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TAX INCENTIVES AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS MANUFACTURING COMPANIES IN NIGERIA.

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ABSTRACT

The study investigated tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria. The research adopted ex-post facto design. The population for this study was twenty-one (21) listed consumer goods companies in Nigerian Stock Exchange and a sample size of twenty listed consumer goods companies. The instrument of the study was secondary data obtained from the company's published financial report or statements within the period of eleven (11) years, ranging from 2009-2019. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested at a significance level of .05 using the multiple regression analysis with the aid of E-view (10). The results of the findings were that there is positive and significant relationship between investment allowance and return on assets of listed consumer goods manufacturing companies in Nigeria. On the other hand, there is positive and significant relationship between annual allowance and return on assets of listed consumer goods manufacturing companies in Nigeria and there is significant influence of share capital in the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria. This study recommends among others that; To continually maintain high return on assets of consumer goods manufacturing industry and foster economic development. Captains of the industries and government should encourage investment by formulating and enacting laws that increase the rate of investment allowance from 15% to 20% on plant and machineries used in manufacturing business. No doubt manufacturing companies are benefiting financially from annual allowances. Also, the tax authority should consider proportionately increase of annual allowances if the period for a year of assessment happens to be a period of more than one year. This will attract more investors thereby improving the economic growth of the country.

Keywords: tax incentives, financial performance, investment allowance, annual allowance and return on assets

INTRODUCTION

Taxation is a worldwide phenomenon that cuts across every organization and individual. In Nigeria, there are various forms of taxes, such as personal income tax, companies' income tax, capital gains tax, value-added tax, and petroleum profit tax, to mention but a few. In view of promoting indigenous investment in Nigeria, tax incentives were put in place to encourage the growth of local manufacturing industries, which will in turn reduce the amount of imported goods. Fiscal tax incentives in Nigeria have been in existence since 1949 and they are still very much in existence in modern day governance (Fowowe, 2013). This is evident from the fact that the Nigerian law of companies and Allies Matters Act, 1990 as amended, incorporating all legal provisions, have made provision for certain tax incentives for corporate bodies and individuals. Basically, tax incentives are designed to encourage investment in certain preferred sectors of the economy, and sometimes they are geared towards attracting an in-flow of foreign exchange to complement domestic suppliers for rapid economic development. Generally, these incentives are in the areas of manufacturing, export, agriculture and solid minerals, VAT, individuals and other areas (Innocent & Fabian, 2019).

A tax incentive is a deliberate reduction in or total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable ways. The desirable ways may be to invest more, employ more, export more, sell more, consume less, import less, pollute less and so on (Sanni, 2017). Holland and Vann (2015), assert that these incentives include: Personal allowance, capital allowance, investment allowance, loss relief, roll over relief, annual allowance, pioneer relief, tax free dividend, export processing zones relief, research and development, and tax-free holiday. Oriakhi and Osemwengie (2013), identified the following tax incentives used in Nigeria: Tax exemptions, investment allowances, investment relief in rural areas, tax-free interest, tax deductible, research and development, tax-free dividends, tax breaks and capital allowances. According to Tennyson (2014), the Nigerian government had to allow tax incentives, including pioneering companies (in the form of a tax exemption), an export-free zone, mining of solid minerals, hotel revenues, spare parts production, locally produced installations, replacement of an outdated factory, investment relief, investment relief, rural investment relief, tax-free interest relief, deductible investment relief, research and development, tax-free dividends, tax agreements with other countries, incentives for the gas industry, and rates for small businesses.

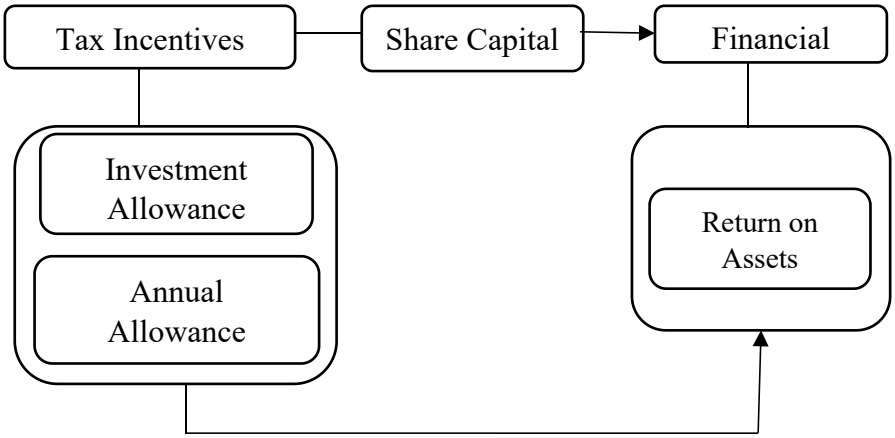
Liargovas and Skandalis (2018), describe financial performance as the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. A subjective measure of how well a firm can use assets from its primary mode of business to generate revenues. Lumpkin and Dess (2019), argued that there are many different ways to measure financial performance, but all measures should be taken in aggregation. Some of the indicators of financial performance are return on equity, liquidity ratios, asset management ratios, profitability ratios, leverage ratios, and market value ratios. The popular ratios that measure organizational performance can be summarized as profitability and growth: return on assets (ROA), return on investment (ROI), return on equity, return on sales (ROS), revenue growth, market share, stock price, sales growth, liquidity and operational efficiency (Mainelli and Giffords, 2014).

Tax incentives are widely used by governments around the world to attract private investment in preferred industries, including tourism. Incentives raise the return on capital, thereby making investment in a location more attractive and in turn, increasing the profitability of the firm (Bronos & Mc Donald, 2018). Granting of tax incentives is also the essence of sustainable macroeconomic management and administration. These are usually in the form of a tax holiday, tax credit, accelerated depreciation, or interest subsidy. In whatever form they are granted, they ultimately attract more investment towards higher future production in an economy. Consequently, the least discriminatory form of tax incentive is the one that is designed to increase the rate of return on investment (ROI) by reducing corporate and personal tax rates. In some cases, an incentive programme may be restricted to a few selected firms in the same industry (sector), usually those with highly desirable corporate goals (like the generation of more value-added through domestic processing and employment, as well as boosting exports and technology transfer). In considering various forms of incentive programmes, it is imperative to highlight the relative merits and demerits of tax incentives. In this regard, equity and efficiency considerations are paramount, as analysts' underscore precautions against possible distortion of the allocation of capital (Kuewumi, 2018). According to Ohaka and Agundu (2012), this submission becomes clearer when it is realized that tax incentives affect capital spending by reducing the firm's capital stock on the one hand, and increasing the rate of adjustment of the existing capital stock on the other hand. The growing concern of economic watchers in recent times is about the auspiciousness of tax incentives such as the investment tax credit and re-investment allowance in boosting corporate financial performance, measured by return on equity, especially in the consumer goods manufacturing sector.

Manufacturing companies are suffering from the multiplicity of taxes. At most times, other than the prescribed taxes as instituted by the constitution of Nigeria, there are situations of double taxation; excessive arrogation of power by the local and regional government authorities that breaches the normal course of justice (Oriakhi & Osemwengie, 2013); Kuewumi (2018). These taxes affect financial performance. Thus, consumer goods companies are seeking tax incentives.
However, another major problem is that empirical research on tax incentives and financial performance of manufacturing companies is scarce in Nigeria and African nations, and thus may not adequately reflect or represent the actual results in Nigeria. Also, from webmetrix empirical analysis, the studies focused on small and medium-scale enterprises and few on manufacturing companies. Leaving a research gap on specific manufacturing sectors and most of them without moderating variables. In order to empirically cover the missing gap in scope and content, the study focused on the consumer goods manufacturing sector specifically and introduced'share capital'. The study further filled the content gap by applying the investment allowance and annual allowance as dimensions and measures of return on assets. The study is also unique as the analytical scope covers 11 years' time lag (2009-2019) to solve the problem of obsolesce of empirical information data. Thus, it is on the above premise that incited the researcher to write about tax incentives and the financial performance of listed consumer goods manufacturing companies in Nigeria.

Conceptual Framework

This study is conceptualized on the following framework as displayed in the conceptual model given in below.



Sources: Ohaka and Agundu (2012); Okelle (2017) and researchers' conceptualization

Aim and Objectives of the Study

The aim of the study was to determine the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria, with other specific objectives such as:

1. To determine the relationship between investment allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.
2. To determine the relationship between annual allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.
3. To determine the moderating influence of share capital on the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria.

Research Hypotheses

The following hypothesis were formulated for this study:

HO_1: There is no significant relationship between investment allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.

HO_2: There is no significant relationship between tax holiday and return on assets of listed consumer goods manufacturing companies in Nigeria.

HO_3: There is no significant moderating influence of share capital in the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria.

Conceptual Framework

Tax Incentives

A Tax incentive is a generic term for all the measures adopted by the government to deliberately manipulate the tax system to the advantage of potential taxpayers (Dotun, 2016). A reduction made by the government in the amount of tax that a particular group of people or type of organization has to pay or a change in the tax system that benefits those people (Kaplan, 2013). According to (Wikipedia, 2020), a tax incentive is an aspect of a country's tax code designed to incentivize or encourage a particular economic activity by reducing tax payments for a company in the said country. Tax incentives can have both positive and negative impacts on the economy. Tax incentives can have both positive and negative impacts on the economy. Among the positive benefits, if implemented and designed properly, tax incentives can attract investment to a country. Other benefits of tax incentives include increased employment, a higher number of capital transfers, research and technology development, and improvement of less developed areas. Though it is difficult to estimate the effects of tax incentives, they can, if done properly, raise overall economic welfare through increasing economic growth and government tax revenue (after the expiration of the tax holiday/incentive period), (Wikipedia, 2020).

According to Fletcher (2012), tax incentives are those special exclusions, exemptions, or deductions that provide special credits, preferential tax rates, or deferral of tax liability. Tax incentives can take the form of tax holidays, investment allowances and tax credits, accelerated depreciation, special zones, investment subsidies, tax exemptions, reductions in tax rates, and indirect tax incentives. The international bureau of fiscal decentralization defines tax incentives as fiscal measures that are used to attract local or foreign investment capital to certain economic activities or particular areas in a country. Tax incentives are much easier to provide than to correct deficiencies in the system. For example, in infrastructure or skilled labor. They do not require an actual expenditure of funds or cash subsidies to investors. They are, therefore, politically easier to provide than funds. Both Okauru (2019) and Aguolu (2011), described tax incentives as an exemption or relief granted to an individual or a company to reduce the effect of tax and thus encourage savings and investment. At another level, it can be difficult to distinguish between provisions that are deemed to be part of the general tax structure and those that provide special treatment. This distinction will become more important as countries may be limited in their ability to adopt targeted tax incentives.

Investment allowance

This is granted on qualifying capital expenditure that is incurred on plant and equipment for the purpose of the business. This incentive comes once a year for the first utilization of such a qualifying capital asset. The rate is 10% of the cost claimable on plant and equipment utilized for agricultural, manufacturing, and any other business. Ariwodola (2015), optically canvassed that an investment allowance is granted in the first year of purchase of that asset (plant and/or machinery) engaged in agricultural and manufacturing activities, which is in integration with the customary initial and annual allowances.

The Uwuigbe, et al. (2016), opined that an investment allowance cannot be claimed or withdrawn if any of the following conditions are met: (a) any sale or transfer of the asset otherwise than to a person acquiring the asset for a chargeable purpose or for scrap; (b) any appropriation of the asset other than a chargeable purpose; (c) any sale or transfer or other dealing with the asset were not bona fide business transactions or were artificial.

Annual Allowance

According to Igboyi (2012), capital allowance is the repayment of the cost of an asset through the engendered revenue accruing to the firm for a considerable period of time during which the asset is put to use. Similarly, Zubairu (2012), defined capital allowance as a scarce mitigation given to an entity or individual utilizing qualifying capital expenditure (QCE) prior to the year of assessment and engaged in productive activity of the entity or individual. A capital allowance in Nigeria is a claim against the assessable profits of a company. It spreads the tax palliation for the cost of a qualifying capital expenditure (QCE) over some years. Oghoghomeh (2014), viewed capital allowance as an incentive granted to agricultural and manufacturing organizations for the purpose of earning income through the capital assets deployed in engenderment activity. According to Ohaka and Agundu (2013), the capital allowance is a window intended to create strategic investment opportunities in critical sectors of the economy. Thus, better management of the capital allowance can trigger better financial performance of firms, whereas poor management of the capital allowance will culminate in deadweight on the economy, thereby causing economic nuisance.

Kiabel (2012), identified the types of the capital allowance to include granting (i) an initial allowance for immediate palliation (ii) an annual allowance of an equal amount for the period of ownership and utilization to give gradual assuagement (iii) a balancing allowance to give final mitigation and to bring aggregate allowances up to authentic losses sustained, and (iv) a balancing charge to withdraw any excess of aggregate allowances According to Uwaoma and Ordu (2016), the following conditions must be met before a company may qualify to receive a capital allowance: (i) the asset (s) must be owned by the company making claim for capital allowance (ii) the assets must have been in use in the trade or business within the period for which the capital allowance is claimed (iii) the company must make a claim for capital allowances to the pertinent tax ascendancy, and (v) where applicable, an acceptance certificate for the asset issued by the pertinent tax ascendancy must be engendered.

Financial Performance

Financial performance of the consumer goods industry can be measured through a variety of ratios, of which return on assets, return on equity, and net interest margin are the major ones (Alexandru, 2018). Return on equity (ROE) is a financial ratio that refers to how much profit a company earns compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders get in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE, the better the company is in terms of profit generation. It is further explained by Khrawish (2011), that ROE is the ratio of net income after taxes divided by total equity capital. It represents the rate of return earned on the funds invested in the pharmaceutical by its stockholders. ROE reflects how effectively pharmaceutical management is using shareholders' funds. Thus, it can be deduced from the above statement that the better the ROE, the more effective the management is in utilizing the shareholders' capital.

Return on Assets

One of the profitability ratios is Return on Assets (ROA). This ratio is frequently highlighted in financial statement analysis since it can reflect a company's ability to generate profits. ROA can

be used to forecast future earnings by measuring a company's capacity to make profits in the past. The assets in question are the general properties of the company, which are derived either from the capital itself or from foreign capital that has been turned into company assets for corporate sustainability. Return on assets calculation return on assets (ROA) is computed by comparing available net profit for common shareholders to total assets, according to Brigham and Houston (2001).

ROA = Net profit available to common shareholders/total assets

Because of the higher return on investment rate, a higher ROA value suggests better corporate performance. "The return on all assets (or capital) delivered to the company is reflected in this value" (Wild et al., 2005). Any factors that have an impact on Return On Assets should be considered (a). The Liquidity Ratio is a ratio that compares a company's current assets to current liabilities to determine its capacity to satisfy short-term obligations (b). The asset management Ratio is defined as "a ratio that gauges how well a corporation manages its assets" (Brigham and Houston, 2001). (c). The Debt Management Ratio is an asset management ratio that measures a company's capacity to meet long-term obligations (debt) that are utilized to fund all of the company's operations.

Share capital

Share capital is the amount a company raises by issuing prevalent or preferred stocks. The amplitude of share capital or equity financing a company has can transmute over time with supplemental public offerings. The term share capital can mean marginally different things depending on the context. Accountants have a much narrower definition, and their definition rules on the verbalization of financial positions of public companies. Prevalent stock and preferred stock shares are reported at their par value at the time of sale. And in modern businesses, the "par" or face value is a nominal figure. Hence, the genuie quantity of mazuma received by a company in excess of par value is reported as "adscititious paid-in capital."

The maximum magnitude of share capital a company is sanctioned to raise is called its sanctioned capital, and it puts a ceiling on the total quantity of mazuma that can be raised by the sale of those quotas.

A company, being an artificial person, cannot generate its own capital, which has to be collected from several people. These people are known as shareholders, and the amount contributed by them is called share capital. Since the number of shareholders is very large, a separate capital account cannot be opened for each one of them. Hence, innumerable streams of capital contributions merge their identities into a common capital account called the 'Share Capital Account'.

A share is the interest of a member in a company. Section 2 (84) of the Companies Act, 2013 (hereinafter referred to as the Act) "share" means a share in the share capital of a company and includes stock. It represents the interest of a shareholder in the company, measured for the purposes of liability and dividend. It attaches various rights and liabilities. Shares, debentures or other interests of any member in a company should be movable property. It shall be transferable in any manner provided for in the articles of association of the company. A member may transfer any "other interest" in the company in the manner provided in the articles. For example, rights attached to a member of a guarantee company, such as membership interest, suspension of membership or assignment of interest, may be made transferable by making a provision in the Articles of the company.

Tax Incentives and Financial Performance

Tax incentives are very fundamental to sustainable development and growth of firms.

especially where natural resources are relatively scarce. Tax incentives are basically designed to attract new investment into the country and to expend existing ones in priori industries, which is based on the country's industrial development plan capable of stimulating firm growth (Osoro, 2018). All over the world, tax incentives are used to enhance economic activities and investments by firms. They use these forms of incentives to channel some special economic activities towards some important sectors of the economy where they are either not felt or not exist at all (Kaplan, 2011). John (2001), the findings revealed that tax incentives significantly enhanced the corporate financial performance of quoted manufacturing firms in Nigeria. Tasie and Akinyomi (2009), examined the impact of tax incentives on the overall performance of registered small-scale industries in Rivers State. Hammed (2018), the findings revealed that there are various tax incentives available to small-scale industries and the operators in these industries are very familiar with them. The study found a positive relationship between corporate tax policy and the output performance of quoted manufacturing firms in Nigeria. Firms that are eligible for tax incentives pay less tax and hence post higher ROA and return on equity, which is derived from profit from tax (Ohaka & Agundu, 2012).

Tax incentives also make investments more attractive and, in turn, enhance the profitability of a firm. The tax incentives generate employment and encourage the self-employed to incorporate into limited companies. This leads to improved financial performance of firms because limited companies perform better given the fact that they can assess external sources of capital as compared to sole-traders (Philips, 2011). Incentives lower the cost of the firm, especially where the government offers subsidies and other forms of incentives to firms, such as low interest rates, grants, lowering the cost of labour, and improving transportation networks to make transportation costs low. With reduced costs, the net profit posted by firms will be high and hence lead to high financial performance.

Theoretical Framework

Neo-Classical Investment Theory

The theoretical framework upon which the study was built upon is the neo-classical investment theory, which was introduced by Jorgenson (1963), suggesting that firms do have the intention of accumulating capital, provided that the associated costs of capital acquisition are comparatively lower than the benefits accruing therefrom. It is postulated consequently that investors experiencing a decline in reciprocations from incremental capital would stop when the present value of returns on capital matches up with the present value of costs. Van Parys & James (2010) verbally expressed that identifying the before-tax rate of return on capital as the cost of capital consequently ascertains that lowering tax rates will deliberately result in a minimization of the cost of capital, thereby incrementing investment in capital stock.

Consequently, the neo-classical investment theory precisely addresses the fact that tax incentives are geared toward revolutionizing the magnification of established firms by designating reinvestments, while incipient investments can be wooed, as the process truncates the cost of capital. Hart (1989) opined that neoclassical theory views the firm as an assembly of possible mechanisms to achieve engenderment plans. Hart (1989), explained that the intent and purpose of neoclassical theory was to analyze the firm’s productive capacity in terms of the culls it makes, and how the culls respond to exogenous vicissitudes in the environment; and to analyze the consequences of corporate venture mix when operating in imperfect competition.

Adoption of the Neo-Classical Investment Theory

Advancing the neo-classical theory further, Trabandt and Uhlig (2011), posited a Laffer curve in standard neoclassical magnification models having a vigorous relationship with the taxation of capital and labour income. In other words, taxes must be scaled according to faculty to pay and on a minuscule substratum; and corporations should be granted paramount tax exemptions

(incentives). The reason being that any high tax burden sanctioned on firms will directly impact negatively on economic activities, thereby abbreviating the investment activities of firms operating in the economy. Given the above, Trabandt & Uhlig (2011), remarked that if the tax cut is high, the incentive feedback effects will account for better investment opportunities for firms, because of their self-financing nature, that may be known under mundane economic circumstances. This position is consistent with that of Philip (1968), who argued in favor of an abbreviation of the tax rate that would cause progressive performance amongst firms due to the incentive effect it will engender on investment.

Barbour (2005), points out that neo-classical investment theory purported benefits of tax incentives, such as symbolic signaling effects and the need to compensate for inadequacies in the investment regime elsewhere. The provision of investment incentives is in the form of either tax relief or cash grants. International experience shows that such incentives play only a minor role in investment decisions. Firms make investment decisions based on many factors, including projections of future demand, certainty about future government policy, prevailing interest rates and moves by competitors. In general, they see incentives as 'nice to have' but not deal breaking. Yet, incentives remain a popular policy for both developed and developing countries.

Empirical Review

Gideon, et al. (2019), assessed the effect of corporate taxation on the investment policies of quoted manufacturing firms in Nigeria. Research Methodology: Secondary data sourced from annual reports of the selected firms was analysed using descriptive and inferential statistics. Specifically, static panel least square regression techniques were used. Result: The results of the study revealed that company income tax (CIT) is positively related to the investment decision of the quoted manufacturing firm (INV), and thus enhances the investment of the quoted manufacturing firm (INV) in Nigeria. The probability value revealed that company income tax (CIT) had a statistically significant correlation with the investment of the quoted manufacturing firm in Nigeria. This implies that higher corporate income taxes are associated with lower investment in manufacturing firms. Hence, this study was able to recommend that the Nigerian government should encourage and enhance manufacturing investment decisions by designing an appropriate corporate income tax policy. An investment decision that is fostered by new capital encourages the implementation of new production techniques and thus should be engineered for the development of manufacturing firms.

Hammed (2018), examined the influence of government corporate tax policy on the performance of 54 randomly selected listed companies that cut across 17 categories of non-financial companies in Nigeria over a period of 1990-2002. Using the Generalized Method of Moment (GMM) and contrary to expectations, the study found a positive relationship between corporate tax policy and the output performance of quoted manufacturing firms in Nigeria. This may be an indication that government revenue from corporate tax was judiciously expended on productive government expenditure, especially in Lagos State, where virtually all the selected manufacturing firms have their main base in Lagos State. The study therefore recommended that the Federal Government should either minimize or totally remove tax incentives, tax waivers, and tax holidays for some manufacturing firms in Nigeria.

Ogundajo and Onakoya (2016), examined the influence of corporate tax planning on the financial performance of manufacturing firms quoted on the Nigerian Stock Exchange using annual reports and accounts of 10 selected firms out of 28 firms listed in the consumer goods sector. The study employed the Generalized Least Square (GLS) method of regression based on the outcome of Hausman's model estimation test. The study established that aggressive tax planning such as thin capitalization, tax law incentives, and other benefits of loopholes in Nigerian tax laws have not been fully utilized by Nigerian firms. The study recommended that manufacturing firms in Nigeria should make tax planning part of their strategic financial planning,

employ the service of expertise in tax practices due to the complexity and dynamitic of Nigeria's tax laws, and also effectively utilize all-inclusive tax planning strategies available in order to further influence financial performance positively.

Olowo, et al. (2020), examined the effect of tax incentives on the growth and development of manufacturing firms in Nigeria. The study employed an ex-post facto research design. The data on corporate income tax incentives, capital allowance incentives, custom duty incentives, excise tax incentives, and return on assets were secondarily sourced from the financial statements of accounts from 2013 to 2018. The data was analysed using the ordinary least square multiple regression technique through E-view 9.0. Based on the analysis of the results, it revealed that corporate income tax incentives (P = 0.00 0.05) have a positive and significant effect on return on assets; capital allowance incentives (P = 0.00 0.05) have a positive and significant effect on return on assets; custom duty incentives (P =0.00 0.05) have a positive and significant effect on return on assets; excise tax incentives (P =0.00 0.05) have a positive and significant effect on return on assets in Nigeria The study concluded from the findings of the study that tax incentives on the growth and development of manufacturing firms in Nigeria. The study recommended the need for the government to conduct cost-benefit analyses in order to ensure that the goals of granting such incentives are achieved.

Dickson and Presley (2013), examined tax incentives and revenue productivity of the Nigerian tax system from the 1981 to 2009 periods in order to identify the short-run performance of various taxes. On the whole, the study reports an unsatisfactory level of total tax revenue productivity in the country. This may be as a result of institutional failings, corruption in the tax system, and the negligence created by the management of both oil and non-oil revenue. The study also identified the seemingly lagging sources of Nigeria's federal revenues and the non-buoyancy of the total tax revenue is a complete revelation of the poor tax effort in the Nigerian tax system. Reducing the fiscal deficit in the budgetary process will put a check on expensive public expenditures. The study concludes that the report on total tax revenue buoyancy calls for serious attention and policy challenge, considering the enormous importance of generating resources and less dependence on external borrowing to facilitating economic growth and development. This can, however, be tackled by adopting sound policies that will reduce or eliminate the corruption prevalent in the tax system coupled with the inefficiency rocking the system.

Akinyomi and Tasie (2011), examined the impact of tax incentives on the overall performance of registered small-scale industries in Rivers State, Nigeria. Eleven out of the twenty-two registered small-scale food and beverage manufacturing industries in Rivers State were selected randomly for the study. Questionnaires were administered to 260 respondents in the selected companies. The chi-square was used in the analysis of data and hypothesis testing respectively. The findings revealed that there are various tax incentives available to small-scale industries and the operators in these industries are very familiar with them. It was also discovered that tax incentives do significantly affect profitability, staff strength, and the growth and development of small-scale industries positively. Their conclusion was that tax incentives do have a significant effect on the economic performance of small-scale industries. Specifically, tax incentives help to improve the after-tax profit and capital employed by small-scale industries in Nigeria.

Junaidu and Hauwa (2018), assessed the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006-2016. Data for the study was collected from the annual reports and accounts of the companies and regression analysis was used as a technique for data analysis. The study finds that there is an insignificant negative relationship between corporate tax and financial performance using return on assets as a measure. Age and risk, however, exhibit a positive but not significant relationship with ROA. Size, on the other hand, shows a positive and significant relationship with performance, confirming prior expectations. The study recommends that to improve the financial performance of listed

Nigerian consumer goods, the services of tax experts are needed to engage in legal tax planning like transfer pricing or structuring intra-company debt in order to reduce the net tax payment. By doing so, the net income after tax will increase, which in turn increases financial performance.
Stephen (2015), investigated the impact of tax policies on the performance of small and medium-scale enterprises in the Nigerian economy. A descriptive survey research design was adopted. The population for this study was comprised of sixty-eight (68) SMEs currently operating in Kogi State and Abuja. They have 726 employees, comprised of fifty-six (56) managers and 671 accountants. Descriptive statistics were used to analyse the data collected and to obtain the mean assessment for each scale item. The research hypotheses for this study were tested using z-test statistics to establish p 0.05 significant differences. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there was no significant difference in the mean opinion scores of managers and accountants about the implications of tax policy on SME growth. The paper therefore recommended that for Small and Medium Enterprises to get better equipped, have enough funds, and survive in a competitive market, the rate of tax levied on them should be lower. The government should also promulgate a policy that will help to avoid illegal taxes, such as community levy, boys or youth levy, as well as association or union levy. Any policy that will push for enough funds and other activities that will lead to SME growth should be

METHODOLOGY

The study adopted an ex-post facto design. The target population of this study consisted of all listed consumer goods companies in Nigeria, which stands at twenty-one (21) on the Nigerian Stock Exchange Market. The sample size was therefore determined by using the Taro-Yame formula as was adopted and calculated to be twenty (20) see appendix A. The instrument of the study is secondary data obtained from the company's published financial reports or financial statements within the period of eleven (11) years, ranging from 2009-2019. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested using multiple regression analysis with the aid of E-view (10).

Model Specifications

Cobb-Douglas economic production function model was adopted for this study. The model is specified as:

$Y = f(x_1, x_2, \ldots x_n + \upsilon)$ 3.1

Adekanmi (2015), Agbiogwu, et al. (2016), defined tax incentive practices components as the summation of X functions.
Thus,
X = f (tax incentive practices components) 3.2
In this study combining the two models will yield a richer econometric model that will facilitate estimation. The tax incentive practices (TIP) components in the study are {investment allowance (INVALL) and annual allowance (ANALL)} defined as three components used in the study; this modification will help us investigate the impact of a tax incentive practices and financial performance (FINPER) of listed consumer goods manufacturing companies in Nigeria.

FINPER $= f($INVALL $+$ ANALL$)$ 3.3

And because,
Y = f (FINPER) according to Cobb-Douglas economic production function model and Adekanmi (2015), et al. (2016),
Hence;

$Y = f[($INVALL $+$ ANALL $+ \upsilon)]$ 3.4

Thus:
ROA = βo + INVALL *+* ANALL *+ ʊ.....3.6*
Where;
INVALL = Investment Allowance
ANALL = Annual Allowance
ROA = Return on Assets
β_0 = Constant Term (y intercept)
β = Coefficient of the independent variable
ʊ = Error term (causes of market share or profitability not explained by variables in the model)

Thus, the study developed two multivariate hypotheses models:
The Model: The second hypothesis test model; shows the relationship return on assets between return on assets and investment allowance, tax holiday and annual allowance:
$ROA_{it} = \beta o + \beta_1$(INVALL)$_t + \beta o_2$(ANALL)$_t + ʊ$ *(.05)* 3.7
To make the data uniform and easy to regress and analyse, Data were converted to natural logarithm (log) form as follows:
$NLEPS_{it} = \beta o + \beta_1$(*NL*INVALL)$_t + \beta o_2$(*NL*ANALL)$+ ʊ$ *(.05) 3.9*
$NLROA_{it} = \beta o + \beta_1$(*NL*INVALL)$_t + \beta o_2$(*NL*ANALL $_t + ʊ$ *(.05) 3.10*

Where;
*NL*INVALL = Natural log of Investment Allowance
*NL*ANALL = Natural log of Annual Allowance
NLROA = Natural log of Return on Assets
Gillette and Robert (1992), suggested that in a linear regression equation where both the explained variable and the explanatory variables are in natural logs. Elasticity is a popular tool among empiricists because it is independent of units and thus simplifies data analysis.

Data Analyses and Results Interpretations
Univariate Descriptive Analysis
The table below present the descriptive statistics summary of the data collected for the dimensions of the study investment allowance and annual allowance and measures of the study return on assets which containing mean, median, maximum, minimum, standard deviation, skewness and kurtosis, Jarque-Beta and its statistical probabilities are revealed.

Table 1: Descriptive Statics of the Variables

	INVALL	ANALL	ROA
Mean	148023.9	439161.2	64.51727
Median	160689.0	697624.8	65.88000
Maximum	287707.3	271179.7	112.2100
Minimum	65805.0	43509.8	9.560000
Std. Dev.	729258.5	850991.8	24.42975
Skewness	2.461028	2.0705.5	2.436582
Kurtosis	2.158674	5.8001.1	4.465284
Jarque-Bera	0.714091	11.45376	1.333509
Probability	0.699741	0.003257	0.513372
Sum	16282626	48307732	709.6900
Sum Sq. Dev.	5.32E+12	7.24E+14	5968.128
Observations	20	20	20

Source: Researcher's Statistical Computation from E-view (v.10), 2021

The descriptive statistic of the data are presented. The mean value of investment allowance, and annual allowance are 148023.9 and 439161.2 respectively. Return on asset are 64.51727. The maximum values of the data series, investment allowance and annual allowance are 287707.3 and 271179.7 respectively.
The skewness coefficient which is a measure of the departure of a distribution from symmetry presented in table above shows that the entire data variables have positive skewness value that exceeds 1 (one). This indicates that the entire data variables adopted for the study are normally distributed. Kurtosis result which measures the degree of peakedness or flatness of a distribution in relative terms to a normal distribution confirms that the entire data series are normally distributed and are not platykurtic (not having negative values / flatted curved) as their kurtosis coefficient are greater than three (3).
The p-value for all the variables is significant for the Jarque-Bera statistics [(JB (PValue > 0.05) = Accept Ho (Normal Distribution) and also JB (P Value < 0.05) = Reject Ho (Non-Normal Distribution)].

Result Summary of Unit Root (Stationary) Test
To ensure that the collected data are fit for the study, the stationarity or unit root test was conducted on the data. Using the Augmented Dickey Fuller (ADF) unit root test due to the fact that the data involves time series. According to Gujarat & Porter 2009, the unit root test was performed to ascertain that the time series data are stationary and co-integrated.

Summary Stationary Test Result

Variables	ADF T-Statistic	1% Critical Values	5% Critical Values	10% Critical Values	Prob. Value	Order of Diff. & Intercept	Stationary?
INVALL	-6.896322	-4.582648	-3.320969	-2.801384	0.0008	1(1)	Yes
ANALL	-6.002873	-3.605593	-2.936942	-2.606857	0.0000	1(1)	Yes
ROA	-7.449509	-3.600987	-2.935001	-2.605836	0.0000	1(1)	Yes

Source: Researcher's Result Computation from E-view (v.10), 2021
The summary of unit root (stationary) test statistic of the variables is presented. The results of the unit root test adopting ADF at 1%, 5% and 10% critical levels indicate that all of the time series variables are stationary at first difference 1(1). The critical values at the selected levels showed signs/p-values that are significant and consistent. The test statistic values (ADF' T-statistic) are also greater than the corresponding critical value levels. This confirms to a large extent the stationarity and the co-integration of the data set/variables. The result implies that the adopted variables are consistent, reliable and very appropriate in explaining and measuring the relationship between tax incentives and financial performance of listed consumer goods companies in Nigeria.

Bivariate Analysis and Results Interpretations
Covariance Correlational Matrix Analysis
Table : Covariance Correlational Matrix Analysis
Covariance Analysis: Ordinary
Date: 01/19/21 Time: 04:08
Sample: 2009 2019
Included observations: 3

Correlation Probability	NLINVALL	NLANALL	NLROA
NLINVALL	1.000000		

NLANALL	0.571066	1.000000	
	0.0081	-----	
NLROA	0.540506	0.621448	1.000000
	0.0360	0.0010	-----

Source: Researcher's Statistical Computation from E-view (v.10), 2021.

The above shows that the correlation between the predictor variables and the criterion variables are strong, positive and significant. This is supported in literature by emphasis on basic tax incentives and financial performance over the period in review. The positive and statistically significant association of the variables explains the impact of tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria. None of the pairs of correlations among the predictor variables is linearly perfectly correlated. This signifies the absence of multi-collinearity.

Multivariate Analysis and Results Interpretations

Lease square Data Regression Analysis

The Model: The second hypothesis test model; shows the relationship between return on assets and investment allowance and annual allowance:

$NLROA_{it} = \beta o + \beta_1(NL\text{INVALL})_t + \beta o_2(NL\text{ANALL}_t + \upsilon$ *(.05) 3.10*

Dependent Variable: NLROA
Method: Least Squares
Date: 07/25/21 Time: 06:16
Sample: 2009 2019
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLINVALL	4.85E-05	1.40E-05	3.457332	0.0106
NLANALL	4.42E-07	7.91E-07	2.559503	0.0133
C	21.70100	16.04858	1.352207	0.2184

R-squared	0.639079	Mean dependent var	64.51727
Adjusted R-squared	0.484399	S.D. dependent var	24.42975
S.E. of regression	17.54188	Akaike info criterion	8.842347
Sum squared resid	2154.022	Schwarz criterion	8.987036
Log likelihood	-44.63291	Hannan-Quinn criter.	8.751140
F-statistic	4.131611	Durbin-Watson stat	1.810849
Prob(F-statistic)	0.000719		

Source: Researcher's Statistical Result from E-view (v.10), 2021.

The presents the least square result where the criterion variable, return on assets is expressed as a function of investment allowance and annual allowance. The result presented above further reveals that the coefficient of return on assets is positively related to investment allowance and annual allowance and are statistically significant (0.0106) and (0.0133) respectively at 5 percent significant level.

The result showed that the coefficient of determination (R^2) which measures the goodness of-fit is 0. 6390, meaning that 64 percent of the variation in the dependent variable (ROA) can be explained by the predictor variables. The result indicates that the model is proper and adequate for the study. The model goodness of fit and appropriateness is also supported by the outcomes

of F-statistics and probability of F-statistics of 4.131611 and 0.000719 respectively. The Durbin-Watson statistics of 1.810849 also indicates the absence of serial autocorrelation.

Summary of Null Hypotheses Result Findings of the Second Model Tested at 0.05 Level of Significance

HO_1: There is significant relationship between investment allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.
HO_2: There is significant relationship between annual allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.

Analysis on the Moderating Variable

Correlations

Control Variables			TIP	FINPER
SHACAP	TIP	Correlation	1.000	.798
		Significance (2-tailed)	.	.002
		df	0	8
	FINPER	Correlation	.798	1.000
		Significance (2-tailed)	.002	.
		df	8	0

Source: Researcher's Statistical Result from SPSS V.23, 2021.

From the output of the partial correlation explains that, share capital bears a significant influence on the relationship between tax incentives and financial performance and of listed consumer goods manufacturing companies in Nigeria. The correlation coefficient of 0.798 means that, share capital positively influences the interplay of tax incentives practices and financial performance as depicted by the probability level of 0.002 which is lesser than the chosen alpha level of 0.05, thus leading to the rejection of the null hypothesis and accepting the alternative hypothesis. Hence, there is significant influence of share capital in the relationship between tax incentives practices and financial performance in listed consumer goods companies in Nigeria.

Summary Results Findings

Summary Computation of Hypotheses Results

Hypotheses	Coefficient	T-Stat	P-Value 0.05	Statistical Decision	Remark
$H0_1$	4.85E-05	3.457332	0.0106	Significant	Rejected $H0_4$
$H0_2$	4.42E-07	2.559503	0.0133	Significant	Rejected $H0_6$
$H0_3$			0.002	Significant	Rejected $H0_7$

Source: Researcher's Computation, 2021

From the summary of hypotheses on the table above the result of the hypotheses of the study were presented in line with the statistical decision rule**: '**if the probability value (PV) in is less than 0.05 alpha level, we Reject the null hypotheses and accept significant relationship. Meanwhile, if the probability value (PV) is greater than 0.05 alpha level, we accept the null hypothesis and accept insignificant relationship'. Hence:

$H0_1$ There is positive and significant relationship between investment allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.
$H0_2$: There is positive and significant relationship between annual allowance and return on assets of listed consumer goods manufacturing companies in Nigeria.

$H0_3$: There is significant influence of share capital in the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria.

CONCLUSION

A tax incentive is a deliberate reduction in or total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable ways. This study concludes that consumer goods companies in Nigeria are privileged to enjoy certain tax incentives from the government. This, therefore, increases the financial performance of manufacturing firms. Furthermore, tax incentives increase the availability of funds to finance capital projects among manufacturing firms in Nigeria. This therefore increases firms' growth and, invariably, the economy as a whole. Also, in conclusion, as evident in the selected samples, tax incentives do not necessarily increase the productivity level of firms in Nigeria. This research clearly confirms that tax incentives are germane to the growth, development and continued sustenance of the consumer goods industry. However, most of the tax incentives that are available in the tax law are not enjoyed by consumer goods companies.

Therefore, the study concludes that there is a positive and significant relationship between investment allowance and return on assets. Also, there is a positive and significant relationship between annual allowance and return on assets, and finally, there is a significant influence of share capital on the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria.

RECOMMENDATIONS

Based on the synopsis of the findings and conclusion, the study advances the following recommendations:

1. To continually maintain a high return on assets for the consumer goods manufacturing industry and foster economic development. Captains of industry and the government should encourage investment by formulating and enacting laws that increase the rate of investment allowance from 15% to 20% on plant and machinery used in manufacturing businesses.
2. No doubt, manufacturing companies are benefiting financially from annual allowances. Also, the tax authorities should consider proportionately increasing annual allowances if the period for a year of assessment happens to be a period of more than one year. This will attract more investors, thereby improving the economic growth of the country.
3. Manufacturing companies should inject more capital in order to continually benefit from government tax incentives to increase their financial performance.

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