

Tax Incentives and Business Growth: Experience from Listed Manufacturing Firms in Nigeria

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Abstract

The importance of companies adopting tax incentive measures cannot be overstated, as it has received global attention because investors are interested in investing in a country that can provide certain incentives for them to invest there by providing an enabling environment. "Going concern" is one of the most fundamental accounting principles associated with businesses; it means that businesses are built on the assumption that they will exist indefinitely. The study's goal was to look into the relationship between tax breaks and business growth in Nigerian manufacturing firms. Ex-post facto research was used in this study. The population consisted of all of Nigeria's listed manufacturing companies, and the sample size was set at ten companies using the purposive sampling technique. Data collected was analysed using descriptive statistics like tables, mean score analysis, and inferential statistics like regression analysis. The findings revealed a significant positive relationship between tax incentives and turnover growth as well as retained earnings. However, the study concluded that there was a relationship between the variables under study. Based on the findings, the study recommended that businesses claim all available tax incentives to expand their operations, and that businesses use the services of tax experts to reduce tax liability through legitimate tax planning.

Keywords: Economic Survival, Tax Incentives, Tax Planning, Turnover Growth, Retained Earnings.

1. Introduction

Companies, particularly non-governmental organizations, are formed with the primary goal of profit. Going concern is a fundamental accounting concept relating to firms; that is, firms are established with the expectation of continuing to exist in perpetuity. Any company that does not intend to liquidate soon must experience continuous growth in all aspects of its operations, including earnings, turnover, assets, and values. As firms strive to plan for growth and expansion, it is also the responsibility of each nation's government to plan for firm growth by ensuring a manufacturing-friendly environment for firm operations and providing relief in the form of incentives to companies in order to cushion the challenges faced by growing firms, particularly small businesses in the early years of operations (Oyedokun, Babalola, & Awosika, 2020).

Taxation is an international phenomenon that affects both individuals and businesses. It has been identified as a significant source of revenue for governments in developed countries like the United Kingdom, France, Sweden, Norway, and other high-income tax-paying countries. Over the last several decades, it has accounted for more than half of all revenue generated by countries (OECD, 2017). Taxation is undeniably a powerful tool used by the government to provide social goods and services to the people of society. Apart from being a major source of revenue for the government, it also facilitates tax policies, stimulates economic growth, and creates jobs in the economy through its impact on investment and capital formation. Taxation, according to Modugu, Eragbhe, and Izedonmi (2012), is inextricably linked to economic growth and serves as the lifeblood of governments' ability to provide essential services and make long-term investments in public goods. The amount of tax revenue collected by the government is primarily determined by a number of factors, including taxpayers' willingness to voluntarily comply with the government's tax laws (Eshag, 1983).

Given the Nigerian government's goal of increasing revenue while also encouraging a healthy investment climate in the real sector, tax breaks are effective tools for allowing businesses to enter the Nigerian market. A good tax structure and optimal tax revenue utilization can organically motivate tax compliance. Transparency, efficient use of tax revenue, and simplified tax assessment have all been used as verifiable tools for tax compliance, reducing tax inequalities, and promoting good corporate governance around the world. Evidence suggests that intense lobbying for greater tax breaks in many countries around the world may have a direct impact on corporate development and survival. This means that in the presence of a favourable operating environment and enticing tax incentives, businesses will naturally comply, and tax compliance will be high, resulting in increased growth and expansion (Akeju, 2018). Tax incentives is aspect of government tax policy design to incentivize economic activity by reducing tax inequalities, and promoting good corporate governance around the world. Evidence suggests that intense advocacy for greater tax benefits in many countries around the world may have a direct impact on the development and survival of corporations. This implies that in the presence of a favourable operating environment and compelling tax incentives, businesses will naturally comply, and tax compliance will be high, resulting in increased growth and expansion (Akeju, 2018). Due the decline in oil revenue, there is an urgent and critical need for immediate economic diversification into other sustainable sources of revenue—non-oil sources. It has also made the need for higher taxes unavoidable, given the pressing need to alleviate the crushing effects of falling oil prices on the global market (Okereocha, 2016). It is also worth noting that additional incentives to drive taxpayers can significantly contribute to Nigeria's current revenue, reduce over-dependence on oil, influence economic growth, and, in turn, improve taxes. The government has put in place some incentives to encourage foreign direct investment, growth, and survival of the country's manufacturing businesses, such as the export incentive, tax holiday, investment allowance, and pioneer status incentive (Oriakhi & Osemwengie, 2013). However, it is unclear whether such incentives have helped Nigerian businesses thrive and expand. As a result, this study looked into the impact of tax breaks on the growth of listed manufacturing firms in Nigeria.

2. Literature Review

Concept of Tax Incentive

According to Adams (2001), taxes are the most important source of revenue for modern governments, accounting for 90% or more of their income. It is used to control the production of certain goods and services, to protect emerging industries, to manage businesses, to reduce income disparities, and to limit inflation. Tax incentives, according to Kuewumi (1996), include all actions taken by the government to encourage taxpayers to comply with their tax obligations in a favourable manner. It entails changes in tax policy aimed at reducing the impact of taxes on a specific industry, group of people, or the provision of specific services. Such policies include the imposition of a benign low tax rate, the effective dissemination of fiscal information by tax authorities, and the non-imposition of tax. According to UNCTAD (2000), tax incentives are any measures that reduce a company's tax burden in order to encourage it to engage in specific projects or industries. Reduced profit tax rates, tax holidays, accounting rules that allow accelerated depreciation and loss carry forwards for tax purposes, as well as reduced tariffs on imported equipment, components, and raw materials, are all examples of exceptions to the tax regime. According to Fletcher (2003), tax incentives are special exclusions, exemptions, or deductions that provide special credits, preferential tax rates, or tax deferral. Tax breaks, investment allowances and credits, accelerated depreciation, special zones, investment subsidies, tax exemptions, lower tax rates, and indirect tax incentives are all examples of tax breaks. It is a government-granted reduction in or elimination of tax liability in order to encourage a specific economic unit to perform well.

Loss Carried Forward

When a government has a low corporate profit tax rate, it frequently employs two additional strategies to reduce the effective tax rate. One such approach is to allow investors to carry forward (or backward) for a certain number of years for tax accounting purposes. Typically, only a predetermined loss ratio with an upper limit is permitted to be carried forward (or backwards). This metric is especially important for investors whose projects are likely to lose money in the first few years as they try to ramp up production and gain market share (UNCTAD, 2000). Most modern tax systems, according to Easson and Zolt (2002), allow firm losses to be carried forward and deducted from earnings in future years, generally for up to 5 years and sometimes for longer, but there are sometimes limits on the amount that can be deducted in a single year. As previously stated, the ability to carry forward a loss may allow you to keep any unused depreciation allowances. Because it can take years for an investment to pay off, most new investors value the ability to carry losses forward.

If a company makes a loss in any year that forms the basis period for a year of assessment in Nigeria, the tax assessment for that year will be nil in respect of the trade or business where the loss occurred, as opposed to current year loss relief, which involves setting off a trading loss incurred in an accounting year against other income that is assessable to tax in the assessment year in which the loss occurred. Except in the insurance industry, where losses can only be carried forward for a maximum of four years, losses in other businesses can be carried forward indefinitely (Uwaoma & Ordu, 2016).

Capital Allowance

Capital expenditures are not allowable expenses in the pursuit of profit. Capital expenditure, on the other hand, frequently results in the creation of non-current assets, such as buildings, equipment, and machinery, which are used to generate profits. As a result, tax relief for these expenses is only fair. Special allowances, also known as capital allowances, are used to provide this type of assistance. When a non-current asset is used by a company, it loses value due to physical wear and tear, the passage of time, and obsolescence. Furthermore, income tax regulations, supported by accounting practice, prohibit the cost of creating these assets from being deducted or charged directly against a company's earnings. As a result, it makes sense for the taxpayer to set aside some of his or her earnings each year to replace the item once its useful life has expired (Uwaoma & Ordu, 2016). Firms that are not engaged in manufacturing or agricultural trade or business are allowed 66.66 percent of the year's assessable profit, but those that are are allowed 100 percent of the year's assessable profit (Chukwumerije & Akinyomi, 2011).

Capital Gain Tax Incentive

According to Oyedokun, Babalola, and Awosika (2020), the capital gains tax provides the following benefits:

- Unless the proceeds are brought into the country, foreign businesses doing business in Nigeria are exempt from paying capital gains tax on asset disposals.
- Exemption for retirement benefit schemes: According to Section 28 of the CGTA, income accrued as part of any superannuation fund (retirement or benefits fund) approved under Section 20 PITA, as part of any national provident fund, or other retirement schemes established under the provisions of any Act or enactment for employees throughout Nigeria shall not be a chargeable gain.
- Gains on securities, stocks, and shares are exempt: Section 30 of the CGTA states that gains on the sale of Nigerian government securities, stocks, and shares are given to a person are not chargeable gains.
- Tax exemption on re-invested proceeds: Section 33 of the CGTA states that gains accruing to unit holders in a trust as a result of the disposition of securities are not taxed if the proceeds are re-invested.
- Relief from double taxation: Section 41 CGTA states that any arrangement established in an order issued under Section 38 PITA and Section 45 CITA that provides (in

whatever form) for relief from tax chargeable in Nigeria on capital gains by virtue of this section has effect in reference to CGT.

Concept of Business Growth

According to Machek and Machek (2013), growth is an important stage in the lifecycle of all profit-making organizations because it is critical to their survival. Businesses must develop growth strategies in order to attract human resources, stay in business, and compete in order to increase profits (Dugguh, Isaac, & Oke, 2018). Growth is a continuous process that occurs over time. Foster and Browne (2006) defined growth as an increase in total annual sales volume, an increase in production capacity, an increase in employment, an increase in production volume, and an increase in raw material use. Pass, Leslie, and Bryan (2005) defined business growth as the gradual expansion of a firm's size. It entails increasing assets, capital employed, turnover, profit, and employee count. Simply put, business growth refers to an increase in the size or scale of a firm's operations, which is typically accompanied by an increase in its resources and output. According to Dugguh, Isaac, and Oke (2018), business growth can be measured using the following indicators:

Outcome Indicators: Profit as the difference between revenues and costs is a common goal of all private businesses and must be met in order for any other goal to be realized sustainably. The amount of profit made by a business is determined by the amount of revenue generated as well as the level of efficiency in the business. An increase in profit thus indicates an increase in sales and efficiency. In general, the expansion of these aspects can be seen as a sign of business growth.

Output Indicators: Products and sales are the primary outputs of the company. The level of production can be a good indicator of the size of a business because it reflects both its capacity and its profit potential. Because the value of goods produced is not readily available to outsiders, the most commonly used growth indicator is sales value. When a company's product output increases, it indicates that the company is expanding.

Capacity Indicators: These reflect the company's ability to generate outputs and outcomes. They include asset value, capital invested, manufacturing capacity, and workforce size. Managers can see their company's growth by observing an increase in assets and production capacity, not to mention the capital invested and the number of employees.

Qualitative Indicators: These include the business structure, management practices, and formalization level. When the business structure is expanded to allow for decentralization, management practices become more complex, and the degree of formalization increases, the business is growing.

Turnover Growth

Turnover is the total amount of money received by a company as a result of sales of goods and/or services over a given time period (SooCheong & Kwangmin, 2011). Changes in a company's turnover are referred to as turnover growth (increase or reduction). Turnover growth is calculated as a percentage of the year-to-year change in turnover. According to this definition, turnover growth is defined as the variations in turnover, either increase or decrease, that a firm face over a given time period (Machek & Machek, 2013). The larger the company, the greater the amount of sales and thus profit earned, which will be greater than that of smaller businesses. High sales growth indicates that the company's earnings have increased. If sales growth is strong, profit realized will be strong as well, increasing the portion of profit distributed to investors (Gurendrawati, 2015).

Retained Earnings

Retained earnings are the profits of a company that are not distributed as dividends but are kept by the board of directors for future growth (Al Troudi, 2013). The main premise behind earnings retention, according to Muhammad (2012), is that the more the firm retains, the faster it will be able to develop, because funds will be available for acquisitions, repurchase of outstanding shares, or other permitted expenditures. Retained earnings are frequently reported as shareholders' equity in the statement of financial position (Al Troudi, 2013). According to Chasan (2012), determining the earnings to be retained in the firm is always fraught with controversy. While the company's executives prefer a higher retained earnings ratio, shareholders do not, because a higher plowback ratio gives them less control over their shares and finances. Notably, retained earnings are a cost borne by equity holders. According to Orwel (2010), they are internal sources of funding available to a company and provide several benefits. Retained earnings are an internal source that is easily accessible, less expensive than external equity, does not result in ownership dilution, and has a positive connotation because stakeholders believe the firm has future investment opportunities. However, they have the disadvantage of being a limited source of financing and having a high opportunity cost because they represent a foregone dividend by equity holders (Chasan, 2012).

Empirical Review

Uwuigbe, Uwuigbe, Adeyemo, and Anowai (2016) investigated the effect of tax breaks on the overall performance of Nigeria's manufacturing industries. A sample of twenty small and medium manufacturing businesses from Ogun State was chosen using the judgemental sampling approach. Following the distribution of 100 structured copies of questionnaires to employees of the selected manufacturing firms, the hypotheses were evaluated using regression analysis. According to the study, tax breaks would increase the amount of money available for investment in the manufacturing industry. Furthermore, the study discovered that businesses that receive government tax breaks are more likely to pay their taxes on time, and that tax breaks will significantly increase the number of manufacturing businesses in Nigeria. According to the findings of the study, manufacturing businesses in Nigeria should be encouraged better informed about the tax incentives available to them. Olowo, Anisere-

Hammed, and Adewole (2020) investigated the impact of tax breaks on the growth and development of Nigerian manufacturing firms. This study employed ex-post facto research. Data on corporate income tax incentives, capital allowance incentives, custom duty incentives, excise tax incentives, and return on assets were mostly derived from financial statements from 2013 to 2018. The data was analyzed with E-view 9.0 using the ordinary least squares multiple regression approach. According to the study findings, corporate income tax incentives, capital allowance incentives, custom duty incentives, and excise tax incentives all had a favorable and significant influence on the return on assets of selected Nigerian manufacturing businesses. According to the study, the government should conduct cost-benefit analyses to ensure that the goals of providing such incentives are met, as well as reduce the variability in incentive levels among enterprises to ensure the survival of a larger number of businesses.

Siyanbola, Adedeji, Adegbe, and Rahman (2017) used Nigeria and Ghana as case studies to investigate the impact of tax incentives on industrial growth in Sub-Saharan African countries. Data was gathered from the World Bank Data Index (WDI), Federal Inland Revenue Services (FIRS), Ghana Revenue Authority (GRA), Nigerian Investment Promotion Commission (NIPC), Ghana Investment Promotion Centre (GIPC), and Action-aid International for the four-year period between 2011 and 2014. (AAI). A linear model of tax revenue, tax incentives, and economic growth as measured by GDP was estimated using the Ordinary Least Square method. The findings revealed a 0.529:1 relationship between tax breaks and GDP, indicating that Africa is currently doing little to boost productivity. The findings, among other things, show that tax breaks have a positive effect on industrial and economic growth, implying that tax breaks for Africa's productive and key sectors will increase the continent's GDP. As a result, it was recommended that Sub-Saharan African countries provide more incentives to those sectors and closely monitor the administration of those incentives through special parastatals on a regular basis in order to assess the efficiency of tax incentives in the economy. Ngure (2018) investigated the impact of corporate income tax breaks, capital allowance breaks, custom duty breaks, and excise tax breaks on the performance of a sample of Kenyan manufacturing firms. This study employed a descriptive research design. The research population included all 725 manufacturing businesses in all categories listed in the Kenya Association of Manufacturers database as of 2016. In the study, a sample of 90 firms was chosen using simple random sampling. The study used panel data, which was collected using a secondary data collection template. A pooled panel regression model was used to test the influence of the independent variables on the dependent variable. According to the study's findings, the corporate income tax breaks obtained by businesses had the most beneficial and significant impact on their performance. The study's findings suggested that the government extend various tax breaks, particularly capital allowances, excise tax breaks, and custom duty breaks, which, in comparison to corporate income tax breaks, had yet to be fully realized within these businesses.

Ohaka and Dagogo (2015) investigated the effects of tax breaks on the cash flow of Nigerian manufacturing firms. To that end, research questions were posed, hypotheses were developed, and a sample of sixty (60) Nigerian listed manufacturing businesses was chosen, with secondary data from the Nigeria Stock Exchange fact book supplemented by ordinal data

obtained through a questionnaire. The hypotheses were statistically tested using a paired t-test of two means from the same sample. The T-test was finally used due to the ordinal data, which may not meet the normal distribution criterion. Their findings revealed that tax breaks significantly increased the mean cash flows from Nigerian manufacturing firms' financing, investing, and operating activities. According to the study, the Nigerian government should provide appropriate tax incentives for Nigerian manufacturers if the country's goal of becoming one of the top twenty countries by 2020 is to be met. The ideology of Neo-Classical Taxation Theory served as the foundation for this study's whose goal of investigating the effectiveness of each tax incentive granted for business growth of listed manufacturing companies. It serves as the foundation for determining whether tax breaks alone can achieve the desired goal of business growth for the companies under consideration.

3. Methodology

This study adopted *ex post facto* research design in evaluating the effect of tax incentives on business growth of companies listed on the floor of the Nigeria Stock Exchange as at 30th August, 2021 that have been listed prior to the commencement of the 2010 accounting year, and not once delisted within the time frame of the study. The population in this study consisted of all the listed manufacturing companies in Nigeria. The study used 10 companies which were purposefully selected from the food and beverages sector. The study covers a period span of 5 years from 2017 to 2021. Data collected was analysed using descriptive statistics like table, mean score analysis and inferential statistics such as regression analysis.

Model Specification

$$Y = f(X)$$

Y= Dependent Variable

$$Y = y_1, y_2$$

X= Independent Variable

$$X = x_1, x_2, x_3$$

Where:

Y= Business Growth (BUG)

y₁ = Turnover Growth (TUG)

y₂ = Retained Earnings (RE)

X = Tax Incentive (TAI)

x₁= Loss Carried Forward (LCF)

x₂= Capital Allowance (CA)

x₃= Capital Gain Tax Incentive (CGT)

Functional Relationship

$$TUG = f(LCF, CA, CGT) \dots \dots \dots \text{equation 1}$$

$$RE = f(LCF, CA, CGT) \dots \dots \dots \text{equation 2}$$

Given the above mathematical equation, the econometric model for the regression analysis is presented below as:

$$TUG_{it} = \beta_0 + \beta_1 LCF_{it} + \beta_2 CA_{it} + \beta_3 CGT_{it} + e_{it} \dots \dots \dots \text{model 1}$$

$$RE_{it} = \beta_0 + \beta_1 LCF_{it} + \beta_2 CA_{it} + \beta_3 CGT_{it} + e_{it} \dots \dots \dots \text{model 2}$$

β_0 represents the constant; while β_1 , β_2 and β_3 represent coefficients of determination and e_{it} is the error term.

Table 1: Sample size

1. Guinness Nigeria PLC	6. P.Z Cussons Nigeria PLC
2. Nigerian Breweries PLC	7. Unilever Nigeria PLC
3. Dangote Sugar Refinery PLC	8. Union Dicon Salt PLC
4. Cadbury Nigeria PLC	9. Flour Mills Nigeria PLC
5. Nestle Nigeria PLC	10. 7-up Bottling Company PLC

Source: Authors' computation, 2022

4. Results and Discussion

Descriptive Analysis of the study Variables Employed

The result of the descriptive statistics presented in table 2, shows that loss carried forward has an average value of 0.20 and ranges from 0.000 to 1.0000 with a standard deviation of 0.404061 being a dichotomous variable =1 if there is loss and 0 otherwise. Natural logarithm of capital allowance has an average of 15.25166 with a minimum of 11.66121 and standard deviation of 1.479488. Natural logarithm of capital gain tax has a minimum of 10.69921 and maximum of 11.88127 with a standard deviation of 0.439185. Turnover growth rate has a mean of 0.100663 with a minimum of -0.907016 and standard deviation of 0.392100. Asset growth rate has a mean value of 0.111503 with a minimum of -0.647448 and maximum of 1.493128 and standard deviation of 0.327832.

Table 2: Descriptive Statistics

	LCF	LCA	LCGT	Turnover G	ASG
Mean	0.200000	15.25166	11.19225	0.100663	0.111503
Median	0.000000	15.89617	10.94079	0.072060	0.010221
Maximum	1.000000	17.28666	11.88127	2.042731	1.493128
Minimum	0.000000	11.66121	10.69921	-0.907016	-0.647448
Standard Deviation	0.404061	1.479488	0.439185	0.392100	0.327832
Skewness	1.500000	-0.565690	0.385375	1.894714	1.966574
Kurtosis	3.250000	2.173054	1.383159	14.56019	9.213910
Jarque-Bera	18.88021	4.091372	3.475583	308.3286	112.6715
Probability	0.000079	0.129291	0.175908	0.000000	0.000000
Sum	10.00000	762.5829	290.9986	5.033153	5.575163
Sum Sq. Dev.	8.000000	107.2554	4.822094	7.533379	5.266216
Observations	50	50	50	50	50

Source: Authors' computation (2022) Using E-views 9

Effect of Tax Incentives on Turnover Growth

Based on analysis in the table 3, adjusted R^2 (0.13), which is the multiple coefficient of determination, shows the percentage of variation in the dependent variable caused by the independent variables. The result signifies that 13% of the variation in turnover growth is caused by tax incentives, while the remaining 87% is caused by other variables outside the scope of the study. The probability of F-statistics of 0.000 implies that the model as a whole is fit and further shows that the variables have been appropriately selected. The finding regarding loss carried forward shows a positive coefficient of 0.262642, implying that a unit increase in loss relief carried forward would result in almost a 0.26 unit increase in turnover growth rate. This is, however, found to be insignificant, implying that loss relief carried forward is not an important driver of turnover growth rate. This finding is in line with that of Olayemi and Folajimi (2021) that found positive but no significant effect of loss relief carried forward on turnover growth of Nigerian listed companies. The log of capital allowance carried forward has a negative coefficient of -0.089535 which means that a unit increase in capital allowance would result in almost a 0.09 unit decrease in turnover growth rate. This is also found to be insignificant. The finding relating to capital gain tax shows that though it has a positive effect, it is not significant. This means that capital gain tax is not an important driver of turnover growth rate in Nigeria.

Effect of Tax Incentives on Retained Earnings

Looking at the result presented in table4, the multiple coefficient of determination, adjusted R^2 (0.5), shows the percentage of variation in the dependent variable caused by the independent variables. The result indicates that tax incentives account for 50% of the variation in retained earnings, while other variables outside the scope of the study account for the remaining 50%. The probability of F-statistics of 0.000 indicates that the model as a whole is fit and that the variables were appropriately chosen. The outcome of the regression analysis performed on the data obtained from the annual reports and accounts of the sampled listed manufacturing companies in Nigeria is shown in Table 4.3 above. The adjusted R^2 (0.5) multiple coefficient of determination shows the percentage of variation in the dependent variable caused by the independent variables. According to the findings, tax breaks account for half of the variation in retained earnings, while other variables outside the scope of the study account for the other half. F-statistics with a probability of 0.000 indicate that the model as a whole is fit and that the variables were appropriately chosen. The log of carried forward capital allowance has a positive coefficient of 0.795719, implying that a unit increase in capital allowance results in nearly a 0.8 unit increase in retained earnings. This was also discovered to be extremely significant. The capital gain tax finding shows a positive coefficient of 0.110395, which means that a unit increase in capital gain tax results in nearly a 0.11 unit increase in retained earnings. However, it was discovered to be insignificant. As a result, capital gains tax is not a significant driver of retained earnings in Nigeria.

Table 3: Regression Analysis for Tax Incentives and Turnover Growth

	Coefficient	t-Statistic		
C	-1.547877	-0.589350	0.5616	
LCF	0.262642	0.882857	0.3869	
LCA	-0.089535	-1.106741	0.2804	
LCGT	0.271120	1.160151	0.2584	
R ²	0.231349			
Adj R ²	0.126533			
F-stat				6.577259 (0.000)
Durbin Waston				1.669638
Hausman Test				3(0.9546).

Source: Authors' computation (2022) Using E-views 9

Table 4: Regression Analysis for Tax Incentives and Retained Earnings

	Coefficient	t-Statistic		
C	3.016643	1.097763	0.2853	
LCF	0.162958	0.666734	0.5126	
LCA	0.795719	4.992309	0.0001	
LCGT	0.110395	0.770607	0.4499	
R ²	0.565444			
Adj R ²	0.500260			
F-stat				8.674656 (0.000)
Durbin Waston				1.512225
Hausman Test				3(0.2253).

Source: Authors' computation (2022) Using E-views 9

5. Conclusion and Recommendations

Based on the findings, the study concluded that tax breaks have a positive and significant effect on retained earnings, but have no effect on turnover growth or asset growth. Further the study revealed that tax breaks have the greatest impact on retained earnings. Based on the findings, the following recommendations were made:

- I. Manufacturing firms should ensure that they take advantage of all available tax breaks in order to expand their operations.
- II. Services of tax experts should be embraced to reduce firm tax liability through legitimate tax planning.
- III. Firms should always use their entire capital allowance by heavily investing in qualifying assets that add value to the entity.

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