a significant combined and relative impact on the return on investment (ROI) of manufacturing companies in Southwest Nigeria. A study corroborates findings of this study that found out that from pooled OLS regression analysis tax relief has a significant influence on return on investment (ROI), tax-exempt income had a positive and significant impact on ROI[1]. This finding backed up a study that found a positive and significant relationship between customs duty incentives and the financial performance of Nigeria's manufacturing agricultural exports[10]. According to a study, the government of Kenya uses customs duty incentives to encourage Kenyan manufacturing firms to invest assets.

Another study in Kenya found a positive and significant relationship between customs duty incentives and small-scale business financial performance.

This study also revealed that government incentives, such as customs duty incentives, have been found to be a useful tool in improving the operations and financial performance of local manufacturing firms[11]. A study report on the relationship between tax incentives and financial performance in the manufacturing industry found a positive and significant relationship. Similarly, a River State study on the impact of a tax incentive on the financial success of small and medium-sized businesses found that investment allowance as a proxy for tax incentive positively influenced financial performance, staff strength, and industry growth and development[7].

However, this finding contradicted a study that found a negative and insignificant relationship between investment allowance and financial performance of Nigerian small and medium-sized businesses. The empirical study's findings on the relationship and effect of investment allowance on the financial performance of manufacturing firms revealed that investment allowance has a significant and positive relationship with financial performance. As a result, a conclusion was reached that tax incentives had a positive and significant contribution to the financial performance of manufacturing businesses in southwest Nigeria.

However, the third objective of this study was to look at the effect of tax incentives on the return of assets for manufacturing companies in Southwest Nigeria.

The results of this study showed that tax incentives, both individually and in combination, significantly influenced the return on assets of manufacturing companies in Southwest Nigeria. The findings showed that, with the exception of a rural investment allowance,

which was not significant, capital allowance, investment allowance, corporation allowance, and export promotion allowance all had a significant effect on return on asset (ROA). This is in line with a study finding that VAT incentives had a favorable and substantial relationship with EPZ firm return on asset (ROA) as measured by the number of years in operation and it was advised that the government reconsider its VAT policy by providing larger VAT refunds to firms in order to increase output and export volume[30].

Another study examines how different government incentives impact the performance of SMEs in Malaysia's food manufacturing industry correlates with this study's finding. The study revealed that financial and tax incentives influenced the performance of SMEs in Malaysia's food manufacturing industry differently during the study period. Financial incentives have a moderately negative relationship with capital and a substantial positive relationship with the advertising-to-sales ratio (ASR), return on assets (ROA), and market share (MS) ratio[29]. According to a study that also support finding of the study, increasing the capital allowance tax incentive resulted in an increase in the ROA of businesses as well as their number of jobs and length of stay. The report recommended that those involved in tax policy reconsider the monetary value of capital allowances[34].

According to the findings, using tax specialists to participate in legitimate tax planning, such as transfer pricing or structuring intra-company debt to reduce net tax payments, would improve the financial performance of listed Nigerian consumer products. As a result, after-tax income will increase, improving financial performance[53]. One of the proxies for tax incentives was the investment allowance. The study's findings established a positive and statistically significant relationship between investment allowance and financial performance as proxy of ROI and ROA[5].

Similarly, a study found that investment allowance had a significant and positive effect on the financial performance of manufacturing firms in the United Kingdom. According to the study, investment allowance encouraged companies in the United Kingdom to invest in real assets, which generate returns and allow firms to expand their production frontier[6]. In Nigeria, studies reported that investment allowance augments the financial performance of small and medium-scale businesses and manufacturing companies.

The final objective of this study is on the moderating effect of firm size on the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria. The result form the findings of this study demonstrated that firm size significantly moderates the interaction of the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria. This study is comparable to one that discovered that the relationship between micro factors and company financial performance is moderated by business size[18].

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Chapter Five

Conclusion

In this chapter, a summary of the findings, conclusion, and recommendation are presented based on the objectives of the study. suggestions for further studies, contributions.

5.2 Summary of Findings

The results of this current study revealed that the following findings:

~~On overall,~~ tax incentives have significant effect on profitability of manufacturing companies in Southwest, Nigeria (*Adj* R^2 = 0.942, $F(5,137)$= 461.796, p= 0.000).

Also, Tax incentives have tax incentives have significant effect on return on investment of manufacturing companies in Southwest, Nigeria (*Adj* R^2 = 0.882, $F(5,137)$= 213.859, p= 0.000).

Furthermore, tax incentives have significant effect on return on asset of manufacturing companies in Southwest, Nigeria (Adj R2 = 0.879, F (5,137)= 207.562, p= 0.000).

Firm size has significant moderating effect on the interaction between tax incentives, and financial performance of manufacturing companies in Southwest, Nigeria. Based on this result (AdjR^2 = 0.911, $F(1, 141) = 1435.572$, p = 0.000).

5.3 Conclusion

The objectives of this study were to determine the effect of tax incentives on the financial performance of the manufacturing companies in Southwest, Nigerian. According to the findings of this study, it was concluded that tax incentives have a combined considerable significant effect on the profitability of manufacturing companies in Southwest Nigeria. Furthermore, all components of tax incentives had a ssignificant effect except for capital allowance, export promotion allowance, and corporate income tax, which had a negligible effect. The study's findings demonstrated that tax incentives granted to manufacturing companies in Southwest Nigeria have influence on return on investment (ROI). Tax incentives have a significant combined and relative impact on the return on investment

(ROI) of manufacturing companies in Southwest Nigeria. The results of this study showed that tax incentives, both individually and in combination, significantly influenced the return on assets of manufacturing companies in Southwest Nigeria. The findings showed that, with the exception of a rural investment allowance, which was not significant, capital allowance, investment allowance, corporation allowance, and export promotion allowance all had a significant effect on return on asset (ROA). The final objective of this study is on the moderating effect of firm size on the relationship between tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.

5.4 Recommendations

The following recommendations are therefore put forth based on the findings and objectives of the study:

1. From the study's findings, capital allowance has no significant relatively effect on profitability. Thus, it is recommended that the manufacturing companies should consider the economic value of capital allowance incentives.
2. Rural investment allowance was not having considerable effect on return on investment. In order to ensure that the goals of granting any incentives are met, the government is advised to conduct cost-benefit analyses. They should also encourage a reduction in the variability in the number of incentives among manufacturing companies in Southwest Nigeria in order to ensure the survival of a greater number of manufacturing companies in Nigeria. Also, the powerful variable that predicted and

contributed the most to the financial performance of manufacturing businesses in the study area was the export promotion incentive.

The government should increase excise duty incentives in order to reduce imports and thus promote the growth of domestic demand in the country. The study also suggests that policymakers implement strategic incentive plans or targeted incentive schemes that target a specific industry or a strategic tax incentive that adds value or contributes positively to the economy and is consistent with Nigeria's growth and development plan. These strategic incentive plans' design, implementation, and administration will help to avoid revenue loss.

3. This study suggests that tax policymakers reconsider the economic value of rural investment allowance incentives. These incentives had the potential to improve manufacturing firms' financial performance (such as profitability, return on assets, and return on investment). As a result, the government should provide more rural investment allowance incentives, as well as lower tax rates, to encourage growth and development in the manufacturing sector. The increase in corporate income tax incentives will encourage investors from outside the country to come and invest in the country, boosting the country's GDP and creating more job opportunities for the country's unemployed. However, evidence from peer-reviewed literature and empirical studies revealed that rural investment allowance incentives encouraged tax avoidance after the incentive period expired. The government could avoid this by granting a generous investment allowance, which would provide a way for manufacturing firms to meet their obligations following a tax holiday.

4. Firm size has a positive and significant moderating effect on the interaction between tax incentives and financial performance in southwest Nigerian manufacturing firms. It is therefore recommended that firm size be considered in tax incentive policies due to the economies of scale advantages that larger firms have over small scale firms.

5.5 Contribution to Knowledge

The research was intended to strengthen the existing body of knowledge on the financial performances of manufacturing businesses in southwest, Nigeria: This study offers conceptual, theoretical, and empirical contribution to knowledge:

Conceptually, by addressing the specific tax incentive to manufacturing companies, this study identified and addressed gaps in literature concerning tax incentives, firm size and financial performance with manufacturing company context in Nigeria.

Theoretically, this study supported and gave further applications of the theories used for this study. The key theories employed in this study were the optimal tax theory, taxes in the theory of investment behavior and agency theory. The theory of Investment Behavior for this study provided a further application that tax incentives affect the investment behavior of manufacturing businesses, and that stronger tax incentives will improve positive company' investment output. The second theory that is optimal tax theory gave application that best tax incentives is the one that maximizes consumer welfare. While agency theory provided further application, that best practice is that tax incentives will improve financial performance when both parties understand and work toward the same aim of delivering value to society while pursuing their self-interests. This study provided a

further application of this theory to the idea that larger firms have an advantage over smaller ones due to factors including appropriate resources, economies of scale, and the capacity to compete in the market. However, due to bureaucracy and other factors, the impact of scale may be detrimental for businesses that grow to be exceptionally large.

Empirically, this study adds to the pool of empirical literatures by reporting the significant effect of tax incentives (capital allowance, investment allowance, rural investment allowance, export promotion tax incentive and corporate income tax holiday) on Financial performance (profitability, return on investment and return of assets) of manufacturing companies in southwest Nigeria as well as interaction of firms' size on effectiveness of tax incentives on financial performance.

This study discovered that tax incentives enable manufacturing companies to attract more investment at a cheaper cost, as well as the positive financial performance impacts of lower corporate income tax rates through given incentives. Export promotion incentives such as excise duty, custom duties, and import taxes were elastic and generated income with low administrative costs, which improved the financial performance of manufacturing companies.

For the practices implication, the findings of this study had provided useful information that could be used by the government in developing a better tax policies, provided the necessary knowledge for the formulation of policies targeting the performance of manufacturing firms' activities towards optimal outputs and to the company to be fully aware of impact of tax incentives, firms size and how their administration in the Nigerian context influence the performance of manufacturing in south west Nigeria are contributed to the existing body of knowledge. Also, the

study has shown that a manufacturing firm's financial performance can be realized with full potential through improvements in the effective administration of tax incentives.

5.5 Suggested Area for Further Research

Areas to look at in further studies are discussed as follows:

This study employed quantitative research, perhaps a mixed research could be employed in further studies to provide a more detailed result on the influence of tax incentives (capital allowance, investment allowance, rural investment allowance, export promotion tax incentive and corporate income tax holiday) on Financial performance (profitability, return on investment and return of assets) of manufacturing firms in southwest Nigeria as well as explore other moderating variables other than firms size. Also, it was suggested that data obtained from interviews especially focus group discussion could be used by the future researcher to overcome the limitations of the primary data obtained through the use of questionnaires like time spent on designing, coding, and analysis of research instruments and so on.

Since this study employed cross sectional survey research design, other types of designs can be employed in other studies to provide other kinds of blueprint to arrive at the findings and conclusion of the study. Such as incorporation a panel survey of data that may necessitate corresponding revisions of activities in order to have a comprehensive solution and growth for the performance of small-scale food manufacturing businesses.

The study recommends that a similar study can be replicated in other sectors other than the manufacturing industry that the effects of such tax incentives can be compared across

various sectors which might help in determining the best incentives for each industry and promote economic growth and development.

Southwest Nigeria particularly Lagos and Oyo state was the study area of this research. However, the results might vary in other regions. To have a better understanding of future-oriented output, the population size can be increased including the state coverage to other parts of Nigeria.

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Appendices

Appendix 1 –Instrument (Questionnaire) used for the Study

Lead City University, Ibadan

Department of Management and Accounting,

Faculty of Management and Social Sciences

Dear Respondent,

I am a postgraduate student of the Management and Accounting, Lead City University, Ibadan, Oyo State. I am conducting a research entitled 'Tax incentives and financial performance of manufacturing companies in Southwest, Nigeria.'

Your input is very imperative for the accomplishment of this academic exercise. I thank you in advance for your kind cooperation. Be rest assured that the information you provide will be treated with utmost confidentiality. Neither you nor your organisation will be identified.

Thank you for your anticipated co-operation.

Yours Sincerely,

Matthew

E-mail

Phone

Section A: Demographic Information

Instruction: Please tick (√) as appropriate in the boxes below

1. Gender: ( ) Male, ( ) Female
2 Age Group of Respondents: Less than 20yrs ( ), 21-25yrs ( ), 2-30yrs ( ) 31-35 ( ) 3-40yrs ( ), 41years and above ( ).
3 Position in Company: Financial manager ( ), Operational Manager ( ), Managing director ( ), investment manager ( ), Tax manager ( ), Other (specifiy)_____
3 Age of Business: 1-5yrs ( ), -10yrs ( ), 11-20yrs ( ), 21-30yrs ( ) 31-50yrs, ( ) 50yrs and above ( )
4 Highest Educational Qualification: No formal education ( ), Primary Six Certificate ( ), S.S.C.E Certificate ( ), N.C. E/ N.D ( ), H.N.D/ B.Ed/ B.Sc ( ) and Masters Degree and above ( ).
5 Is your business insured? ( ) Yes, ( ) No

Number of Employees: ( ) 1-5, ( ) -10, ( ) 11-20, ( ) 21-30, ( ) 31-50, ( ) 50+

Section B: Financial Performance of Manufacturing Firm

Instruction: Kindly rate the following statements itemized in the table below and respond to the degree with you agree with the statement by ticking (√) under any of these options: SD-Strongly Disagree, D-Disagree, UND- Undecided, A- Agree, SA- Strongly Agree. Your items do not support scaling options

S/N	Profitability	SD	D	UND	A	SA
1.	Government policies have inverse effect on the profit of the firm at the end of each financial year.					
2.	Firm's profit accelerates growth and development of firms in the manufacturing industry.					
3.	Poor administration of tax and bad system practice influence the potentials of profit making in manufacturing industry.					
4.	Low sale of local manufacturing products cut prospective profit of manufacturing companies in Southwest, Nigeria.					
5.	Short down of manufacturing companies in Southwest, Nigeria is consequence of loss or small profit made at the end of each financial years.					
.	Valued added tax on raw materials, which led to increase in cost of production are the main factors that cause economic loss for manufacturing firms.					
7.	Corporate income tax incentive increases the profit of the manufacturing companies in Southwest, Nigeria.					
8.	Capital allowance assists manufacturing firm to operate effectively and efficiently.					
9.	Custom duty incentive reduces cost incurred by manufacturing firms.					
10.	Investment incentive assists manufacturing firms to make profit.					

	Return on Investment (ROI)	SD	D	UND	A	SA
11.	Return on investment in manufacturing industry is high.					
12.	There are economic potential available for the manufacturing firms to exploit in Nigeria.					
13.	Return on Investment is distorted by poor tax administration and bad tax system.					
14.	Corporate income tax reduces potential gains of an investment.					
15.	Investment allowance increases the prospect of manufacturing firm's investment.					
1.	Nigeria's economy creates opportunities for manufacturing firm's investments.					
17.	Custom duty incentive increase the rate of manufacturing firm's return on investment.					
18.	Capital allowance creates opportunities for manufacturing firms to exploit.					
19.	Tax incentive gives manufacturing firm's ability to increase their investment.					
20.	Rural investment incentives encourages investment in manufacturing industry					
	Return on Assets (ROA)	**SD**	**D**	**UND**	**A**	**SA**
21.	Return on assets in manufacturing industry is high.					
22.	Assets in manufacturing firms are very costly					
23.	Return on assets is distorted by poor tax administration and bad tax system.					
24.	Corporate income tax reduces return on assets					
25.	Investment allowance increases the proceeds generated from assets.					
2.	Nigeria's economy creates opportunities for investments in assets.					
27.	Custom duty incentive increases the rate of manufacturing firm's return on assets.					
28.	Capital allowance creates increases return on assets.					
29.	Tax incentive gives manufacturing firm's ability to increase their investment in assets.					
30.	Manufacturing firm's assets attracts high return in Nigeria.					

Section C: Tax Incentives

Instruction: Kindly rate the following statements itemized in the table below and respond to the degree with you agree with the statement by ticking (√) under any of these options: SD-Strongly Disagree, D-Disagree, UND- Undecided, A- Agree, SA- Strongly Agree.

S/N	Capital Allowance	SD	D	UND	A	SA
1.	this firms has enjoyed capital allowance as at when due					
2.	Initial capital allowance is received by the firm any time capital project is executed.					
3.	Capital allowance gives opportunity for increase in profit of firm.					
4.	Capital allowance encourages the operation of this firm					
5.	Capital allowance boosts the working capital of manufacturing firms					
.	The financial performance of manufacturing firm is encouraged by capital allowance					
7.	Firm's profit is positively influence by capital allowance					
8.	Capital allowance is a key determinant of manufacturing firm survival in Nigeria.					
9.	Capital allowance incentive ensures quick acquisition of firm's operating capital					
10	Capital allowance incentive gives manufacturing firm the ability to meet up with other financial obligation.					
	Investment Allowance	**SD**	**D**	**UND**	**A**	**SA**
11.	Investment allowance gives opportunity to manufacturing firm to increase their production capacity.					
12.	Investment allowance induces ability of generating income in the manufacturing in Nigeria.					
13.	Profit of manufacturing firms depends on investment allowance.					
14.	Investment allowance has improved the efficiency of manufacturing firm.					
15.	Investment allowance gives manufacturing firm the ability to meet up with other financial obligation					
1	Investment allowance has deteriorating effect on the financial performance of a firm					
17	The working capital of a firm is negatively affects as a result of investment allowance.					
18	Investment allowance incentive ensures quick acquisition of firm's operating capital					
19	Investment allowance reduces the financial burden of					

	manufacturing firms.					
20	Investment allowance subverts the economic harshness for manufacturing firms					
	Rural Investment Allowance	**SD**	**D**	**UND**	**A**	**SA**
21.	Rural investment allowance gives opportunity to manufacturing firm to increase their production capacity.					
22.	Rural investment allowance induces ability of generating income in the manufacturing in Nigeria.					
23.	Profit of manufacturing firms depends on rural investment allowance.					
24.	Rural investment allowance has improved the efficiency of manufacturing firm.					
25.	Rural investment allowance gives manufacturing firm the ability to meet up with other financial obligation					
2.	Rural investment allowance has deteriorating effect on the financial performance of a firm					
27.	Provision of accessible facilities (such as good road, electricity and water supply) encourages smooth operation of manufacturing firms located in rural area.					
28.	Rural investment allowance incentive ensures quick acquisition of firm's operating capital					
29.	Rural investment allowance reduces the financial burden of manufacturing firms.					
30.	Rural investment incentive encourages entry into the manufacturing firms					
	Export Promotion Incentive	**SD**	**D**	**UND**	**A**	**SA**
19.	Export Promotion Incentiveinfluence the financial performance of manufacturing firms					
20.	Export Promotion Incentivewill reduce the financial burden of manufacturing firm drastically.					
21.	Manufacturing firm is compelled to pay custom duty.					
22.	Export Promotion Incentivewill increase manufacturing firm's profit.					
23.	Export Promotion Incentiveencourages investment in manufacturing industry.					
24.	Export Promotion Incentiveaugments return of assets					
25.	Export Promotion Incentiveincreases return on investment					
2.	Export Promotion Incentive is to improve the general performance of manufacturing firm.					
27	Investors considered the Export Promotion Incentivebefore investing manufacturing industry					
28	Increase in custom duty of manufacturing firm impacted the chance of surviving in the industry.					
	Corporate income Tax Incentive	**SD**	**D**	**UND**	**A**	**SA**

25.	Corporate income tax incentive improves the general tax performance of manufacturing companies in Southwest, Nigeria.	
2.	Corporate income tax incentive stimulate the financial performance of manufacturing companies in Southwest, Nigeria	
27.	Corporate income tax incentive increase returns on investment of manufacturing companies in Southwest, Nigeria	
28.	Corporate income tax incentive encourages investor to invest in manufacturing companies in Southwest, Nigeria.	
29.	Corporate income tax incentive augments returns on assets of manufacturing firms	
30.	Corporate income tax incentive encourages acquisition of capital assets	
31	Corporate income tax incentive influence manufacturing firm's dividend policy	
32	Corporate income tax incentive indirectly induces commitment of workers in manufacturing firms	
33	Corporate income tax incentive improves operation of manufacturing companies in Southwest, Nigeria	
34	Corporate income tax incentive gives manufacturing firm's products ability to compete with foreign substituted product.	
35	Corporate income tax incentive induces manufacturing firm'sability to survive in the competitive environment.	

Section D – Firm size

Instruction: Please include the firm's total assets as they are shown in the annual reports and financial statement.

Years	2019	2020	2021
Total Assets			

Appendix 2 -SPSS Computation Results (Raw Scores)

SPSS Regression Output for test of Hypotheses

Hypothesis 1

Tax incentives on Profitability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972[a]	.944	.942	.89788

a. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1861.469	5	372.294	461.796	.000[b]
	Residual	110.447	137	.806		
	Total	1971.916	142			

a. Dependent Variable: profitability

b. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.209	.983		-2.247	.026
	capitalallowance	.060	.034	.067	1.750	.082
	investmentallowance	.418	.200	.389	2.085	.039
	ruralinvestmentallowance	.511	.074	.483	6.943	.000

	Costomduties	.040	.246	.038	.161	.872
	corporateincometaxinvestment	.017	.119	.017	.143	.887

a. Dependent Variable: profitability

Hypothesis 2

Tax incentives on Return on Investment

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942[a]	.886	.882	1.96230

a. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4117.445	5	823.489	213.859	.000[b]
	Residual	527.534	137	3.851		
	Total	4644.979	142			

a. Dependent Variable: Returnoninvestment

b. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-16.365	2.149		-7.617	.000
	capitalallowance	.505	.075	.371	6.761	.000
	investmentallowance	-2.406	.438	-1.461	-5.493	.000
	ruralinvestmentallowance	-.367	.161	-.226	-2.282	.024
	Costomduties	4.340	.539	2.692	8.057	.000
	corporateincometaxinvestment	-.671	.259	-.444	-2.590	.011

a. Dependent Variable: Returnoninvestment

Hypothesis 3

Tax incentive on Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940[a]	.883	.879	1.39124

a. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2008.719	5	401.744	207.562	.000[b]
	Residual	265.169	137	1.936		
	Total	2273.888	142			

a. Dependent Variable: Returnonassets

b. Predictors: (Constant), corporateincometaxinvestment, capitalallowance, ruralinvestmentallowance, investmentallowance, Costomduties

Coefficients[a]

Model	Unstandardized	Standardized	t	Sig.

		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	7.117	1.523		4.672	.000
	capitalallowance	.843	.053	.886	15.924	.000
	investmentallowance	-1.029	.310	-.893	-3.312	.001
	ruralinvestmentallowance	-.015	.114	-.013	-.131	.896
	Costomduties	1.669	.382	1.480	4.372	.000
	corporateincometaxinvestment	-.585	.184	-.553	-3.185	.002

a. Dependent Variable: Returnonassets

Hypothesis 4

Moderating effect of firm size on the association between tax incentive and financial performance

Model Summary

				Std. Error	Change Statistics			
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.954[a]	.911	.910	3.78339	.911	1435.572	1	141	.000
2	.983[b]	.966	.965	2.35820	.055	222.929	1	140	.000
3	.986[c]	.972	.971	2.15079	.006	29.302	1	139	.000

a. Predictors: (Constant), TaxIncentives

b. Predictors: (Constant), TaxIncentives, Firm size

c. Predictors: (Constant), TaxIncentives, Firm size, TaxIncentiveFsize

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20548.813	1	20548.813	1435.572	.000[b]
	Residual	2018.278	141	14.314		
	Total	22567.091	142			
2	Regression	21788.539	2	10894.269	1959.019	.000[c]
	Residual	778.552	140	5.561		
	Total	22567.091	142			
3	Regression	21924.089	3	7308.030	1579.804	.000[d]
	Residual	643.001	139	4.626		
	Total	22567.091	142			

a. Dependent Variable: Financialperformance

b. Predictors: (Constant), TaxIncentives

c. Predictors: (Constant), TaxIncentives, Firm size

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-22.596	3.865		-5.846	.000
	Tax Incentives	3.394	.090	.954	37.889	.000
2	(Constant)	-24.410	2.412		-10.119	.000
	Tax Incentives	2.188	.098	.615	22.286	.000
	Firm size	1.298	.087	.412	14.931	.000
3	(Constant)	-209.110	34.191		-6.116	.000
	Tax Incentives	6.522	.806	1.834	8.096	.000
	Firm size	5.623	.803	1.785	7.004	.000
	Tax	.101	.019	2.475	5.413	.000

Incentive*Firm size

a. Dependent Variable: Financialperformance

Bio-data

A. Personal Data

1. **Full Name:** Olaoye Matthew Oyesola

   Home Address: N0. Rd 5, Peluseriki Prosperity avenue, off Akala Rd, Oluyole Extension, Ibadan.

   E-mail Address:olaoye.matthew71@gmail.com

   Phone Number: 08034403331

2. **Date and Place of Birth:** 8th may, 1976 in Oyo state

3. **Nationality:** Nigerian

4. **Name and Address of Next of Kin:** Mrs Olaoye Titilayo Tawa Rd 5, Peluseriki Prosperity avenue, off Akala Rd, Oluyole extension, Ibadan.

B. Educational Background

Educational Institutions attended with dates and qualifications obtained

	Educational Institutions	Qualification Obtained	Date
1)	Lead City University, Ibadan, Oyo state	PhD (in view)	2021-2022
2)	Lead City University	M.Sc	2017-2018
3)	Imo State University	B.Sc	2012
4)	Osun state Polytechnic, Ire	HND	2003
5)	Iroko Community Grammar School	WAEC	1993

C. Working Experience with Dates:

1) Allah's Will steel construction company 2001-till date

D. Awards and Fellowships (If any): Fellow Chartered Accountant (FCA)

E. Membership of Academic Professional Bodies:

1. Fellow of Institute of Chartered Accountants

F. Publications:

1. **Thesis:** The Usefulness of Accounting Standard in Preparation of Financial Statement (A study of Coca-cola Bottling Company Ibadan plant) 2018.

Signature Date

The University Compliance Certificate

This is to certify that the thesis by Matthew Oyesola Olaoye in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State is in full compliance with the approved University Format and Style.

Signature Date