

**Tax Incentives and Financial Performance of Manufacturing Companies in Southwest  
Nigeria**

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**LUC/PG/001285**

**Being a Thesis Submitted to the Department of Management and Accounting, Faculty of  
Management and Social Sciences, Lead City University, Ibadan, Oyo State, Nigeria**

**In Partial Fulfillment of the Requirements of the Award of Doctor of Philosophy Degree  
(PhD) in Accounting**

**2022**

## 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.

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Head of Department

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**Date**

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## **Dedication**

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

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## 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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I would like to thank my wife Titlayo and my children for their support. Finally, I give all glory and praise to my creator, the most gracious father who has given me the strength, wisdom, knowledge and understanding for making it possible to accomplish this remarkable self-actualization and my life dream.

“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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**Abbreviations****List of Acronyms  
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                     |