

TAX INCENTIVES AND RETURN ON ASSET OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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ABSTRACT

The study examined tax incentives and Return on Assets of listed consumer goods manufacturing companies in Nigeria. Among the specific objectives of the study, were to; identify the relationship between capital allowances and sales growth of listed consumer goods manufacturing companies in Nigeria; An Ex-post-facto research strategy was used for this investigation. the population of the research includes of the twenty-one (21) listed consumer goods manufacturing companies on Nigerian Exchange Group record for the period of seven (7) years from 2018-2024, however, (13) companies were consistent in the listed. The simple techniques used was judgmental techniques. The statistical tool used in this study was the multiple linear regression models. The following were among the summary of the study findings from the analysis: CA showed negative and significant relationship with ROA; ITC indicated positive and significant relationship with ROA. The study concluded that tax incentives had a significant influence on the sales growth of the listed consumer goods manufacturing companies in Nigeria. Thus, it was recommended that Conduct comprehensive tax planning: Manufacturing companies should engage in comprehensive tax planning to fully understand and leverage the available tax incentives and credits. This involves working closely with tax experts and understanding the specific tax laws and regulations applicable to their industry and region.

INTRODUCTION

A major contributor to the growth of the economy is the government's capacity to levy taxes and use the money earned to run the nation. Nigeria's economy is fueled by both industry and the government, but the great bulk of taxes paid to the federal government come from the private sector. Therefore, in order to maintain its current level of support for the country's economic growth, the private sector needs to grow. The government has created incentives for the industrial sector to ensure businesses' ongoing participation. One form of support the Nigerian government offers to the industrial sector is tax reductions.

Since taxes have an impact on everyone, businesses and individuals must deal with them. Nigeria has a number of taxes, including value-added tax, capital gains tax, income tax, corporation tax, and petroleum profit tax.

In an effort to lessen its need on expensive imports, Nigeria has implemented tax incentives for the growth of homegrown manufacturing businesses. Since 1949, the Nigerian government has provided its citizens with fiscal tax benefits, and this practice is still in use today (Fowowe, 2013).

The government is able to fulfill its macroeconomic goals—including full employment, price stability, balance of payment equilibrium, equitable income distribution, and sustained economic growth in large part because of the revenues generated by taxes. A tax is any kind of compulsory charge that calls for the financial support of government operations from individuals, groups, or organizations. Taxes are a tool that governments employ to equitably divvy up resources and fund their own activities. In emerging nations like Nigeria, corporate taxes play a vital role in the taxation structure that affects both present and future company choices (Soyode & Kajola, 2015).

This is because some tax benefits are offered to legal people and organizations under the Business and Allied Affairs Act of 2020, as amended, which covers all legal requirements in Nigeria. Generally speaking, tax breaks are offered to entice capital into targeted economic sectors; in some

circumstances, this can involve luring foreign exchange to support domestic vendors and spur economic expansion. Companies and individuals in the following industries are typically eligible for these bonuses: manufacturing, exporting, agricultural and solid minerals, VAT, and others (Innocent & Fabian, 2019).

A tax incentive is given to a certain business entity when the government reduces or even eliminates its outstanding taxes in an effort to encourage that corporation to engage in the desired behavior. Increasing investment, creating jobs, boosting sales and exports, cutting back on imports and consumption, lowering pollution, and so on are some examples of preferred strategies (Sanni, 2017). Personal Allowance, Capital Allowance, Investment Allowance, Loss Allowance, Reinvestment Allowance, Annual Allowance, Equalization Allowance, Tax Free Dividend, Zone Allowance, Export Processing, Research and Development, and Duty-Free Holidays as outlined in Oriakhi and Osemwengie (2013) are among the incentives that Holland and Vann (2015) categorized. the different tax breaks available in Nigeria.

Tax-free interest, tax-deductible R&D, tax-free dividends, tax breaks, capital grants, investment grants, tax breaks, and rural investment awards were among them. Tennyson (2014) claims that in order to replace an old factory, the Nigerian government had to implement tax incentives like research and development, tax-free dividends, tax breaks for pioneer companies, an export-free zone, solid mineral mining, hotel revenues, spare parts production, local manufacturing facilities, tax-free interest subsidy, deductible investment subsidy, and tax treaties with other nations.

Tax incentives are an efficient financial policy because they encourage savers and buyers to allocate their funds to art through capital development methods, which in turn promotes company and financial expansion. Governments frequently utilize tax incentives to encourage a desired financial result. Preferential tax remedies extended to a select group of taxpayers and organizations include exemptions, rollover relief, capital allowances, loss relief, tax holidays, tax credits, funding allowances, preferential tax charges and import tariffs (or custom duties), and deferral of tax liability (Kraal, 2019).

In recent years, there has been an increase in the diversity of conversations that focus on tax issues, and those conversations have occasionally led to conflicting results. There are strict requirements for how business improvement and financial expansion can be promoted. The government offers tax advantages and lowers tax rates in sectors that are doing well in order to sell investments and financial sports that enhance manufacturing capabilities, spur financial improvement, and distribute assets in a fair and environmentally friendly way.

Since building and improving the economy is the primary goal of the presidency, governments create laws and regulations with this goal in mind. The government provides both individuals and companies with alluring tax advantages. As a result, taxes have been widely employed to promote stability and financial growth. This is supported by the desire for material gain and the advancement of a few industries (Basu and Srinivasan, 2002).

Companies that qualify for tax breaks have bigger ROA as a result of they keep additional of the cash they earn (Ohaka and Agundu, 2012). Investments are inspired by tax breaks, that boosts a company's bottom line. once the govt. offers tax breaks to the self-employed, more folks are hired, and indebtedness corporations (LLCs) are shaped in order that the business homeowners will higher judge potential investors and alternative sources of capital. This contains a positive result on the profit of the business as a full (Philips, 2011). Government subsidies and other forms of incentives to corporations, admire low interest rates, grants, lowering the price of labor, and rising transportation networks to build transportation cost low, lower the cost of doing business, that successively will increase cyberspace profit denote by firms and, in turn, results in high monetary performance.

Consumer products are tangible commodities that are manufactured and then bought to meet the demands of buyers or consumers. These needs encompass the buyer's perceived needs as well as their present needs. Consumer products fall into three categories: services, non-durable goods, and durable goods. Companies that manufacture consumer goods are those that create products that

can be consumed right away by the customer. These businesses work to produce goods that will satisfy the customer's needs at any given time. In light of this, this paper examines the relationship between corporate growth (CG) and tax incentives (TI) for publicly traded consumer products manufacturing firms in Nigeria.

Statement of problem

A tax incentive is a decrease in tax obligations given to individuals and companies in exchange for their involvement in an investment or activity that is deemed acceptable by society. Offering tax advantages to individuals and businesses is meant to encourage them to engage in socially beneficial endeavors. Both the business and the economy as a whole benefit from this. Businesses that qualify for tax benefits have more funds available for expansion and financial success. Nigeria provides tax advantages and exemptions to businesses so they can grow and prosper and help advance the nation's economy. However, because prospective beneficiaries are not aware that incentives even exist, development has halted (Wafula, 2012).

Additionally, according to World Bank data, Nigerian businesses have seen a five-year fall in revenues and earnings due to a turbulent operating environment (World Bank, 2014). Large manufacturing firms in Nigeria have lost 70% of their market share, which is attributed to high operating expenses (RoK, 2014).

Many regional and global studies have been carried out: Uwaume and Ordu (2014) examined Nigeria's economic growth. The study came to the conclusion that a well-thought-out tax incentive package can increase GDP growth and industrial production. Research by Chukwumerije and Akinyomi (2011) found that registered small-scale industries in Port Harcourt, Nigeria, had a favorable impact on productivity. They came to the conclusion that tax cuts greatly increased small business growth and development, employee morale, and profits. Gumo (2013) examined how tax incentives affected foreign direct investment in Kenya, although the author did not examine the findings in terms of individual company profitability.

The study found that whereas industrial allowance had the opposite effect, supportive policies including tax reductions for mining operations and investments increased foreign direct investment. Omesi and Maccarthy's (2022) study, "Tax incentives and financial performance of listed consumer goods manufacturing firms in Nigeria," found that the Nigerian government offers unique tax benefits to companies who manufacture consumer goods. Consequently, the study discovered a strong correlation between ROA and investment allowance. Furthermore, among Nigeria's publicly traded consumer goods manufacturers, the annual allowance has a statistically significant and positive correlation with return on assets, and the share capital has a statistically significant effect on the relationship between tax breaks and financial success.

The majority of factories are unable to pay all of the taxes that they must. Common issues in Nigeria include double taxation, the Kuewumi effect, and excessive power abuse by local and regional government representatives that disrupts the normal course of justice (Oriakhi & Osemwengie, 2013). These taxes have an effect on financial outcomes. Consequently, companies that manufacture goods for the general public are searching for tax benefits. According to research by Olowo et al. (2020), corporate income tax has a positive and significant impact on return on assets, as do capital allowance incentives and custom duty incentives.

To the best of my knowledge, none of the numerous research on tax incentives have examined investment tax credit as a measure of tax incentives and its impact on business growth on consumer products manufacturing enterprises. The absence of empirical research on a moderating variable on tax incentives and corporate growth of manufacturing enterprises in Nigeria and other African nations is another major problem. The results of these studies might therefore not fairly depict or reflect the actual results in Nigeria. Furthermore, moderating factors are absent from the majority of studies that look at disparities among consumer sectors, which leaves a gap in our knowledge of the phenomena.

By experimentally investigating the connection between tax incentives and business growth in the consumer products manufacturing sector, this study aimed to close a gap in the literature. This paper tackled the problem of the time gap: the analytical temporal scope covers a full decade (2013-2022). In light of these factors, we made the decision to investigate the relationship between tax breaks and the expansion of publicly traded consumer goods companies in Nigeria.

Aim and Objectives of the Study

The main aim of this research is to determine the relationship between tax incentives and Return on Assets of listed manufacturing companies in Nigeria. The specific objectives are to:

1. Determine the relationship between capital allowances and return on asset of listed consumer goods manufacturing companies in Nigeria.
2. Identify the relationship between investment tax credit and return on asset of listed consumer goods manufacturing companies in Nigeria.

Research Questions

In order to achieve the objectives of this study, the following research questions are formulated:

1. What is the relationship between capital allowances and return on asset of listed consumer goods manufacturing companies in Nigeria?
2. How does investment tax credit relate to return on asset of listed consumer goods manufacturing companies in Nigeria?

Research Hypotheses

HO₁: There is no significant relationship between capital allowances and return on asset of listed consumer goods manufacturing companies in Nigeria.

HO₂: There is no significant relationship between investment tax credit and return on asset of listed consumer goods manufacturing companies in Nigeria.

LITERATURE REVIEW

Tax Incentives

Every policy that the government enacts with the express intent of influencing taxpayer behavior for their benefit is collectively known as a tax incentive (Dotun, 2016). According to Philip (1995), a tax incentive is "a planned decrease in /or entire removal of tax liabilities offered by government to encourage some economic entities, e.g., corporate organizations, to behave in specific desired manner." Increased investment, production, employment, savings, reduced consumption, and imports are all examples. A tax incentive is any measure taken by the government to encourage economic activity by reducing the recipient's tax burden (Kiabel and Nwakpasi, 2019).

Incentive programs, as defined by Adedotun (2001), include lowering the effective tax burden on the chosen activity relative to the present levy with the expectation that the growth of the national economy would more than make up for the loss of tax income. According to Auerbach and Hines (1988), tax breaks, capital allowances, taxpayers' rights of election, re-investment allowances, investment tax credits in proportion to the amount of capital invested, accelerated depreciation or interest subsidies, export processing zones, and so on are all examples of possible tax incentives. They are beneficial in principle, but their distribution raises questions of fairness and efficiency.

Tax incentives are defined in the same way by Okauru (2019) and Aguolu (2011): as an exemption or relief offered to a person or a business to lessen the impact of tax and hence stimulate savings and investment. Separating provisions that are considered to be part of the general tax system from those that give special treatment is not always easy. As governments' options for enacting tailored tax incentives become more constrained, this difference will grow in significance.

Capital Allowances

A relief granted to a taxpayer who has paid qualifying capital expenditure throughout a basis period for assets utilized in a trade or activity and which are still in use at the conclusion of the basis period" is what Kiabel and Nwikipasi define as a capital allowance (2019). It makes sense to avoid depreciation charges in this situation. A capital allowance is what happens when a business subtracts the original investment in an asset from its long-term operating earnings, according to Igboyi (2012). In rare cases, a business or individual who made qualified capital expenditures (QCE) in the prior year and utilized the money to engage in productive activities in the current year may be eligible for a capital allowance. This is consistent with Zubairu's definition (2012). In Nigeria, a business's taxable profit can be reduced by the cost of capital expenditures. There may be a temporary postponement of taxes on the purchase price of the QCE. Capital allowances are given to businesses in the industrial and agricultural sectors so that they can profit monetarily from the use of capital assets in engenderment, according to Oghoghomeh (2014).

The capital ceiling should be liberalized, according to Ohaka and Agundu (2013), to promote strategic investments in important economic areas. Although capital allowances are a tax on firms, improper use of them could hurt their bottom line. Uwaoma and Ordu (2016) state that a company needs to meet the following requirements in order to be eligible for a capital allowance. A business must be the legitimate owner of the depreciating asset or assets in order to be eligible for a capital allowance. To qualify for a capital allowance, a business must fulfill the following requirements: (ii) During the time frame for which the capital allowance is being claimed, the assets must have been utilized in the trade or business; (iii) the company must file a capital allowance claim with the relevant tax authority; and (v) the relevant tax authority must, if necessary, provide an acceptance certificate for the asset. There are four different types of capital allowances, according to Kiabel and Nwikipasi (2019): first, an initial allowance for immediate palliation; second, an annual allowance of the same amount for the duration of ownership and utilization to provide gradual assuagement; third, a balancing allowance to provide final mitigation and to bring aggregate allowances up to authentic losses sustained; and fourth, a balancing charge to withdraw any excess of aggregate allowances.

If the expenditures qualify, the firm may receive an initial credit in the assessment year in which the asset reflecting such capital expenditures was first used for business purposes (Kiabel 2014). The asset's initial allowance (IA) is determined using the rate specified in the Capital Investment Tax Act of 2004 (CITA 2004). Typical IA interest rates are as follows: 50% are for cars and machinery, 15% are for structures, and the remaining 25% are for furnishings and decorations.

Only those who have a negative gain from the sale of a qualifying capital expenditure that is, where the proceeds from sales are less than the TWDV or residual are eligible for the balancing allowance.

Investment Allowance

This is awarded for funds spent on essential business assets, such as computers and machinery. When you use a qualified capital asset for the first time each year, you will receive this incentive. The rate is 10% of the amount you can deduct from your taxes for machinery and other equipment employed in agriculture or production. According to Kiabel and Nwikipasi (2019), businesses involved in manufacturing and agriculture are entitled to a 10% investment allowance on qualified capital expenditures made on new assets on or after April 1, 1969. This allowance is not subtracted from the asset's tax-written-down value and is only given once for each asset over its useful life.

Ariwodola (2015) states that in addition to the standard first-year and annual allowances, investment allowances are given in the first year following the purchase of assets (plant and/or equipment) for use in industrial and agricultural operations. Uwuigbe et al. (2016) state that if any of the following circumstances are true, an investment allowance cannot be taken out or claimed: The asset is deemed to have been improperly disposed of if (a) it is purchased for a purpose other than a chargeable purpose or for scrap; (b) it is appropriated for a purpose other than a chargeable

purpose; or (c) the sale, transfer, or other dealings with the asset were not legitimate business transactions or were not for the purpose.

Investment Tax Credit

When eligible buildings or equipment are bought for the company's usage, investment tax credits are obtained (Ohaka & Agundu, 2012; Shah, 2005; Klemm, 2004). Federal income tax can be offset by the investment tax credits. According to Andic (1998), an investment tax credit is a type of tax credit that, in addition to the standard depreciation limits, allows businesses or individuals to deduct a predetermined percentage of specific investment expenses from their tax obligations. Although accelerated depreciation and investment tax credits are different, they were both adopted by the US government in 1962 to shield domestic companies from foreign competition. Since then, they have been used to support different types of desirable economic development.

Zee et al. (2002) state that the investment tax credit is intended for new manufacturing facilities and equipment that are bought for the first time and used in production or processing. He also reaffirmed that corporations in Manitoba, Canada, are entitled to a 10% non-refundable tax credit, which can be claimed against corporate income tax in the year in which it is received. Any unused credits are available for a three-year carryback and a ten-year carryforward. Andic (1998) contended that the definition of qualifying property in manufacturing enterprises is expanded to encompass both new and old machinery, equipment, and buildings through the investment tax credit. Andic (1998) contended that the definition of qualifying property in manufacturing enterprises is expanded to encompass both new and old machinery, equipment, and buildings through the investment tax credit. Despite this claim, many nations, including Nigeria, restricted the use of investment tax credits to new buildings and equipment only. This is because, according to Ougi and Zodrow (2006), these credits are only applicable to new properties and are only earned in the year that the property was actually purchased.

It is sufficient to state that acquired properties qualify at a rate equal to 10% of their capital cost. It is important to keep in mind that before computing investment tax credits, the capital cost of an item must be lowered by grants obtained on that purchase. The first year's federal income tax must be reduced by using investment tax credits received in that year. Any unused credits may be used to offset prior years' federal income taxes, and any unused credits may thereafter be used to offset future federal taxes. For example, a prior year's investment tax credit can be carried back for three years and carried forward for ten. According to Bloom et al. (2002), tax credits will be forfeited if they are not utilized within ten years after being earned. Therefore, if insufficient credits were generated during the current tax year, any unused investment tax credits earned in prior years can be used to lower federal income and taxes for the year. Credit earned this year is then added to unused credits from prior years to form an investment tax credit pool. 40 percent of unused investment tax credits generated in a tax year can be claimed in the year in which the credits were actually earned, according to Auerbach and Hines' (1988) findings. This incentive is given out to improve business performance and spur economic expansion.

Return on Asset

The efficiency with which a business generates profits may be quantified by calculating its return on asset ratio. This is the rate at which the business's total assets generate earnings (Firer et al. 2004). Profit attributable to the business is what is considered the return (i.e., profit after tax, minority interest and preference dividend attributable to ordinary shareholders). Increases in return on assets (ROA) indicate more efficiency since they indicate that a firm is better able to generate future earnings from its existing asset stock. As a result, the capital market will likely reward the firm with a price hike, which is good news for any potential investors. What this means is that Return on Assets (ROA) has an effect on the value of a company. For the period between 2006 and 2010, the average ROA percentage for NGX-listed manufacturing businesses was 5.32%. A higher return on equity indicates that the stock is being managed well, which should increase earnings.

According to Bodie et al. (2009), a bank's return on assets is the proportion of its revenue to the value of its assets. It is typically calculated as total assets fewer operating expenses. It shows how well management is able to use the company's assets to create revenue profit before taxes. is preferable since analyses based on post-tax earnings may reveal patterns caused by just shifting tax rates.

Return on Assets (ROA) is determined by dividing annual net income by total assets. Return on Assets (ROA) is a metric used to analyze the profitability of a company's asset utilization. Investors and would-be investors often use this ratio as a proxy for the quality of management in a firm. Return on Assets is most useful when evaluating the profitability of various businesses. Like return on equity (ROE), return on assets (ROA) may be calculated using a variety of metrics, including after-tax and after-interest profits. We opted to exclude taxes, interest, and extraordinary items in favor of the net result because of its widespread use and its greater amenability to assessment. Return on Assets measures the financial benefit from investing (assets). Return on investment may range widely for publicly traded firms and is heavily sector dependent. Its mathematical form is as follows:

$$\text{ROA} = \frac{\text{Netprofit after tax}}{\text{Total asset}}$$

Theoretical Framework

Agency Theory of Tax Incentives propounded by Jensen and Meckling (1976).

Some authors, including Wells et al (2001), have claimed that tax incentives are a simple approach to make up for other government-created hurdles in the economic environment. Therefore, fiscal incentives are just as effective in responding to government failure as they are to market failure. Putting in place a grant or tax structure that may cushion the impact of such hurdles is easier and faster than addressing the investment bottlenecks themselves (poor skills base, regulatory and compliance cost). There are agency issues between the government departments in charge of handing out tax breaks and the departments in charge of corporate expansion in general. However, incentive issuing agencies often advocate for incentives without considering the expenses faced by companies, despite the fact that they play a crucial role in coordinating government actions to attract investment to allow the firm to thrive (Zee, Stotsky, Ley, 2002). It has been argued by L.T.J. Wells, N.J. Allen, J. Morisset, and N. Pirnia (2001) that achieving rigorous horizontal fairness via government taxes and spending may not be sufficient to satisfy policy goals and intrinsic market weaknesses in certain sectors, and governments may have good cause to doubt this. One conceivable objective of the plan is to redirect resources to a sub-sector of the economy that does not get as much funding as it should in light of the region's economic realities.

The study's aims were grounded on this concept and included assessing the effectiveness of each tax incentive and its impact on the performance of manufacturing businesses. It lays the groundwork for addressing whether the tax incentives alone are adequate to revive and stabilize the businesses' financial performance.

Literature Review

Unachukwu and Chukwujama (2026). This study investigated the effect of tax incentives on the performance of Nigerian consumer goods companies from 2010 to 2024. Specifically, this study aimed to determine the extent to which tax relief, capital allowance, investment allowance, and balancing allowance affect the return on assets of consumer goods companies in Nigeria. Four research questions were developed, and the four hypotheses were tested at the 0.05 level of significance. The relevant conceptual, theoretical, and empirical literature was reviewed. This study was anchored on the normative theory of tax incentives. An ex-post-facto research design was adopted. The study population comprises of the entire 21 consumer goods companies on the floor of the Nigerian Exchange Group. Six consumer goods companies were purposively selected for this study. Secondary data were sourced from the annual reports of the sampled consumer goods

companies. Descriptive statistics, correlation analysis, and regression analysis were used to analyze the data. The study found that tax relief, capital allowance, and investment allowance have a significant effect on consumer goods companies' return on assets in Nigeria. The study also found that balancing allowance had no significant effect on consumer goods companies' return on assets in Nigeria. Based on the foregoing, the study concludes that tax incentives have a significant positive effect on the performance of CG companies in Nigeria. The study recommends, among others, that since tax relief has a significant positive effect on performance, the government should streamline and expand tax relief programs targeted at the consumer goods sector through the FIRS. This includes simplifying eligibility requirements and automating processes to ensure timely and consistent relief application.

Ogunbowale, et al. (2025) This study investigates the effect of tax incentives on the Return on Capital Employed (ROCE) of listed oil and gas companies in Nigeria. Specifically, the research focuses on Investment Tax Allowance (ITA), Tax Exemption (TEX), and Tax Credit (TCR) as proxies for tax incentives. Employing an ex-post facto research design, the study analyzed panel data from nine listed oil and gas firms on the Nigerian Exchange Group (NGX) covering the period 2014 to 2023. Using the Fixed Effects Model, selected based on the Hausman test, the results reveal that both ITA and TCR have statistically significant positive effects on ROCE ($p = 0.0063$ and 0.0205 respectively), indicating their relevance in enhancing capital efficiency. However, TEX does not exhibit a significant effect on ROCE ($p = 0.2686$), suggesting that tax holidays alone may not effectively improve capital productivity. Grounded in the Incentive Theory of Taxation and the Resource-Based View, the study concludes that tax incentives can play a critical role in boosting financial performance when strategically designed and utilized. The study recommends that The Nigerian government should strengthen the implementation of Investment Tax Allowance (ITA) and encourage oil and gas firms to utilize Tax Credit (TCR), as both significantly enhance capital performance. Policymakers should also review the structure of Tax Exemptions (TEX), which showed no significant effect, to ensure they are performance-based and relevant. Firms are advised to assess the combined use of exemptions with other incentives, as exemptions alone may not yield optimal capital efficiency.

Thugba, et al, (2025). This study investigated tax Incentives and Renewable Energy Development in Nigeria. Nigeria possesses vast renewable energy potential but continues to face severe electricity deficits, with over 85 million citizens lacking access to grid power. To address this challenge and accelerate clean energy adoption, the Nigerian government has introduced various fiscal incentives, including tax holidays, VAT exemptions, and import duty waivers, aimed at attracting renewable energy investors. This paper critically evaluates the effectiveness of these incentives in driving investment, enhancing energy access, and stimulating local industry development. Drawing on official reports, stakeholder consultations, and international benchmarks from countries such as India, Kenya, Brazil, South Africa, and Morocco, the study finds that while fiscal tools offer promise, their impact is limited by weak institutional coordination, inadequate monitoring frameworks, and low awareness among developers. Key policy gaps include short incentive durations, insufficient support for off-grid systems, and minimal local content integration. The paper concludes with actionable recommendations focused on reforming Nigeria's incentive structure, including establishing a centralized coordination agency, expanding the scope of incentives, and strengthening local manufacturing capacity to better align fiscal policy with the country's energy and climate goals.

Adzra and Kurniawati (2025). This study examined the effect of Sales Growth, Return on Assets, Firm Size and Fixed Asset Intensity on Tax Avoidance. Tax avoidance is an important issue in corporate taxation because it reflects how companies manage their tax obligations while remaining within legal boundaries. A firm's choice to engage in tax avoidance can reveal much about its overall conduct and governance standards. Using a quantitative methodology, this research examines how sales growth, return on assets, firm size, and fixed asset intensity relate to tax avoidance in food and beverage firms on the Indonesia Stock Exchange from 2021 to 2024. A purposive sampling process yielded 123 observational data points, which were processed with SPSS. Findings shed light that both increased sales growth and higher return on assets reduce tax avoidance, implying that

growing, profitable companies may adopt more compliant tax practices. In contrast, neither firm size nor fixed asset intensity showed a meaningful impact, revealing that neither scale nor the proportion of fixed assets significantly drives avoidance behavior. These findings imply that tax avoidance practices are more closely related to company performance dynamics than to asset size or composition. Therefore, companies are encouraged to integrate tax strategies within transparent and responsible governance frameworks to minimize compliance and reputational risks.

Methodology

An ex-post-facto research strategy was used for this investigation. The population of the study were made up of the listed consumers goods manufacturing companies in Nigeria. The listed consumers goods manufacturing companies in Nigeria as at 31st December, 2024 were twenty-one (21) listed consumers goods companies on the floor of the Nigeria exchange group (NGX) considered by the researcher. The sample size was selected judgmentally using judgmental sampling techniques as the 13 companies had an updated financial statement covering from 2018 – 2024. The descriptive statistics, multiple linear regression model, correlation coefficient (R), R-Square, Adjusted R-Square, t-Statistic (t-Stat), Durbin-Watson (DW) Statistics and P-value are used to analyze the data collected and to test the hypotheses stated as well. The level of significance is 5%.

Data Analysis

Descriptive Statistics

The descriptive statistics for each of the variables were computed and presented on the Table below:

Descriptive Statistics

| | N | Minimum | Maximum | Mean | Deviation |
|-----|----|---------|----------|----------|-----------|
| ROA | 91 | -.02516 | 1.36640 | .0826678 | .14340097 |
| CA | 91 | .00324 | 35.42430 | .8045233 | .43341488 |
| ITC | 91 | -.99394 | 28.61827 | .2549534 | .60497874 |
| | | | | | |

Source: *Researcher's Computation, 2026*

The Return on Assets (ROA) had minimum value of -.02516, maximum value of 1.36640, a mean value of .0826678 and standard deviation of .14340097. This indicated that the listed consumer goods manufacturing companies in average made a profit of .0826678 for the period of the study. The minimum and maximum of ROA made were -.02516 and 1.36640 respectively. This showed that the least loss made by a listed manufacturing company during the period of the study was -.02516 and the maximum profit was 1.36640. The standard deviation of .14340097 indicated that variation from mean was much for the period of the study. It also showed that fluctuation in ROA for the period was much.

The investment tax credit (ITC), represented had minimum value of -.99394, maximum value of 28.61827, a mean value of .2549534 and standard deviation of .60497874. This indicated that the listed consumer goods manufacturing companies in average had ITC of .2549534 for the period of the study. This also indicated that the ITC of listed consumer goods manufacturing companies in Nigeria in average was high for the period of the study. The minimum and maximum of ITC were -.99394 and 28.61827 respectively. This showed that the least ITC maintained by a listed manufacturing company during the period of the study was -.99394 and the maximum ITC was 28.61827. This indicated that ITC for the period of study was high. The standard deviation of .60497874 showed that fluctuation in ITC for the period of the study was much.

Test of Multi-Collinearity

The correlation of each of the variables were computed and presented as shown on the Table below:

: Correlation Matrix

| Variable | ROA | CA | ITC |
|----------|--------|-------|-------|
| ROA | 1.000 | | |
| CA | -0.313 | 1.000 | |
| ITC | -0.011 | 0.186 | 1.000 |

Source: *Researcher's Computation, 2026*

From the correlation matrix Table 4.3 above, there was no multi-collinearity in all the independent variables because they all had correlation coefficient with each independent variable less than 0.8 (80%). The relationship between CA and ROA was -0.313 (-31.3%); the relationship between ITC and ROA was -0.011 (-1.1%); the relationship between CM and ROA was 0.337 (33.7%).

Coefficient of Determination

The R-Square for all the independent variables were computed and presented on the Table as shown below:

Coefficient of Determination

| R-Square | Adjusted R-Square | Durbin-Watson Statistic | (DW) |
|----------|-------------------|-------------------------|------|
| 0.364 | 0.331 | 1.563 | |

Source: *Researcher's Computation, 2023*

*Dependent Variable=ROA

From Table 4.6 above, R-Square (Adjusted) showed that 33.1% changes in ROA can be explained by the influence CA and ITC.

Test of Hypotheses

The coefficients of each of the independent variables and other statistics were computed and presented on the Table below:

Summary of Analysis

| Variable | Beta (β) | t-Statistic | P-Value | Remark | Tolerance | VIF |
|----------|------------------|-------------|---------|-------------|-----------|-------|
| CA | -0.155 | 3.922 | 0.000 | Significant | 0.354 | 2.826 |
| ITC | -0.012 | 2.221 | 0.028 | Significant | 0.690 | 1.449 |

Source: *Researcher's Computation, 2023*

*Dependent Variable=ROA

From the Table 4.9 above, CA indicated positive and significant relationship with ROA (P-value<0.05); ITC showed positive and significant relationship with ROA (P-value<0.05). The Tolerance and the VIF for each of the independent variables in the study was not less than 0.1 and greater that 10 respectively. This showed that there was no multi-collinearity in each of the independent variables as stated in the above Table 4.9: Correlation Matrix. A percentage increase in CA brought about 15.5% decrease in ROA; a increase in ITC brought about 1.2% decrease in ROA.

Hypothesis one

HO₁: There is no significant relationship between capital allowances and return on asset of listed consumer goods manufacturing companies in Nigeria.

From the Table 4.9 above since the $p\text{-value} < 0.05$ for CA, therefore, the alternative hypothesis was accepted and the null hypothesis was rejected and concluded that there is significant relationship between capital allowances and return on asset of listed consumer goods manufacturing companies in Nigeria.

Hypothesis two

HO₂: There is no significant relationship between investment tax credit and return on asset of listed consumer goods manufacturing companies in Nigeria.

From the Table 4.9 above since the $p\text{-value} > 0.05$ for ITC, therefore, the alternative hypothesis was rejected and concluded that there is no significant relationship between investment tax credit and return on asset of listed consumer goods manufacturing companies in Nigeria.

1. Discussion of findings

From the analysis presented on the Table above, CA indicated negative and significant influence on Return on asset while CA indicated negative and significant influence on Return on asset of the listed consumer goods manufacturing companies in Nigeria. The CA was in compliance with the apriori expectation of the model for that of ROA alone. The capital allowances and return on asset of listed consumer goods manufacturing companies can vary significantly based on their size, industry segment, geographical location, economic conditions, and management practices. Some manufacturing companies may invest heavily in capital assets, such as machinery and equipment, which could result in higher capital allowances and potentially impact their Return on asset positively or negatively depending on the tax implications. Return on asset in the manufacturing sector can fluctuate based on factors like the cost of raw materials, labor expenses, production efficiency, product pricing, competition, and overall market demand for their goods.

To obtain current and specific data on the capital allowances and return on asset of listed consumer goods manufacturing companies, you would need to refer to the financial statements and annual reports of individual companies or financial databases that provide such information for publicly traded manufacturing firms. Additionally, financial news websites and industry-specific publications may offer insights and analysis on the corporate growth of listed consumer goods manufacturing companies. The study was not in line with Bhunia et al (2011) who carried out a study on the relationship between tax incentives of firms and profitability.

Capital Allowances was one of the independent variables that proxy tax incentives in the study. The results of the analysis indicated that Capital Allowances and profitability were strongly positively related with a multiple correlation coefficient of 93.4%; also, the study of Lumpkin and Dess (2019) who carried out a study on effect of tax incentives on corporate growth of firms listed at the Nairobi Securities Exchange, Kenya. Tax incentives was found to have no significant effect on corporate growth (ROA).

Investment tax credit (ITC) showed positive and significant influence on the corporate growth (Return on asset) of the listed consumer goods manufacturing companies in Nigeria. This was in compliance with the apriori expectation. The investment tax credit can have both short-term and long-term impacts on the Return on asset of listed consumer goods manufacturing companies: Short-term Impact: In the short term, the investment tax credit reduces the tax burden of listed consumer goods manufacturing companies. By reducing their tax liability, businesses can retain more of their profits, which can positively impact their Return on asset. This means that a higher portion of their earnings is retained as profit after taxes, leading to an increase in the Return on asset. Long-term Impact: The investment tax credit can also stimulate capital investment in manufacturing companies. By offering tax incentives for investments in machinery, equipment, and technology, governments aim to encourage businesses to modernize and improve their production

capabilities. This, in turn, can lead to increased productivity, cost efficiency, and potentially higher revenue generation, all of which could positively impact the Return on asset in the long run. It is important to note that the actual impact on the Return on asset of listed consumer goods manufacturing companies will depend on various other factors, such as the overall business environment, competition, demand for their products, and their ability to effectively utilize the investments made to improve operations.

As tax regulations and incentives can change over time and vary by region, it is crucial to refer to the latest tax laws and guidelines applicable to manufacturing companies in a specific jurisdiction to understand the exact implications of the investment tax credit on their Return on asset. Additionally, for the most up-to-date corporate growth of listed consumer goods manufacturing companies, one would need to access their recent financial statements and reports. A shorter period for capital allowances is preferred to the longer period because of the fact that that shorter period might help a company to be solvent enough to meet up with the short-term maturing obligations. This study was in line with Ogundajo and Onakoya (2016) who conducted a study on the impact of investment tax credit on firms' corporate growth: Evidence from Pakistan. From the analysis, ITC had positive and significant impact on ROA; also, Olaleye (2016) who carried out a study on the effect of Investment Tax Credit on the profitability of selected limited liability firms in Ethiopia.

Conclusion

The study was conducted to examine the influence of tax incentives on Return on Assets of the listed consumer goods manufacturing companies in Nigeria. The tax incentives variables examined in the study were CA and ITC. From the analysis of data and the discussion of the findings, the researcher concluded that capital allowances and investment tax credit which are proxies of tax incentives, had a significant influence on the corporate growth of the listed consumer goods manufacturing companies in Nigeria. In conclusion, tax incentives had a significant influence on the return on Assets of the listed consumer goods manufacturing companies in Nigeria.

Recommendation

The following recommendations are made from the findings:

1. Monitor changing tax regulations: Tax laws and incentives can change over time. Manufacturing companies must stay updated on any changes in tax regulations that may affect their eligibility for incentives. Being aware of these changes allows companies to adjust their tax strategies accordingly.
2. Optimize investment decisions: When making capital investments, manufacturing companies should consider the tax implications of those investments. Certain assets and projects may be eligible for specific tax incentives, which can positively impact the company's corporate growth.

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