International Journal of Management Studies, Business & Entrepreneurship Research
ISSN: 2545-5893(Print) 2545-5877 (Online)
Volume 6, Number 1, March 2021
http://www.casirmediapublishing.com

TAX INCENTIVE AND FOREIGN DIRECT INVESTMENTS (FDI) IN NIGERIA

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ABSTRACT

This study examined the impact of tax incentives on FDI in Nigeria. Eleven firms taken for study for over the period of 1998 to 2017 were sampled. Descriptive statistics and Pearson correlation were used in analysis and to establishing the preliminary relationship between the variables and finally the Ordinary Least Square (OLS). Multiple regression was also used to establish the effect of the tax incentives of FDI. The study has established evidence of tax incentives in attracting FDI in Nigeria. All the variables were positively significant at various levels of significance except infrastructure development, which was negative and insignificant.

Key words: Tax Incentive, Foreign Direct Investment (FDI), Economic growth, Nigeria

INTRODUCTION

Foreign Direct Investment (FDI) is widely regarded as a potential source of funding growth and development in both the developing and developed nations (Blomstrom & kokko, 2003). Nwankwo (2013) states that FDI creates employment and acts as a vehicle of technology transfer, providing superior skills and management techniques, facilitates local firm's access to international markets and increases product diversity. Ayanwale (2012) observes that most countries strive to attract FDI because of its acknowledged advantages as a tool of economic development. Again, this view is supported by Nwankwo (2013) that FDI is an engine of economic growth and development in Africa. Nigeria joined the rest of the World in seeking FDI as evidenced by being part of the New Partnership for Africa's Development (NEPAD).

Foreign Direct Investment is attracted by many factors such as availability of natural resources. This infers the strategic initiatives for FDI by governments across the world to boost their economies. Because of this, many studies were devoted to the techniques of how best to attract FDI, one techniques being the use of tax incentives (UNCTAD, 2000; UNCTAD, 2009; OECD, 2002; Blomstrom & Kokko, 2003). Nigerian Government is not left behind on initiating number of investment incentives to stimulate the private sector within and outside the country. Fakile and Adegbile (2011) capture the incentives to include free duty on equipment, initial capital allowance and tax holidays. While some of these incentives cover all sectors, others are limited to some specific sectors. The nature and application of these incentives have been considerably simplified.

Taxation can be described as the bedrock of economies for the fulfillment of public responsibilities and an important tool for policy formulation, while investors have used it to determine their foreign investment destination, based on its sensitivity to FDI. According to Modugu, Eragbe and Izedonmi (2012), taxation goes hand in hand with economic growth and veritable tool of governments to deliver essential services and to make long-term investments in public goods. However, sometime, government waive taxes in form of tax incentives in exchange for certain gains. Modugu et al. (2012) state that as part of the effort to provide an enabling environment that is conducive to the growth and development of industries and encouragement of FDI, the Federal Government of Nigeria has developed a package of tax incentives for various sectors of the economy. These tax incentives are granted on industry basis or on tax type and may include exemption from payment of taxes (tax holidays), reduction in the rate of tax to be paid, grant of allowances and deductions from profits subject to tax, exemption of tax on Non –Nigerian employees of foreign companies, exemption from capital gains tax on disposal of assets etc.

The rationale behind granting of tax incentives is to exploit investment opportunities, where the tax system is seen as an obstacle (Klemm & Parys, 2009). They are also used to improve social welfare of the community, for example, granting incentives related to health, education or saved for future use (Klemm & Parys, 2009). On the other hand, they can also be used to discourage certain activities like overproduction of agricultural produce resulting in instability in prices (Klemm & Parys, 2009). Or the sale of harmful products like tobacco or alcohol. Attracting FDI by means of tax incentives is strategic to economic growth and development, this agrees with Modugu, Eragbe and Izedonmi (2012) who argues that taxation goes hand in hand with economic growth and a veritable tool of governments to deliver essential services and to make long-term investments in public goods. It is noteworthy that Governments also waive taxes in exchange for gains arising for certain

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FDI investment. This is done in form of tax incentives. Therefore, as part of the efforts to provide an enabling environment that is conducive to the growth and development of industries and encouragement of FDI, the Federal government of Nigeria has provided a package of tax incentives for various sectors of the economy.

It has been argued that FDI is not responsive to tax incentives, it is still an appropriate target for taxation by the host Country, which can raise revenue without sacrificing the economic benefits of FDI. If, however, the volume of FDI declines with taxation, the host country must consider the tradeoff between the possible revenue gains from increased taxation and the economic costs of discouraging FDI. It is on the strength of the above argument that Nwankwo (2013), Edmiston, Mudd, and Valev (2013), opined that government seek FDI by offering tax incentives for firms, consistent with literature evidence on the influence of tax rates in explaining cross-country investment, although some argue that the effect is minimal. On the other hand, Edmiston, Mudd, Valev (2013), stated that there is no complete story as some FDI receive a windfall from tax incentives as they would still have invested without it. They argued that sometimes offering tax incentives may reduce the level of the investment, in the host country, if the tax burden falls on the other FDIs that are not benefiting same. This would be the case if the host country provides a certain level of services, the cost of which increases in the number of economic agents. However, effective tax incentives for FDI, must attract industries that impact positively and significant on the economy of the host country inform of improved GDP and higher tax revenue.

The flow of FDI to the Nigerian Economy is low relative to other countries in Africa even with the presence of tax incentives (UNCTAD, 2014). The report indicates that out of the 57 billion dollars FDI inflows to Africa, Nigeria inflows stands at 5.6 billion US dollars (10% of total FDI to Africa). The Oil and Gas sector receives 75% of FDI inflow, while other sectors receive 25% (Corporate guide, 2012). The negative effect of the weak manufacturing sector is felt when the revenues from the Oil and Gas sector are threatened. Factors that have deterred investment in the Oil and Gas Sector in the past include the unrest in the Niger Delta (Corporate Guide, 2012).

LITERATURE REVIEW

FDI is viewed as how an investor exercises de factor or de jure control of at least 10 per cent or more interest in an enterprise's voting rights (Jhingan, 2012). Farrell (2008) define FDI as a package of capital, technology, management and entrepreneurship, which allows a firm operate and provide goods and services in a foreign market. Another type of foreign capital flow is indirect investment, often called "portfolio" or "rentier" investment, which consist mainly of holdings or transferable securities that do not amount to right of control of the investment or company. FDI may come in the form of vertical (inter-industry), with vertical spillovers through forward and backward linkages with domestic companies. It can also take the form of horizontal (intra-industry) with horizontal spillovers. Horizontal FDI access advances to competing domestic firms that operate in the same market and seeks to take advantage of a new large market; horizontal FDI replicates the whole product process of the home country in a foreign country.

Oseghale and Amonkhienan (1987) finds that FDI has positive impact on GDP, which implies that FDI inflow enhances economic performance of host country. It has also been reported about a positive spillover of foreign firms on domestic firms' productivity in the literature. FDI is also a source of valuable technology and know-how through direct or indirect linkages with local firms with the potential of jumpstarting economic growth (Melnyk, Kubatko and Pysarenko, 2014). However, Alfaro (2003) questions the peculiarities of FDI and the incentives offered to foreign firms in practice as empirical evidence suggests that FDI's positive impact on domestic firms of host countries is ambiguous in all economic ramification. In support of this fact, Hanson (2001) argues that evidence that FDI generates positive spillovers for host countries is weak. Although the theoretical work on FDI points to advantages, conceivably, spillovers could nevertheless be small. On the other hand, it could be that we are looking in the wrong places (Alfaro, 2003). Further, Akinlo (2004) finds foreign capital to be not statistically significant on Nigeria's economic growth.

Organization for Economic Co-operation and Development (OECD), (2008) defines FDI as incorporated or unincorporated enterprise in which a single foreign investor either owns 10 per cent or more of the enterprise voting right or if less than 10 per cent then effective voice in management of affairs in the enterprise. In simple terms, FDI occurs when there is investment in a business entity by investors from another nation; cross border investment. On this basis, the economy of Nigeria continues to see significant growth in the wake of global recession, stimulated by the ever increasing global demand for crude oil and the price per barrel. According to Albaladejo (2003), oil extraction is vital for the development of many developing countries. Yet high dependency to it is considered inappropriate for sustainable economic growth as the sector is often badly affected by changing world prices.

Albaladejo (2003) stated that petroleum was first discovered in 1956, and since then it has become vital to the Nigerian economy and the most important source of government revenue and foreign exchange. Literature has also linked FDI inflow in Nigeria to the availability of crude oil. The place of FDI in economic growth and development, for particularly developing economies, is central. Adeola (2003), supported this view, and argued that this requirement for technological sophistication and specialized skills necessitates the need for FDI. Albaladejo (2011); Morisset (2013), in their studies on FDI in Nigeria, supported the view that Nigeria's total oil exports are relatively large compared to other oil-exporting countries. It accounts for more than 12 per cent of world market share for oil. Adeola (2011) stated that this is however lower than other oil producing countries in Africa including Angola which has focused on improved infrastructure and sector diversification away from primary oil production. This is contrasted with Nigeria as growth in the FDI was largely oil and gas sector driven with a few non-oil sectors in the areas of telecommunications, banking and Financial Services and Real estate. This view was supported by Ayanwale (2012), which opined that the inflow into the oil sector witnessed a dramatic surge as a result of the *Nigerian Investments Promotion Commission Act cap n.117 (1995), LFN.*

Ayanwale (2012) further stated that the process of privatizing and commercializing public enterprises which the Nigerian National Petroleum Corporation and its subsidiaries were put up for sale was responsible for the sharp upward inflow into the oil sector between 1993 and 1995. The upward trend was pushed further by the promulgation of the NIPC decree in1995. Nigeria's share of FDI inflow to Africa averaged around 10%, from 24.19% in 1990 to a low level of 5.88% in 2001 up to 11.65% in 2002. Ayanwale (2012), postulates that FDI is an important vehicle for the transfer of technology, contributing to growth in larger measure than domestic investment.

Empirical studies on tax incentives and FDI have been carried out in Nigeria but they have been inconclusive. An investigation on the determinant factors of FDI and analyze whether or not some selected factors such as tax incentives, availability of natural resources, macro – economic stability, market size, openness to trade, infrastructural development and political risk have impact. Miao and Wang (2009) conducted a study on the effectiveness of corporate income taxes on stimulation of investment. The study concluded from preliminary studies that the Nigerian tax and royalty fiscal terms have a significant effect on the following profitability index: Actual Value Profit, Discounted Cash flow rate, present value profit and maximum cash impairment; this invariable affects the competitiveness of Nigeria for foreign direct investment.

Ordu (2016) carried out a research on the impact of Tax incentives on economic development in Nigeria that is seen in terms of industrial growth in the nation in the period 2004 to 2014. The population of the study includes 51 respondents drawn from taxpayers, management and members of staff of some selected manufacturing companies in the South South geo-political zone of Nigeria and Federal Inland Revenue Services. Twenty-eight (28) respondents returned copies of questionnaire out of the 30 administered. Spearman's Rank Correlation Coefficient (rho) statistical tool was used in testing the hypothesis using Statistical Package for Social Sciences software (SPSS). It was found that tax incentives encourage industrial growth. Government should not focus on the revenue that may be lost at this point because in the long-run the benefit surpasses what is lost at the initial time.

George and Bariyima (2015) carried out a research on Tax Incentives and FDI in Nigeria given its the significance for economic growth. Data were drawn from annual statistical bulletin of the Central Bank of Nigeria and the World Bank World Development Indicators Database. Tax incentive variable was significant and negative. Gumo (2013) carried out a research on the effect of tax incentives on foreign direct investments in Kenya. In his research, it was discovered that FDI creates employment and acts as a vehicle of technology transfer, provides superior skills and management techniques, facilitates local firm's access to international markets and increases product diversity. The study sought to establish the effect of tax incentives on Foreign Direct Investments in Kenya. The study was descriptive and adopted a descriptive research design which was used to give the researcher a comprehensive picture of the variable relationship since the method is the only means of accurately measuring and giving statistical inferences.

Fernando (2009), conducted a study on the impact of tax incentive on the performance of oil sector using primary data, data were estimated using regression analysis. The findings reviewed that the there is a relationship between tax incentive and the performance of oil sector. It was recommended that oil producing sectors should ensure that they take advantage of their tax incentives so as to increase their performance. Coleman (2008) conducted a research on the impact of tax incentives on industrial development. The study was carried out using primary data and was also analyzed using regression analysis. The findings revealed that there is a significant relationship between tax incentives and industrial development corporate governance and corporate performance. It is recommended that tax incentives should be granted to industries especially new industries for their development.

Grubert and Mutti (1991), Loree and Guisinger (1995) and Kemsley (1998) document the significant influence of corporate taxes of host countries on FDI. Low company income tax rate has been used as a measure to attract foreign investment (Fakile & Adegbile, 2011). Nigerian government at many occasions tempered with company income tax rate to stimulate investment. Between 1987–1991 the rate was reduced from 45 percent to 40 percent, between 1992 – 1995 was reduced to 35 and now 30 percent since 1996. Okoi and Edame (2013) reports high corporate tax as obtain in Nigeria is counterproductive for economies. Ekpung and Wilfred (2014) buttress the fact that high corporate tax as unfavorable to economic growth and discourages FDI. Nigerian companies with a minimum of 25 percent foreign equity have enjoyed tax holidays for periods of time. Biggs (2007) confirms that 75 percent of countries offers tax holidays to firm ranging between 5 – 15 years. For instance, corporate tax incentive, inform of tax holiday has been extended to foreign firms.

Double taxation is an obstacle to FDI flourishing in particularly developing or the underdeveloped economies. It has been proved, statistically, that a positive correlation exists between double taxation treatise and FDI inflow in developing countries. Proponents argued that double taxation treaty is beneficial as it allows businesses to operate with a higher degree of certainty than otherwise could have been. Egger et al. (2004) state that investors appreciate fiscal assurance that enhances returns from investment unaffected by double taxation from home and abroad. In a recent development Nigeria has entered into double taxation treaty with a number of countries in Europe and Asia (Spain, South Korea and Sweden) to enhance trade (Oyedele, 2016).

RESEARCH METHODOLOGY

This research seeks to evaluate the impact of tax incentive on foreign direct investment in Nigeria. The study covers the thirteen (13) listed oil and gas sector in Nigeria over the period of 1998 to 2017 as presented i.e. oil marketing companies who's their financial statements are readily available. In this regard, only eleven firms were sampled, where two companies were drops owing to data non availability, hence, were excluded. Secondary data were extensively utilized in this study. The secondary data were manually gathered from Central Bank of Nigeria (CBN) publication on major economic, financial and banking indicators, CBN publications on monetary policy, surveillance activities and operations, CBN annual report and statement of account and Federal Ministry of Finance reports while other form of the data were also extracted from Organization of Petroleum Exporting Countries (OPEC) annual statistical bulletin and UNCTAD reports for 1999 to 2017.

In order to analyze the data obtained for the effect of tax incentives on the attraction of FDI in Nigeria, descriptive statistics were used to test the normality of the data while Pearson correlation were used in establishing the relationship between the variables and finally the Ordinary Least Square (OLS) Multiple regression was also used to establish the effect of the tax incentives of FDI. The tax incentive is measured by the average tax rate, which is the average of effective tax rate and presence of tax incentive. The presence of tax incentive is scored as 1 and 0 for otherwise as used by Buettner and Ruf (2005); Edmiston, Mudd and Valev (2003). Availability of natural resources was proxy with total annual export in oil and gas as a percentage of GDP as in Morisset (2013). Market size is measure by the annual real GDP growth rate as in Ayanwale (2012). Openness to trade was proxy with export plus import as a percentage of GDP as used in Edmiston, Mudd and Valev

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(2003), Infrastructural development was measured by electricity consumption per capital as used by Ayanwale (2012).

The statistical regression model adopted by this study was stated thus:
FDI=f (TAXI): .... (i)
$FDI = \beta_0 + \beta_1 TAXIt + \beta_2 NAR_t + \beta_3 MAS_t + \beta_4 TRO_t + \beta_5 IND_t + e_{t:}$ .... (ii)
Where FDI = Foreign Direct Investment, TAXI = Tax Incentives, NAR = Natural Resources, MAS = Market Size, TRO = Trade Openness, IND = Infrastructural Development

RESULT AND DISCUSSION

The result of the analysis of data relating to the research questions and hypotheses in the study are presented here. The descriptive statistics used mean and standard deviation to measure the dispersion, deviation or how far an average is the representative of the mass. And the mean deviation was used to explain the reliability of the variables. Pearson coefficient of correlation was used to determine the relationship between the variables while multiple regressions was used to test the study hypotheses on the influence of the explanatory variables on the dependent variable as presented under the following subsections.

Descriptive statistics of dependent and independent variables

Variables	Mean	Std. Deviation
FDI % of GDP Oil	5.9690	10.34625
Tax Incentives	1.3103	0.55099
Natural Resources	0.0025	0.00403
Market Size	7.1510	13.85551
Openness to Trade	0.2783	0.045057
Infrastructural Dev.	1.01717	2.664567

Source: *Stata output 2019*

The above Table shows the result of the descriptive statistics which indicates a mean of 0.6206 with a standard deviation of 1.1019 for FDI. On the other hand, the mean value of tax incentive during the period under consideration was about 1.31 and the standard deviation of 0.5509 which less than the mean The result shows that availability of tax incentive triggers foreign investment in oil and gas sector of Nigeria.

The result in respect of availability of natural resources shows a mean value of 0.0025 and a low level of standard deviation at 0.00403. While market size has a mean value of 7.15with a high standard deviation of 13.85. On the contrary, openness to trade has a mean of 0.2783 with a lower standard deviation of 0.04505 suggesting the relevance of this variable in attracting FDI in oil and gas sector in Nigeria. While the descriptive statistics result of infrastructural development shows a mean value 1.01717 and a standard deviation of 0.2664 which is rather high and of little effect in attracting FDI.

Correlational Statistics of the variables of study

The following table presents the correlation matrix table where the relationship of the independent variables and the dependent variable is analysed and also between independent variables and themselves.

Pearson Correlations of tax incentives of FDI

Variables	FDI	TAXI	NAR	MARS	TRO	IND
FDI	1.00					
TAXI	0.032	1.00				
NAR	0.152	0.060	1.00			
MARS	0.134	0.011	-0.246*	1.00		
TRO	0.235*	0.137	0.043	0.283*	1.00	
IND	0.027	0.442*	0.089	0.041	0.263*	1.00

Source: *Stata computation 2019*

The Table indicates that there is a positive relationship between tax incentives and FDI in the oil and gas sector and the relationship is statistically insignificant at a Pearson correlation 0.032 at 0.05 level of significant. Again, there is positive and insignificant relationship between FDI and availability of natural resources as shown by the coefficient of 0.152 which is statistically insignificant at 5% level of significant. Further, a positive but insignificant relationship exist between FDI and market size of the economy as supported by the coefficient of 0.134 which is insignificant at any level of significant. However, positive and significant relationship exists between FDI and trade openness as indicated by the Pearson coefficient of 0.235 which is statistically significant at 5% level of significant. While the result shows that infrastructural development positively but insignificantly relates with foreign direct investment as supported by the coefficient of 0.027 which is statistically insignificant.

The analysis with respect to the correlation among the independent variables shows that availability of natural resources, market size and trade openness has positive but insignificant relationship with tax incentives while infrastructural development has positive and significant relationship with tax incentives. However, negative and significant relationship exists between availability of natural resources and market size while trade openness and infrastructural development has positive but insignificant relationship with availability of natural resources.

The table also shows that there is positive and significant relationship between market size and trade openness while infrastructural development has positive but insignificant relationship with market size. However, trade openness relates positively and significantly with infrastructural development. The relationship between these variables shows that there is no presence of multicollinearity because most of the relationship between the variables are insignificant but even those that are significant the coefficient that measures the level of relationship is less than 0.5 (50%) which shows the relationship is not high and therefore the variables are properly selected and the findings from the study can be relied upon.

Regression result

The regression result on the influence of the dependent variable of tax incentives (TAX) on the independent variables of foreign direct investment (FDI) and the control variables of Natural Resources (NAR), Market Size (MAS), Trade Openness (TRO) and Infrastructural Development (IND) is presented under this section.

Regression Result on the effect of tax incentives on foreign direct investment

Variables	Coefficients	z-values	p-values
Intercept	0.325741	2.74	0.000
Constant	0.632528	3.26	0.000
TAXI	0.2725268	2.86	0.004
NAR	0.1573108	2.43	0.028
MARS	0.2281615	1.83	0.033

TRO	0.135865	2.00	0.047
IND	0.0086838	-0.52	0.604
R^2			**0.4461**
F-Statistics			**12.02**
F-Sig			**0.000**

Source: *Stata output, 2019*

The cumulative R^2 of 0.4461 which is the multiple coefficient of determination that gives the proportion or percentage of the total variation in the dependent variable as explained by the explanatory variables jointly. Hence, it signifies that 48% of total variation in the foreign direct investment in Nigeria is caused by the collective effort of tax incentive, availability of natural resources, market size, openness of trade and infrastructural development. This further indicates that, the model is fit, variables properly selected, combined and used in the study. This is statistically supported by the F-statistics coefficient of 12.02 and a p-value of 0.000 which is statistically significant at 1% level of significance.

The result show that tax incentive has positive and significant influence on FDI in Nigeria this is supported by the coefficient of 0.2725268 and a P-value of 0.004 which is statistically significant at 1% level of significant. This implies that for any 1% increase in the tax incentives to the sampled firm the foreign direct investment increases by 27% when other variables are held constant. This further suggest that tax incentives play vital role in investment decision especially foreign direct investment as opined by Fakile and Adegbile (2011); Morisset (2013) that tax incentive is a tool to attract FDI. The result of this study is in line with the findings in Edmiston, Mudd and Valev (2003), which concluded that tax incentives have a simulative effect on FDI, but only when well-targeted. This result supports the findings in Buettner and Ruf (2005), which explained that the statutory tax rate shows a significant positive impact on FDI. Base on the result presented in table 4.5 on the influence of tax incentives on FDI the null hypothesis (Ho1) formulated in chapter one is rejected and concludes that that tax incentives has positive and significant influence on foreign direct investment in the sampled firms in Nigeria.

The result with respect to the control variable of natural resources availability shows that it has a positive and significant influence on FDI of the sampled

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http://www.casirmediapublishing.com

listed firms in Nigeria which is supported by the coefficient of 0.1573108 and a P-value of 0.028. the result further suggests that for any 1% increase in the availability of natural resources in the economy other variables held constant will lead to 16% increase in FDI of sampled listed firms in Nigeria. This result is supported by the findings of Morisset (2013); Edmiston, Mudd and Valev (2003) which concludes that availability of natural resources encourage foreign investment in Nigeria. The study therefore rejects the null hypothesis and conclude that there is significant influence of availability of natural resources on the attraction of FDI in the sampled firms in Nigeria.

On the market size in terms of economic growth has positive and significant influence in attracting FDI to Nigeria. This was indicated by the coefficient of 0.2281615 and a P-value of 0.033 which is statistically significant at 5% level of significant which further shows that for every 1% increase in the market size other variables held constant will lead to 23% increase in the FDI of the sampled companies listed in Nigeria. This result supports the findings of Oyatoye *et al* (2011), Ayanwale (2012) and Buettner and Ruf (2005whose findings shows a positive and significant influence of market size on FDI of the sampled firms in Nigeria. However, it negates the findings of Morisset (2013) who found that market size has no significant influence of FDI as impressive rate of economic growth will be taken as a favourable signal by foreign investors when making investment decisions. The study hypothesis three is rejected and the study concludes that market size has positive and significant influence in attracting FDI to Nigeria.

There is positive and significant influence openness to trade on FDI of the oil and gas sector in Nigeria. This was indicated by the coefficient of 0.135865 and P-value of 0.046 which is statistically significant at 5% level of the significant. The result further shows that for any 1% increase in trade openness of the country other variables held constant will lead to13.6% increase in the FDI. The result is in support of the findings of Asiedu (2001) Edmiston, Mudd and Valev (2003), which concluded that more open economies and those with greater endowment of natural resources receive more investment. The study base on the regression result presented in table 4.5 reject the null hypothesis which states that openness to trade has no significant influence of FDI of the listed firms in Nigeria.

The result in terms of infrastructural development shows positive but insignificant influence on foreign direct investment of the samples companies in Nigeria. This was supported by the coefficient of 0.0086838 and a p-value of 0.609 which is insignificant it further suggests that a percent increase in infrastructural development will to less than 1% increase in the foreign direct investment of the samples firms during the year under review. The study therefore accepts the null hypothesis and conclude that infrastructural development has no significant influence in attracting FDI to Nigeria. This result negates the findings in Ayanwale (2006), which calls for constructive attention to be given to infrastructure especially power generation and distribution to enhance economic power.

CONCLUSION AND RECOMMENDATION

Based on the above findings it is concluded Tax incentives positively influences the living standards and per capital income, and expand variety of goods available to consumers. This study has found compelling evidence of the usefulness of tax incentives in attracting FDI especially in the oil and gas sector listed in Nigeria. The following recommendations are made: Special incentives should be given to critical sectors of the economy which can be as a form of initial investment allowance or tax holidays that will encourage investors to focus on investing in these sectors especially oil and gas sector. Government should liaise with the relevant agencies in identifying the required natural resources available that will trigger the foreign direct investment and such area should be secured so that investors should have stability and peace in the area. The size market should be increased in order for investors to invest their maximum capacity in the area of oil and gas exploration which in return will generate income and employment opportunity for the country. Government should strengthen the existing policies of international trade so as to enable foreign investors has confidence and hope in the sustainability of their investment. Constructive attention should be given to infrastructure especially power generation and distribution to enhance economic growth in Nigeria.

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International Journal of Management Studies, Business & Entrepreneurship Research
ISSN: 2545-5893(Print) 2545-5877 (Online)
Volume 6, Number 1, March 2021
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APPENDIX A
POPULATION OF THE STUDY

S/No.	Company Name	Year of Incorporation	Year of Listing
1	11 Plc. (formerly Mobil Plc.)	1951	1978
2	Anino International	1983	1984
3	Capital Oil	1979	1979
4	Caverton offshore Support Group	2008	2008
5	Conoil	1963	1971
6	Eterna	1989	1997
7	Forte Oil	1964	1977
8	Japaul Oil & Maritime Services	1994	1997
9	MRS Oil Nigeria	1969	1979
10	Oando	1956	1992
11	Rak Unity Petroleum	1982	1989
12	Seplat Petroleum Development	2009	2009
13	Total Nigeria Plc	1956	1992

APPENDIX B
SAMPLE OF THE STUDY

S/No.	Company Name	Year of Incorporation	Year of Listing
1	11 Plc. (formerly Mobil Plc.)	1951	1978
2	Anino International	1983	1984
3	Capital Oil	1979	1979
4	Conoil	1963	1971

5	Eterna	1989	1997
6	Forte Oil	1964	1977
7	Japaul Oil & Maritime Services	1994	1997
8	MRS Oil Nigeria	1969	1979
9	Oando	1956	1992
10	Rak Unity Petroleum	1982	1989
11	Total Nigeria	1956	1992