International Journal of
Development Strategies in Humanities, Management and Social Sciences | IJDSHMSS
ISSN Hard Print: 2360-9036 | ISSN Online: 2360-9044 | Volume 7, Number 1 May, 2017

Tax Incentive as a Real Modifier for Industrial Growth and Development in Nigeria

[1]**Abdulrahman, S.** & [2]**Kabir, M. K.**
[1&2]*Department of Accounting, Faculty of Social and Management Sciences*
Bauchi State University, Gadau, Bauchi State, Nigeria

Abstract

The study looked at tax incentive as a real modifier for industrial growth and development in Nigeria. The study was primarily undertaken to evaluate the effectiveness of tax incentives in developing the Nigerian economy and the extent to which individuals and companies have been responding to the incentive scheme, and how these incentives have been stimulating and motivating these bodies on employment opportunities. An empirical study was employed by using a well-structured questionnaire to assess the relationship that exists between tax incentives, industrial development and economic growth among the four different incorporated industries and firms selected in Jos, Plateau State having considered the type of incentives offered to them by the government. A total number of seventy-five (75) questionnaires were specifically administered to the top and middle management staff (CEO's managers and Accountants) of these industries and firms and a total number of (60) sixty were retrieved. The hypotheses formulated were tested by using the chi-square (X^2) method and it was discovered that the tax incentives granted were inadequate to sustain the desired development for which it was granted. Finally, recommendations were made as regards the variables which will enhance tax incentives towards industrial development and economic growth because Tax incentives create employment opportunities for the people and it helps to fight economic depression and inflation thereby increasing the equitable distribution of income and wealth. So, the government should provide such tax incentives in order to boost development which will bring about an increase in employment opportunities and also cause an improvement in the economy.

Keywords: *Tax Incentives, Industrial Development, Economic Development, Chi-square, Questionnaire*

Corresponding Author: Abdulrahman, S.

http://internationalpolicybrief.org/journals/international-scientific-research-consortium-journals/intl-jrnl-of-development-strategies-in-humanities-vol7-no1-may2017

Background to the Study

Tax incentive is a strong fiscal policy which can stimulate investment and savings leading to capital formation thereby enhancing industrial growth and economic development. Nowadays issues of tax are increasingly becoming sophisticated topic of discussion more especially during the past decade and have yielded conflicting results as regards the tax matter. The mode by which industrial development and economic growth can be effectively, efficiently, stimulated and developed is very demanding. As a result of this, the government charges less tax and gives tax holidays in order to encourage investments and economic activities in those areas which help to improve production capabilities, activate economic growth as well as the allocation of resources in a socially desirable manner.

Tax studies offer little guidance to policy makers who are concerned about tax rates or tax offerings and the effectiveness of employing tax incentives as an economic and developmental tool and some studies focus on the cost and benefit of tax incentives (Amadiegwu 2008) while a few look at whether public funds could have been better spent or if tax incentives were economically justified (Dotun & Sanni 2009).

Taxation is a process or means through which communities or groups are made to contribute a part of their income for the sole purpose of societal administration while tax, is a compulsory levy levied on the people at a given place for the sole purpose of government revenue for government expenditure (Amadiegwu 2008). Tax incentive itself, is the use of government spending and tax policies to influence the level of national income. This measure encourages the springing up and gradual growth of new enterprises by the reduction of profit tax, which in turn encourages production, influences the production level and curbs unemployment.

So many empirical studies such as Amadiegwu (2008), Dotun and Sanni (2009) have shown different views on tax incentives as a catalyst for economic growth and industrial development. Dotun and Sanni (2009) opined that a tax incentive encourages economic growth and industrial development while some other scholars believe that it reduces revenue accruable to the government. As a result of this, it does not stimulate the economy. Therefore, the study seeks to examine the criteria for deserving tax incentives, Unfold how the industries and firms have been responding to the provision of the incentives scheme, Assess the implication of the tax incentive, Ascertain how these incentives have been stimulating and motivating these bodies to establish industries and firms which will in turn create employment opportunities thereby stimulating industrial development and economic growth, Examine how this scheme has helped existing industries and firms in expanding their areas of operation in Jos, Plateau State and finally to examine the peculiar nature of tax incentives that are extended to deserving companies and the interaction that exists between the tax incentives in Nigeria by using selected industries and firms in Jos, Plateau State.

The following research hypotheses have been formulated as shown below: Ho_1: Industries that benefit from tax incentives do not develop better than industries that do not benefit from tax incentives. Ho_2: The tax incentives granted by the government to industries and firms is not considered as an economic booster. Ho_3:Tax incentives cannot be used to off-set other disadvantage that investors may face.

The benefits expected from these incentives should be able to justify the cost with the following benefits: tax incentives will help the small scale industries to spring up and aid in the expansion of existing ones thereby improving the standard of living of the populace and its surrounding environs, increasing urban and rural development, it will helps industrial development and economic growth to be in place and finality it will be of paramount importance to researchers and the society at large. The study covers the tax incentives as a modifier for industrial development and economic growth. The research study will be limited to the use of questionnaires and oral interviews when appropriate and to a review of related literature that could provide an insight into the impact of tax incentives on industrial development and economic growth. Data collection will be restricted to four industries and firms in Jos, Plateau State which are Nasco Foods, Grand Cereals, AMO BING, and Bottling Company all in Jos, Plateau State.

Review of Related Literature

This section reviews some previous studies and theories aimed at providing an analytical framework for the study on Tax incentive as a modifier for industrial development and economic growth of some selected companies in Nigeria. Tax incentive is a paramount package designated by government to encourage some sectors or units of the economy to improve on the level of their productivity. It is designed to encourage economic growth and development which by extension should increase the gross domestic product of the nation. Tax incentives can be described as incentives designed to encourage investments in certain preferred sectors of the economy, sometimes they are geared towards attracting inflow of foreign exchange to complement domestic supplies for rapid economic development. According to Bassey (2013), tax incentives are those special exclusion, exemptions or deductions from income or tax liability offered to tax payers by the government as an encouragement to engage in specified activities.

Government offer different types of incentives to encourage them to behave in certain ways. Examples of tax incentives include; capital allowances, investment allowances, investment tax credit, tax free dividend, loss relief, tax holidays, low tax rate, exemption from interest on certain loans, etc. (Arogundade, 2005). Tax incentives are granted on sector basic-agriculture, mining, oil and gas, etc. and are reviewed regularly especially during tax reforms and amendments to tax legislation.

Kwenumi (1996) argues that tax incentives by their nature represent revenue cost to the government if not well focused. This is because the government would have deprived itself of the revenue that would have been generated. With this background, the government introduced a low tax regime which would help to develop priority sectors of the economy like agriculture, pioneer companies, export processing zone, petroleum industries, hoteliers and solid minerals. This is also in line with Somorin (2015) who asserts that one of the features of tax incentives may be drains on the revenue of government if not properly harnessed.

Holland and Van (2006), maintained that many developing and transitional countries of the world offer tax incentives for investment purposes which are not often for direct investors. This relates to real investment and productive activities rather than investment in financial assets which are often directed at foreign investors on the ground that there is sufficient domestic capital for the desired level of economic development and that international investment brings with it modern technology and management techniques. Okafor (2007) argued that investment responds to a multiplicity of factors of which tax incentive only pay a less marginal significance. Aroh (2008) viewed that irrespective of the incentive given or offered to businessmen, the business environment is a great factor of consideration to them because they are not ready to do business where the environment is not orderly. He further irritated that there is certain problem that exists in the proportion of treatment to be given to different types of business within an industry more especially among the new and existing firms. The variation among firms in this respect tends to be a problem if the exemption privilege is not granted to all firms in an industry as some companies will be placed at a competitive advantage and some on a competitive disadvantage over others.

Regan (2008), in a survey of fifty-five Jamaican firms concluded that there is no economic justification for having granted tax concession to most of the firms under the pioneer industrial law in Jamaica. Only two of the fifty-five industries interviewed mentioned tax incentives as an important factor of influencing investment in Jamaica.

Research Methodology

This section deals with the research design, sources of data, population of the study, sampling method, data analysis and techniques. It is meant to establish the way or manner by which data is presented in this study and also to prepare the preliminary plan or sketches with which the researcher will use in testing the research question and in interpreting the responses gotten from the questionnaire.

The population of this study consists of four of the selected companies in Plateau state which have a population of about two thousand five hundred (2,500) staff. Considering with the huge number of staff, the study used filtration to arrive at the total population of Seventy Five (75). The top and middle management staff which consist of four (4) CEO's, six (6) internal auditors, twenty-five (25) managers and forty (40) accountants making a grand total of seventy-five (75) staff. The study used survey research method because is considered appropriate in this study to determine the behaviour of the subjects.

However, the sample size consist of sixty subjects (60) out of the seventy-five (75) CEO'S, auditors, managers and accountants that constitute of the target population. In selecting the companies, simple random sampling technique without replacement was used having considered the type of incentive being offered to them by the government. The sample size was statistically determined by using simple random sampling technique without replacement as follows.

Table 1

INDUSTRIES AND FIRMS	*NASCO FOODS*	*GRAND CEREALS*	*AMO BING*	*BOTTLING COMPANY*	*TOTAL*
POPULATION	25	15	17	18	75
SAMPLE	20	12	14	14	60

Source: Researchers Findings

The sources of data in this study are the primary and secondary sources. The primary source is the questionnaire which served as the main source of obtaining responses from individuals. The secondary source of data include those gotten from the income tax Acts, Newspapers, libraries and Journals. In this study, the libraries visited were that of Bauchi state University, Faculty of social and management sciences, Bauchi State University, the National library Plateau State. The tools used in analyzing the data include; tables, frequency and simple percentage method and chi-square method. These tools made it possible for the researchers to make proper analysis of the data which were collected during the course of carrying out the study. The methods are as follows;

Percentages: The simple percentage methods were used for the analysis of the result obtained from the questionnaire. The formula is given below as:

$$\frac{X}{\sum X} \times \frac{100}{1} = X\%$$

Where;
X = values of subgroup
$\sum X$ = total value (sum) of sub group
$X\%$ = percentage of sub group in total sum

Chi-square (X^2): chi-square method is used to test the null hypothesis formulated in chapter one. It is used to compare differences between observed and expected theoretical frequencies.

The formula is given as;

$$X^2 = \frac{\sum (F0 - Fe)^2}{Fe}$$

Where;
X^2 = chi-square
$\sum$ = summation of value
$F0$ = observed frequency
Fe = expected frequency

Decision Rule: if chi-square value (X^2) is greater than the table value at the appropriate level of significance and degrees of freedom, the null hypothesis will be rejected and alternative hypothesis will be accepted but where it is less than the value read out of chi-square table, then the null hypothesis will fail to be rejected.

Presentations of Data, Analyses and Discussions

This section deals with the presentations, analyses and interpretations of data collected during the research work, the information gathered from the questionnaire and interviews granted, then, presents the findings and relates such findings to previous studies. A total number of seventy-five (75) questionnaires were administered to the auditors, managers, accountants and Chief Executive Officers (CEO) of the companies examined. A total of sixty (60) copies were retrieved by case of non-compliance.

Table 2: Demographic Variables of the Respondents

Classification	Items	Frequency	Percentage %	Total %
Gender	Male	40	66.7	100
	Female	20	33.3	
	20-40	26	43.3	
Age	41-60	30	50.0	100
	61-ABOVE	4	6.7	
Religious Affiliation	Muslims	28	46.67	100
	Christians	32	53.33	
	Others	0		
Marital Status				
	Married	30	50	
	Single	28	46.67	100
	Divorced	2	3.33	
Educational				
Attainment	BSC/HND	35	58.3	
	MSC/MBA	21	35	100
	PHD/PROF	4	6.7	
Name of Company				
	NASCO Foods	20	33.3	
	Grand Cereal			
	Amo Bing			
	Bottling CO.	15	25.0	
		15	25.0	100
Working Experience	1-5	10	16.7	
	6-10			
	11-15	10	16.7	
	16-ABOVE	15	25.0	
		10	16.7	100
Post in The Company		25	41.6	
	CEO			
	Auditor			
	Manager	4	6.7	
	Accountant	-	-	
		20	33.3	100
		36	60.0	

Source: Questionnaire Administered, Field Survey 2016

As regards to the frequencies and percentages of the respondents, from the table above, 40(66.7%) are males while 20(33.3%) are females. 26(43.4) are within the age of 20-40, thirty (30) are within the ages of forty-one (41) to sixty (60), 4(6.7%) are within the ages sixty (60) and above. 32(53.3%) are Christians, 28(46.67%) are Muslims and no record was gotten for any other religious practice. 30(50%) are married, 28(46.67%) are single while 2(3.3%) are divorced. 35(58.3%) have either HND or BSC, 21(35.0%) have either MBA or MSC, 4(6.7%) are professors/phD 20(33.3%) are staffs of Nasco foods, 15(25.0%) are staffs of Grand cereals, 15(25.0%) are staff of AMO BING while 10(16.7%) are staffs Bottling Company plc. 10(16.7%) have a working experience of one to five years, 15(25.0%) have six to ten years working experience, 10(16.7%) have eleven to fifteen years working experience and 25(41.6%) have a working experience above fifteen years. As regards the position held by the respondents, 4(6.7%) are CEO'S, the auditors did not respond, 20(33.3%) are managers while 36 (60.0%) are accountants of the companies.

The analyses of the individual questionnaire are as follows:

Q_1: Are you filling this form as the CEO, a Manager or as an accountant of your organization?

Table 3: Respondents View

Responses	No of Respondents	Percentage (%)
CEO	4	6.7
Auditors	0	0
Managers	20	33.3
Accountant	36	60
Total	**60**	**100**

Source: Field Survey 2016.

From the table above, 4(6.7%) of the respondents are the CEOs, 20(33.3%) are the managers, 36(60.0%) are the accountants of the organization.

Q_2: Does your Company/organization pay tax?

Table 4: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.

From the above table, the entire respondents agreed to the fact that their organizations pay tax.

Q_3: Are all the income/profit generated by your company assessable to tax?

Table 5: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016

From the above table, it could be seen that the entire respondents reacted positively to the fact that the income/profit generated by their organization during a fiscal period is liable to tax.

Q_4: Is the level of income Considered before the tax are imposed?

Table 6: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Total60100Source: Field Survey 2016

From the table above, the respondents were of the opinion that the levels of tax are imposed based on a preferential rate and on the level/ amount of turnover.

Q_5: Does your organization benefit from tax incentives?

Table 7: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.

As regards the above table, the analysis shows that the organizations under study benefit from tax incentives.

Q_6: If yes, which of the incentives do your organizations benefit from?

Table 8: Respondents View

Responses	No of Respondents	Percentage (%)
Incentive on petroleum and its operations	20	33.3
Capital allowance, roll over relief, tax holiday for pioneer companies	10	16.7
Incentive on dividends	15	25.0
Incentive for the replacement of plant and machine	15	25.0
Total	**60**	**100**

Source: Field Survey 2016

As regards the above table, it is the part intention of the study to know the tax incentives these organizations benefit from and the respondents categorically stated the tax incentives that their organization benefit from as shown in their number and percentages.

Q_7: Are the present level of incentives granted adequate for industrial development and economic growth?

Table 9: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	15	25
No	45	75
Total	60	100

Source: Field Survey 2016.

From the table above, it could be seen that 15(25%) of the respondents agreed to the fact that the present level of incentives they enjoy are adequately while 45(75%) were of the opinion that the incentives granted are not adequate and should be increased for industrial development and economic growth to be attained.

Q_8: Do these tax incentives have a positive impact on your organization's investment decision?
Table 10: Respondents Viewed

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.
As regards the above 60(100%) of the respondents responded to the fact that the tax incentives granted has a positive impact on the organizations investment decision.

Q_9: Does your organization claim the tax incentives due to it?
Table 11: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field survey 2016.

The table above shows that all the respondents 60(100%) agreed that the tax incentive granted are practically claimable by their organizations which shows that these tax incentives are claimable by all involved / beneficial in the incentive scheme.

Q_{10}: Can these tax incentives motivate self-employed persons to incorporate their companies?
Table 12: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	40	66.7
No	20	33.3
Total	**60**	**100**

Source: Field Survey 2016.

As regards the above table 40(66.7%) of the respondents respond "yes" that with the tax incentives granted, self-employed persons decides to incorporate companies so it could be beneficial to them while 20(33.3%) said "No" that the level of incentives granted is not adequate enough to encourage self-employed persons to incorporate their companies except if more incentives is given.

Q_{11}: Can full employment be achieved through the incentive Scheme if properly implemented and the aim achieved?
Table 13: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.
From the above table, the entire respondents were of the opinion that full employment can be achieved if the incentive scheme is properly implemented and its aim achieved.

Q_{12}: Do these incentives have a positive impact on your company's working capital?
Table 14: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.
From the respondents in the above table it could be seen that tax incentives has a positive impact on the company's working capital via its increment.

Q_{13a}: Is the tax incentive granted effective in meeting the set fiscal, social and economic objectives? 13b: If no, state your reasons.
Table 15_a: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	20	33.3
No	40	66.7
Total	**60**	**100**

Source: Field Survey 2016
From the above table, 20(33.3%) responded "yes" while 40(66.7%) of the respondents responded "No" to the fact that the incentives granted are effective in meeting fiscal, social and economic objectives.

Table 15_b: Respondents View

Responses	No of Respondents	Percentage (%)
Inadequate provision of the incentive for such purpose	30	50.0
Limitation of incentives to some class of industries and firms	15	25.0
High cost of acquiring plant and machinery	10	16.7
Little or no subsidy on importation of materials	5	8.3
Total	**60**	**100**

Source: Field Survey 2016.

As regards the above table the respondents gave various reasons for the ineffectiveness of the tax incentives in meeting fiscal, social and economic objectives.

Q_{14}: Do you invest these incentives towards the development and expansion of your company?
Table 16: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	60	100

Source: Field Survey 2016.

The table above shows that the entire respondents 60(100%) responded positively to the fact that they do re-invest the incentives gotten towards the expansion of their companies and its development.

Q_{15}: Do industries that benefit from tax incentive develop better than industries that do not benefit from tax incentive?

Table 17

Responses	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$	X^2	P
YES	50	30	20	400	13.3	26.6	<.OO1
NO	10	30	-20	400	13.3		

Source: Field Survey 2016.

Q_{16}: Do these incentives pave way for local industries to compete with their foreign counterpart if adequately provided and utilized?

Table 18: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	0	0
Total	**60**	**100**

Source: Field Survey 2016.

As regards the above table, all the respondents were of the opinion that if these incentives are adequately provided and properly utilized by the beneficiaries, the local industries will be able to compete with their foreign counterparts.

Q_{17}: Can the level of tax incentive granted attract foreign investors/investment to Nigeria?

Table 19: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	45	75
No	15	25
Total	60	100

Source: Field survey 2016.

From the above table, it can be seen that 45(75%) of the respondents believe that tax incentives can attract foreign investments to Nigeria while 15(25%) are of the opinion that tax incentives alone cannot attract foreign investment to Nigeria because there has to be an investment opportunity and a good investment environment before the tax incentive will be able to attract foreign investment.

Q_{18}: can the tax incentives be used to offset other disadvantages investors may face?

Table 20

Responses	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$	X^2	P
YES	45	30	15	225	7.5	15.6	<.001
NO	15	30	-15	225	7.5		

Source: Field survey 2016.

Q_{19}: can the tax incentives granted by the government to the industries and firms be considered as an economic booster?

Table 21

Responses	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$	X^2	P
YES	55	30	25	625	13.3	41.6	<.001
NO	5	30	-25	625	13.3		

Source: Field survey 2016.

Q_{20}: What recommendation would you make towards the effectiveness of tax incentives in meeting fiscal, social, economic objectives, and promoting industrial development and economic growth?

Table 22: Respondents View

Responses	No of Respondents	Percentage (%)
Adequate provision of the incentives should be provided to industries and firms in order to foster greater productivity and expansion which will enhance such aim/desire of granting it.	20	33.3
The incentives should be extended to all industries and firms to the tone of their operations.	15	25.0
Plant and machines should be provided by the government to these industries at a subsidized rate and new but expensive technologies should be imported at a import free rate.	10	17.0
Special tax incentives should be granted to industries established in economically backward areas.	5	8.3
Research industries should be encouraged by removing import duties on their imports.	5	8.3
Infant industries benefitting from pioneer relief/waiver period should be required to send periodical progress report.	5	8.3
Total	**60**	**100**

Source: Field Survey 2016.

As regards the above table, the respondents made different recommendation towards the effectiveness of meeting/promoting fiscal, social economic objective, industrial development and economic growth by the tax incentives provided by the government. Also shown in the table is the number and percentage of the respondents who made different recommendations of which if adopted will be very beneficial to the economy.

Test of Hypothesis

To carry out this study successfully, three (3) hypotheses formulated in the previous section of this research work shall be examined by subjecting them to statistical test with the aid of chi-square distribution at P < 0.001 level of significance to determine the validity or otherwise of the hypothesis. This is computed using the formular:

$$X^2 = \frac{(0 - E)^2}{E}$$

Where:

Ho: Null hypothesis

Hi: Alternative hypothesis

O = Observed frequency from the respondents.

E = Expected Frequency.

X^2 = Chi-square statistics.

P = Probability Ratio.

Decision Rule: Decision rule has it that Ho (Null Hypothesis) should be rejected and H1 (Alternative Hypothesis) accept if the calculated value is greater than or exceeds the critical value otherwise, do not reject the null hypothesis Ho.

Hypothesis One

H_{01}: Industries that benefit from tax incentives do not develop better than industries that do not benefit from tax incentives..

Using the chi-square (X2) Method for Computation

Responses	**O**	**E**	**O-E**	**$(O-E)^2$**	**$\frac{(O-E)^2}{E}$**	**X^2**	**P**
YES	50	30	20	400	13.3	26.6	<.OO1
NO	10	30	-20	400	13.3		

Source: Field Survey 2016.

From the calculations above, chi-square (x^2) calculated value of 26.6 is greater than chi (X^2) critical value of 3.09 at P <0.001 level of significance.

Thus, H_{01} is rejected and H_1 is accepted. Therefore, industries that benefit from tax incentives will develop better than those industries that do not benefit from tax incentives.

Hypothesis Two

H_{02}: Tax incentives granted by the government to industries and firms are not considered as economic booster.

Using the Chi-square (X^2) Method for Computation

Responses	**O**	**E**	**O-E**	**$(O-E)^2$**	**$\frac{(O-E)^2}{E}$**	**X^2**	**P**
YES	55	30	25	625	13.3	41.6	<.001
NO	5	30	-25	625	13.3		

Source: Field Survey 2016.

From the calculations above chi(X^2) calculated value of 41.6 is greater than chi (X^2) critical value of 3.09 at P <0.001 level of significance. Thus, Ho_2 is rejected and H_2, accepted. Therefore, tax incentives granted by the government on industries and firms is considered as an industrial and economic booster.

Hypothesis Three

H_{03}: Tax incentives cannot be used to off-set other disadvantage that investors may face.

Using the chi-square (X^2)

Responses	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$	X^2	P
YES	45	30	15	225	7.5	15.6	<.001
NO	15	30	-15	225	7.5		

Source: Field survey 2016.

Decision

From the calculations above, chi (X^2), calculated value of 15.2 is greater than chi (X^2) critical value of 3.09 at P <0.001 level of significance.

Thus H_{03} is rejected and H_3 is accepted. Therefore, tax incentives can be used to off-set other disadvantages that investors may face.

Conclusions and Recommendations

This study which is centred on ascertaining the impact of tax incentives on industrial development and economic growth, the research questions and hypothesis played a vital role in modelling the focus of the study. With the above background, the following findings were arrived at: Tax incentives have a positive impact on the investment decision of an organization and that tax incentive coupled with political stability stimulate economic growth. That tax incentives usually lead to a reduction in government's revenue but is compensated with economic development and successful companies. That tax incentives brings about a sustainable working capital for industries and firms. That most of the respondents proved that the incentives granted are not adequate. The incentives attract foreign investors. The incentives can stimulate individuals to incorporate their companies. That full employment could be achieved through the incentive scheme if well implemented. That with the tax incentives granted, local industries could be well equipped to compete with their foreign counterparts in technology and outputs.

After the consideration of the analysed data, the study was able to conclude that most of the companies, industries and firms have benefited from and are benefitting from the provisions of tax incentives and that they re-invest the funds derived from the incentive scheme towards the expansion of their organization. With Nigeria's quest for both local and foreign investments/investors, tax rate must not be an obstacle bearing in mind that the quest for global capital is highly competitive. The tax incentives will offset other disadvantages that investors may face such as lack of infrastructure, complicated laws, bureaucratic complexities and weak administration in the tax area. The appropriate measure is now to reform the existing tax laws that create inadequacies and build on the necessary incentive administrative capacities and infrastructure to provide an enabling environment for investors. In the course of this research, the study discovered certain factors that hinder the positive impact of tax incentives on industrial development and economic growth. However, the study also recommended ways of improving on these problems as outlined below:

The government should ensure that these firms, industries, and self-employed persons keep a detailed, satisfactory record of the financial position of their business so as to be able to assess their performances after benefitting from the tax incentives. Any deviation from such should be liable to a standardized tax rate for each deviation in the year of assessment. The tax incentives should be granted to all industries and firms and not to specific ones so as to record on all round developmental change in the industrial sector which will improve the economic growth level. Special tax incentives should be granted to industries and firms established in an economically backward area e.g. investment and special development allowance. Government should use tax incentives to encourage foreign exchange conservation i.e. tax incentives should move from capital accumulation to the utilization of local inputs such as raw materials labour and locally fabricated machinery against imported ones.

Research industries should be encouraged by removing import duties and through the employment of expertise from advanced countries. Infant industries benefitting from pioneer relief/waiver period should be required to send a periodically progress report. The government should clearly state what the incentives should be used for or what the incentive is meant for and closely monitor it. Finally, for industrial development and economic growth to be achieved to a desired level through tax incentives, the tax incentive policies must consider the implication of any form of changes on the industrial sector of the economy at large.

References

Amadiegwu, N.O. (2008). Taxation *an indispensable tool for economic development*. Enugu:Aries Publication.

Arogundade, J. A. (2005). *Nigerian income tax and its international dimension*. Ibadan: Spectrum Books Ltd.

Aroh, J. C. & Nwadioalor, E. O. (2009). *Nigerian companies taxation for tertiary institution, 2nd edition*. Onitsha: Andson Educational Publishers.

Bassey, U.O. (2013). *Companies taxation in Nigeria*. Lagos: The CIBN Press Ltd. Business Day (Newspaper) 26th August.

Dotun, S. O. & Sanni, O. E. (2009). *Corporate tax incentives and economic growth in Nigeria.* Ibadan: University of Ife Press Ltd.

Ewuonnowoh, S. (2010). *You and taxation business Times*. P. 9

Federal Republic of Nigeria, (2004).*Industrial development act*. Abuja: Federal Government Press.

Federal Republic of Nigeria, (2004). *Companies income tax act*. Abuja: Federal Government Press.

Federal Republic of Nigeria, (1990). *Industrial development income tax relief act*. Abuja: Federal Government Press.

Federal Republic of Nigeria, (2004). *Petroleum profit tax act*. Abuja: Federal Government Press.

Frank, E. (2011). *Exemption of low paid workers from tax depletes the government pursue*. Daily Punch, p. 23.

Holland, R. & Vann, E. (2006). *Income tax incentives for investment" tax design and drafting*. London: University Press.

Kwewuni, M. O. (2008). A *Critique of tax incentives in Nigeria*. *2* (4). Ibadan: University Press.

Kwewuni, M.O. (1996). *Income Tax incentives for investment*. Tax design and drafting,

Maduka, P. (2008). The economy wont grow unless. *Daily Champion*, P. 30.

Mohammed, U. A. (2012). *Tax incentive an economic and industrial bail out business times*. p. 4.

Ohaka, J. & Agundu, P.U. (2012). Tax incentives for industry synergy in Nigeria: A pragmatic proprietary system advocacy. *International Multidisciplinary Journal, 6* (3), 42-58.

Okafor, F.O. (2009). *Investment decision, evaluation and development. 7, (3).* London: Chassel Press.

Ola, C. S. (2007). *Income tax for corporate and un-incorporated bodies in Nigeria*. Ibadan: Heineman Educational Books Nigeria Limited. .

Olabisi, J. (2009). Tax Incentive as a catalyst for economic development in Nigeria. *Journal of Research in National Development, 7* (2), 1-7.

Ahuru, R. E. (2014).The impact of tax reform on Federal revenue generation in Nigeria. *Journal of Policy and Development Studies, 9*(1), 92-107.

Oriakhi, D. E. & Osemwengie, K. P. (2013. Tax incentives and Revenue productivity of the Nigerian tax system. *International Journal of Development and Economic Sustainability, 1(1)*, 31-44.

Rebecca, C. (2011). Tax policies in Nigeria. *Daily Sun*, P. 6.

Regan, L. E. (2008). *Tax incentives in developing countries. a reading on taxation in developing countries.3rd edition*. London: Chassel Press.

Somorin, T. (2015, August 5). Tax incentives under the Nigerian tax laws. *Business Day Newspaper, 13* (153), 20.

Soyode, L. & Kajola, S. (2006). *Taxation-principles and practice in Nigeria*. Ibadan: Silicon Publishing Company.

Tax Incentive(2012). *A gateway to economic growth and industrial development*. Retrieved February 02, 2017 from http://www.goggle.com.ng.

The Impact of Tax Incentive on Industrial Growth and Economic Development (2012). *Retrieved December 4, 2016 from http://www.taxpolicycenter.org*.