TAX INCENTIVES AND CORPORATE INVESTMENT: EVIDENCE FROM MANUFACTURING FIRMS IN RIVERS STATE, NIGERIA

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ABSTRACT

This study investigates the influence of tax incentives on corporate investments of manufacturing firms in Rivers State. Tax incentives were operationalized as tax holiday, capital allowance and loss relief, while the measures of corporate investment were research and development investment and equipment investment. Copies of questionnaire were distributed to staff of the manufacturing firms under study in Rivers State. The Pearson's Product Moment Correlation and Regression Analysis were used in analyzing the data using Statistical Package for Social Sciences version 20.0. The result established that tax incentives bears an influence on corporate investments, of manufacturing firms Rivers State. The study concludes that tax incentive significantly influences corporate investments of manufacturing firms in Rivers State. The study recommends the review of current tax incentive scheme to adequately deal with investment in the manufacturing sector. Existing tax incentive laws should be reviewed to cater for current economic, technological, environmental, social situations in Rivers State. Bearing in mind the significance of tax incentives for research and development and equipment purchases, efforts should be made by government and media to educate and inform firms in Rivers State of the benefits of taking advantages of existing tax incentives.

Keywords: Tax, Tax incentives, corporate investment, manufacturing firms,

corporate investment

INTRODUCTION

Tax incentives remain some of the most popular means through which countries influence economic and social activities of businesses. For instance with a properly planned tax incentive scheme such as those in manufacturing sector, both individuals and firms are likely to increase their productive activities in this sector (Uwaoma & Ordu,2016).

Government will benefit better by having more firms to tax, thus it is important that government take all necessary steps to encourage corporate investment in the manufacturing sector. Corporate investment can be described as a means by which business organizations utilize capital that could be lying idle in the bank. Some corporate investments are traded to enhance tax payment. Manufacturing firms seek corporate investment, which are tied to availability of credit facilities, interest rate and the size of their portfolio. It is important for corporate bodies to invest which is one of the best ways to enhance the monetary functionality of these corporate bodies, so as to enhance effective tax incentives in the system. However, taxation could be used as an avenue to encourage corporate investment, and boost local industries among others.

The reduction in tax liability which is a tax incentive scheme, can be achieved by means of reduction in tax rate, reduction in tax base, tax deferment or outright tax exemption. On this premise, tax incentives generally involves tax holidays, capital allowances, loss relief, tax payers' right of election, re-investment allowance, investment tax credit, accelerated depreciation, etc. (Agundu, 2012). Ideally, with more corporate investment, it will automatically facilitate more production at the long run, which will aid tax incentives. Tax incentives according to Phillip (1995), as cited in Uwaoma and Ordu (2016), is a deliberate reduction of tax liability granted by government so as to encourage individual business unit to pay tax. The dictionary as cited in Uwaoma and Ordu (2016), state that a tax is a retainable portion of the produce of the property and labor of the individual that is taken by the nation in pursuit of its sovereign right so as to be supportive to the government administration of laws as a yardstick in continuing in operation, the different kind of legitimate function to the state.

The relationship between tax incentives and corporate investment truly require a great attention due to the alarming rate of tax that are been imposed on manufacturing firms that may not aid corporate investment. Hence, there is need for government to create incentives that will encourage investment in certain preferred sector of the economy and sometimes they do attract in-flow of foreign exchange in order to suit domestic suppliers of manufactured product. In essence, these tax incentives include: capital allowances, tax holiday, loss relief, investment allowance, personal allowance, roll-over relief, pioneer relief, tax free dividend, etc. When view empirically, one should understand that the tax incentives are to reduce the burden of tax on the tax payers. These tax incentives are in the area of export, agriculture, solid minerals, Value Added Tax (VAT), individuals and other tax payers. Meanwhile, for the purpose of this study, the tax incentives is on the aspect of manufacturing firms in Rivers State by which corporate investment has to be encouraged in other to enhance an effective tax incentives (Uwaoma and Ordu,2016).

Analysis over the years, show some kind of reservations, with respect to corporate investment which tends to cause allocation of inefficiencies due to manufacturing firms over- investment in capital goods. Ideally, notwithstanding the fact that several stakeholders do believed that tax incentives should be done in a way to encourage corporate investment whereby taxes should be reduced, and by so doing, will protect local manufacturing firms from their foreign counterparts (Adedotun, 2001; Phillips, 2004; Botman, Klemm and Baquir, 2008). The main goal of tax relief and incentives to manufacturing Firms, is to enhance corporate investment, thus contributing to the overall economic development of the state. Meanwhile, these incentives cannot be achieved in a situation whereby the tax payers are not aware of the existence of such incentives. But the few who are aware of this incentives do not even bother to apply for them due to poor tax administration. The objective of granting tax incentives to manufacturing firms is primarily to enhance an efficient corporate investment strategy, growth and development which would ideally contribute to the overall economic growth of manufacturing sector (Tasie and John, 2010). However, the critical nature of the study when viewed empirically is of serious importance to the tax payers, government and other stakeholders in the manufacturing sector, but despite this, there are problems that are inherent therein.

Firstly, the aspect of tax holiday which is a government incentive programmme that offers a tax reduction to manufacturing firms in other to enhance corporate investment. The ability to avoid income taxation by manufacturing firms, could be seen as a problem because most manufacturing firms may not disclose their annual earnings in their report as statutorily required. Secondly, the issue of capital allowances which is the practice of allowing a company to get tax relief on the tangible capital expenditure by allowing it to be expensed against its annual pre- tax income. Generally, the capital allowance will exist for only specific items of tangible capital expenditure, and the expenses are usually spread over a fixed period of years. And where manufacturing firms are not able to disclose to the appropriate authorities their tangible capital expenditure for an effective capital allowance calculation, there could be a serious problem (Kiabel & Nwikpasi, 2009). Thirdly, the issue of loss relief in which most income tax laws provide some form of relief for losses that are incurred, either by carrying over the loss to offset it against profits in the previous years or in the future. Ideally if this kind of losses are not set off against the income of the same tax payer in the year in which the loss was incurred, it could be seen as a problem that the authorities that are involved should examine in other to enhance corporate investment. Another issue is on the aspect of research and development activities for commercialization which are to enjoy 20 percent of investment tax credit on their qualifying capital expenditure and obviously if it is not handle carefully, it will affect corporate investment. This also implies that manufacturing firms that are not engage in research and development may not be innovative and creative and by so doing, such firms may not have an improve corporate investment which will affect their tax incentive at the long run which may be view as problematic.

In addition, viewing the critical nature of corporate investment, it also shows that most manufacturing firms and other organizations faces problems in the aspect of acquiring or purchasing the appropriate raw materials due to the taxes that are imposed on such raw materials either directly or indirectly and as such government should create an incentive on such raw materials to enhance corporate investment (Ezirim, 2001). Lastly, when manufacturing firm lack the appropriate investment ideas on equipment due to taxes that are imposed on it, it will affect corporate investment negatively. In the light of the problem manifestation highlighted, studies this study seeks to investigate the influence of tax incentives exerts on corporate investment of manufacturing firms in Rivers State.

The main study purpose is investigation of the influence of tax incentives on corporate investment in manufacturing companies in Rivers State. Other specific objectives include:

(1) Investigation of the influence of tax holidays on raw material acquisition of manufacturing companies in Rivers State, and

(2) Investigation the influence of tax holidays on research and development of manufacturing companies in Rivers State.

The study intended to test the following null hypotheses:

HO_1: Tax holiday does not significantly influence on raw material acquisition of manufacturing companies in Rivers State.

HO_2: Tax holiday does not significantly influence on research and development of manufacturing companies in Rivers State.

HO_3: Tax holiday does not significantly influence on equipment investment of manufacturing companies in Rivers State.

HO_4: Capital allowance does not significantly influence on raw material acquisition of manufacturing companies in Rivers State.

HO_5: Capital allowance does not significantly influence on research and development of manufacturing companies in Rivers State.

Ho_6: Capital allowance does not significantly influence on equipment investment of manufacturing companies in Rivers State.

LITERATURE REVIEW

Theoretical Review

There are several theories which explains the influence of tax incentive on corporate investment. Lawrence (1981) postulated a theory on tax in a "q" theory of investment. It is seen as a procedure for using corporate investment equation base on Tobin's q as a yardstick for estimating the impact of tax policies incentive on both corporate investment and the stock market. Tobin's assume that, when there is a nice approximation, the market value of additional unit of capital equals the average market value of the existing capital stock which is called the average "q" which is the ratio of the market value of the capital stock to its replacement cost and it is a nice proxy for the value of marginal "q" on an additional dollar of investment.

Another theory of taxation as explained by Bhartia (2009) as cited in Ogbonna and Ebimobwei (2012) state that taxation theory can be derived from the assumption that there is a need not to be in any relationship between the various kind of tax that is been obviously paid and the necessary benefits that is received from state activities. They further group taxation theories into two categories namely: (a)The Expediency Theory: This theory is of the opinion that every tax propose must ideally pass the test of practicality. However, the economic and social objectives of the state do affect the tax system and if treated irrelevant, could influence the corporate investment at the long run and (b)The Socio Political Theory: This theory of tax deal empirically with the social and political goals which could be the major factors in selection of taxes. This theory postulate that a tax system should not be made to serve individuals, but should be use to solve the problems of society at large.

When viewed empirically, this study anchors on this kind of theory as it explains the concept of tax incentives as a way of encouraging compliance so as to enhance corporate investment of manufacturing companies in Rivers State.

Conceptual Review

Taxes are important aspects of government revenue receipts. In addition, taxes can be employed as a veritable instrument of economic policy. They can be used to actualize the various commitment of government. They also act as a means of transferring resources from private to public sector and as an instrument that is made for redistributing wealth (lyoha et al, 2003).

Taxation as a concept has several explanations by different writers and scholars, but meanwhile, taxation can be seen as a demand made by government in any country for a compulsory payment of money by an individual or corporate bodies with the aim of increasing the revenue base so as to finance government expenses, satisfy collective wants and needs of the people in other to regulate the economy and likewise the social infrastructure of the nation (Ezejulue and Ihendinihu,2006).

Taxation in many countries dates back from primitive society, whereby member of different societies do arrange themselves to render free services to their communities, such as cleaning of the environment, clearing of bushes, digging of wells, building barns for storage of agricultural produce and setting night time security outfit. In essence, it is on this note that equity and efficiency consideration are of paramount importance as analyst underestimated the precaution against the possible distortion of allocation of capital (Kuewumi, 1996). Thus, this submission becomes clearer when it is realized that tax incentives do impact on corporate investment. Looking at the growing concern of every economic watchers in recent times is about the favorable circumstances of tax incentives which includes investment tax credit, annual allowance, tax avoidance and tax holidays in boosting corporate investment opportunities, which is measured by raw material acquisition, research & development, equipment investment (Kiabel and Nwikpasi, 2009).

Furthermore, in simple parlance, incentives mean inciting, encouraging or moving something. Hence, incentives in tax policies remains very popular and it is still rotating in the world. It is on this note that we can define tax incentives as all the means that could be applied in proffering additional satisfactory tax treatment of some particular sessions that is in line with what is allowed for general industry. Uwalomwa et al (2016) noted that the real fact about tax incentives in Nigeria is that not many individuals truly take advantage of the incentive that do exist. And where this opinion is taken, past trend of thoughts have suggested an individual corporate approach rather than an industry wide approach of tax incentive that will enhance corporate investment of manufacturing companies.

Empirical Review

Dunu (2009) investigated the effect of Tax Incentives on Business Performance. The study observed that not all firms are aware of the availability of tax incentive scheme as a result of poor administrative tax scheme. The study however, concludes that tax incentives are available but the degree of its awareness are low, hence there is an urgent need to increase awareness with respect to tax incentives. Orighoye (2004) investigated Tax incentive to compete for foreign investment. The study aimed at establishing whether by way of using tax incentives, it will compete for foreign direct investment (FDI) in the oil and gas sector. The study concludes that tax incentives may not have an effect on FDI, henceforth, there is need to harmonize tax policies under regional arrangement. Adelegan (2007) studied the effect of Taxes on Business Financing Decision and Firm Value in Nigeria. The study set out to measure how taxation of dividend and debt affect firms' value. The study concludes that dividend and debt convey information about profitability of firms.

Okonkwo (2009) emphasizes on the effect of Tax Incentives on Business Performance. The study observed that not all the firms are aware of the availability of tax incentives scheme as a result of poor administrative scheme. The study, however, concludes that tax incentives are available but the degree of awareness of tax incentive packages are minimal hence the urgent need to increase awareness with respect to tax incentives. Olatundun (2007) laid emphasis on tax investment and growth. The study sought to examine the link between tax and the real investment and address the effect of the incentive and disincentive structures of different taxes on investment at firm and industry levels in Nigeria. Taxes are important aspects of government revenue receipts. In addition, taxes can be employed as a veritable instrument of economic policy. They can be used to actualize the various commitment of government. They also act as a means of transferring resources from private to public sector and as an instrument that is made for redistributing wealth (lyoha et al, 2003).

Taxation as a concept has several explanations by different writers and scholars, but meanwhile, taxation can be seen as a demand made by government in any country for a compulsory payment of money made by an individual or corporate bodies with the aim of increasing the revenue base so as to finance government expenses, satisfy collective wants and needs of the people in other to regulate the economy and likewise the social infrastructure of the nation (Ezejulue and Ihendinihu,2006). Obviously, taxation is designed to aid government in the payment for goods and services that are provided for the overall socio- economic welfare of the citizenry, as well as providing vital social amenities in various communities where people live and do business (Agundu, 2012). The issue of taxation according to Agundu (2012), stipulate that taxation represents: a compulsory payment made done by an individuals and firms in given society to the government (Kaldor and Hume,2004); a kind of transfer of resources from private sector to public sector organizations so as to enhance its corporate investment objectives which will primarily increase the per capita income as well as the standard of living of the citizenry (Agyel, 1990) and a levy that is been imposed by government against income, profit or wealth of individuals, partnership and firms (Due,1980).

Taxation in many countries way back from primitive society whereby member of different societies do arrange themselves to render free services to their communities, such as cleaning of the environment, clearing of bushes, digging of wells, building barns for storage of agricultural produce and setting security outfit at night. This kind of service ideally constitutes the tax system that are need from every society and it will be made compulsory that every member of the society would participate. However, if properties of those who fail to render their services were seized and only returned to the owners or defaulters on an agreed fine payable. Looking at the aspect of income tax liability which was first introduced in Nigeria in the year 1904, and it was charged on individual incomes instead of incomes of incorporated and unincorporated bodies. In the early 1930s, income tax was fixed at the rate of 20% on wages, salaries or other remuneration of all individuals' resident within the colony. Meanwhile, people that are involved in trade or other business dealings were to pay 2% of their profit as tax (Ola, 1991).

Coupled with the widespread crisis of the great depression of 1930s, governments of most countries, including Nigeria, became more conscious of the need for taxes to be collected in other to finance critical areas such as defense. That marked the starting point of the broadening of the tax base. More so, tax was then extended to firms and the first real tax legislation was enacted in 1936. In 1940s, gray areas of the ordinance were detected, including the fact that it addressed only company tax, leaving individual taxes out of consideration. As a solution, the Nigeria Tax Ordinance (NITO) was developed. The two broad division of the instrument are the direct and indirect taxation. The first is charged directly on income of individuals, groups, corporate bodies and institutions, while the second one is based on consumption of goods and services. In addition, the first (direct tax) is subdivided into person income tax (PITA), in which individuals are assessed and collected where individual persons do reside, and company income tax (CITA), is being charged on corporate bodies by the appropriate tax authority.

The reality and necessity of tax is that it provides income to government. It is obvious that, without such income, government will be unable to carryout important infrastructural activities that cannot be shouldered by individual on their own such as provision of roads, infrastructure etc. In essence, persons and corporate bodies generating more income are expected to pay more taxes, than those without income, which should at the long run, benefit from the utilization of tax revenues through the provision of utilities which are made available to all. In the functional perspectives, tax administration entails the process of enforcement of tax and to ensure that every tax payer under a particular tax regime pays the amount of tax due at the propose time and place. It is the responsibility of the revenue department to plan and manage the process in such a way that it will be practicable to collect taxes more effectively. The revenue department of tax office therefore, assesses tax liability, collects the taxes due and also keeps records of the target population of eligible tax payers (Agundu, 2012).

The fact cannot be disputed that tax incentives is an essential tool that sustain macroeconomic management and administration which are in the category of tax credit, accelerated depreciation or interest subsidy. Hence, in whichever form they are being granted, they will eventually attract more corporate investment strategies which is geared towards achieving higher production in the future economy. Consequently, the least discriminatory form of tax incentives is the one that is so designed to increase the rate of return on investment (ROI) by reducing corporate and personal income taxes. Moreover, in some cases, a tax incentive programme may be restricted to a few selected manufacturing firms and other sectors of the economy, mostly with those that have high desirable corporate goals. In consideration of the various forms of tax incentive policies, there is need for government to expedite action which are imperative to itemize the relative merits and demerits of tax incentives policies. In essence, it is on this note that equity and efficiency consideration are of paramount importance as analyst underestimated the precaution against the possible distortion of allocation of capital (Kuewumi, 1996). Thus, this submission becomes clearer when it is realized that tax incentives do impact on corporate investment. Looking at the growing concern of every economic watchers in recent times, about the favorable circumstances of tax incentives which includes investment tax credit, annual allowance, and tax holidays in boosting corporate investment opportunities, which is measured by raw material acquisition, research & development, equipment investment (Kiabel and Nwikpasi, 2009).

Uwalomwa (2016) explained that in Nigeria, the Institute of Chartered Accountants (2006) and the Chartered Institute of Taxation (2002) define tax as an imposed contribution of money to government as it pursuant to a defined authorized legislation. In a nutshell, it is a compulsory payment (tax) which is guided by law. Obviously, tax is thus a major source of income to the government, and government uses these tax payments to cater for the want of the society at large. Tax could also be defined as giving to the government and then the government is given back to society in terms of infrastructural and economic development, in the way the society gave to them (Ezirim, 2001). Furthermore, in simple parlance, incentives mean inciting, encouraging or moving something. Hence, incentives in tax policies remains very popular and it is still rotating in the world. It is on this note that we can define tax incentives as all the means that could be applied in proffering additional satisfactory tax treatment of some particular sessions that is in line with what is allowed for general industry.

Uwalomwa et, al (2016) noted that the real fact about tax incentives in Nigeria is that not many individuals truly take advantage of the incentive that do exist. And where this opinion is taken, past trend of thoughts have suggested an individual corporate approach rather than an industry wide approach of tax incentive that will enhance corporate investment of manufacturing firms. According to Tasie and John (2010), the government of Nigeria has over the years allowed tax incentives and reliefs such as pioneer companies' tax holiday subject to a minimum of 5 years granted to firms that have pioneer status on the basis of newness of the company's products. Export free zone exempt profit from tax at a rate of hundred percent. It is worthy of note that, exemption for profits obtained from export free zone for 3 consecutive assessment years. Solid minerals, mining for a new company that goes into mining of solid minerals for the first 3 years of operation. In the aspect of spare part fabrication, for a company that engages wholly in this industry, the tools and equipment for local consumption and export is 25% (twenty five percent) of investment tax credit is allowed on qualifying capital expenditure as stated in S.28 F9(1) of CITA.

In the aspect of local industry, a 15% investment tax is being allowed for a company which produces complete manufacturing plant, machinery or equipment alike. In the aspect of replacement of obsolete plant, a 15% investment tax credit for a company is accrued for the expenses to be incurred for replacement of all kinds of obsolete plant and machinery. In the aspect of investment tax relief, ideally, relief itself are granted for 3 years to firms located at least 20 (twenty) kilometers away from essential infrastructure such as electricity, water, tarred roads, and telephone services when expenditures are incurred on such infrastructure. In the aspect of investment allowance, a 10% tax relief for firms in the first year of purchases of plant & machinery is prescribe for agricultural and manufacturing firms. Kiabel and Nwikpasi (2009), argued that small manufacturing firms are those with less than one million naira in turnover and these category of business includes; dividend from such kind of businesses that are exempted from tax for the first five years of operation; and also the need for tax payer to pay income tax at a concessional rate of 20% for the first five years of commencement of the business.

Osememe (2004) advanced that the issue confronting tax incentive is a worldwide phenomenon and not a Nigeria concept.the advantages are discussed:

- Investment: Corporate investment can be encouraged by series of special measures of which tax relief and incentives are included. Tax incentives are normally used by the government to enhance investment and to widen the profit margin of firms. And with an adequate corporate investment in place, as a result of appropriate tax incentive, it will at the long run, increase the profit margin of manufacturing firms and other sectors of the economy through reduction in various tax liabilities;

- In the case of social development: For government to introduce tax incentive, the capacity utilization of firms will be enhanced and this will lead to increase in employment in the country.

- Special sectors: There are some situations when government tries to stimulate a particular sector of the economy by releasing generous tax incentives to attract investors in that sector. This case can be seen in the aspect of pioneer firms and agricultural sectors.

- Voluntary compliance: When tax incentive is granted to firms to bring about voluntary compliance it will be associated with increase in government revenue. When there is reduction in rate of tax or the increase in the capital allowance rate, this will be ultimate to enhance companies to avoid strategy of not paying tax.

- Inflation: The use of tax incentive will make purchasing power of consumer in an inflationary economy to be strong. This will lead to the increase in the real income of the consumer due to the enhanced value of their disposable income.

- Regarding Tax Revenue: In this situation tax cut will induce tax payer to be more compliant by making tax evasion and avoidance unattractive. And tax cut here means little or no loss in the federal revenue. In addition, tax incentives includes capital allowance, tax relief, low tax rate or non-taxation of dividend, interest on deposits and loans. Therefore, one need to be well informed of the available tax incentives and the relevant legislations to enable an investor to have good appraisal of the available opportunities. Easson and Zolt (2002), stipulated the following disadvantages as follows:

- Round- Tripping: It typically occurs where tax incentives are restricted to foreign investors or to investments with a prescribed minimum percentage of foreign ownership.

- Double dipping: Most tax incentives more especially the tax holidays which are restricted to new investors. In practice, such kind of restriction may be ineffective and may be counter- productive. Ideally, when there is an existing investor in the market that plans to expand its activities, it will simply incorporate a subsidiary to carry on the activity, and the subsidiary will qualify for a new tax holiday. The disadvantage of this, is where a business is sold towards the end of the tax holiday period to a new investor, obviously, claim for a new tax holiday is inevitable.

- Transfer pricing: Transfer pricing will be seen as the Achilles of tax holiday. It can be seen as a problem coupled with other forms of corporate investment incentive as well. Therefore, the tenacity is that, one has to think of transfer pricing as a phenomenon that occurs internationally in transaction between related enterprises in different countries. Transfer pricing can obviously take place in a single country where an investor has two or more operations within a country or where the investor ideally derives income from more than one activity and

- Over- valuation: When there is an over- valuation, it is a kind of constant problem in any tax system. And here, tax incentive can provide additional temptations to inflate the asset valuations. For instance, where a tax holiday is conditional upon a certain minimum amount being invested, the value of assets provided for the new business can be manipulated in order to achieve the target figure. In a situation where investors also receive an exemption from custom duty for newly contributed capital, no compensating motivation exists to correctly or understate the value, and no reason exist for customs authorities to pay much attention to the declared value.

These are temporary exemptions for a new firm or investment from certain specified taxes, example is a typical corporate income tax. More so, administrative requirements are also waived, notably the need to file tax returns. When there is partial tax holiday, it therefore offers reduction of obligations rather than full exemption (Agundu, 2012). It was ascertained that tax holiday increases corporate investment. Kiabel (2001), posit that capital expenditure is not an admissible expense in earning profits, but often times, it results in the creation non-current asset such as buildings, plant & machinery, motor vehicles etc, which helps so as to enhance the primary goal of earning profits. It is therefore reasonable to give relief for the purpose of taxation in regard to these items of expenditure. And special kinds of allowances usually referred to as capital allowances are designed to provide this forms of physical relief. And when non-current asset is put into use by the business, it value reduces due to physical wear and tear, the passage of time or due to obsolescence. It was ascertained that capital allowance increases corporate investment.

Most businesses are charged tax based on the profit that are earned. Ideally, it is therefore advisable to all parties concerned that are in a basis period when losses are incurred, thus no tax is payable in the relevant year of assessment (Uwaoma and Ordu, 2016). Economic recession is seen as a period of general economic decline and is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market. When view generally, a recession is less severe than a depression. The blame for a recession generally falls on the federal government, often either the President himself, the head of the Federal Reserve or the entire administration.

METHODOLOGY

The study adopted survey research design The population of 700 staff members was drawn from ten (10) manufacturing firms located in Port Harcourt, Rivers State. The Taro Yamene's method was adopted to obtain a sample size of 255. The data for this study was collected through self-administered questionnaire. The data was analyzed using the Spearman Rank Order Correlation to test the hypotheses with the aid of the Statistical Package for Social Sciences (SPSS version 20.0)

DATA ANALYSIS AND RESULTS

Hypothesis 1 (H01): Tax holiday does not significantly influence research and development investments of manufacturing firms in Rivers State.

Table 1: Summary of Spearman rank correlation coefficient on the relationship between Tax Holiday (TH) and Research & Development (R&D) Investments of manufacturing firms in Rivers State

Correlations				
			TH	R&D
Spearman's rho	TH	Correlation Coefficient	1.000. 0	.975**
		Sig. (2-tailed)	.	.000. 0
		N	248	248
	R&D	Correlation Coefficient	.975**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table1 indicates that there is significant and positive association between Tax Holiday (TH) and Research and Development (R & D) investments of manufacturing firms in Rivers State. with a spearman rho value of .975** and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis is rejected and the alternate hypothesis is accepted that there is a positive significant relationship between Tax Holiday (TH) and research and development (R&D) investments of manufacturing firms in Rivers State.

Hypotheses 2 (HO2): Tax holiday does not significantly influence equipment investment of manufacturing firms in Rivers State.

Table 2: Summary of Spearman rank correlation coefficient on the relationship between Tax Holiday (TH) and Equipment Investment (EI) of manufacturing firms in Rivers State

Correlations				
			TH	EI
Spearman's rho	TH	Correlation Coefficient	1.000	.571**
		Sig. (2-tailed)	.	.000
		N	248	248
	EI	Correlation Coefficient	.571**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table 2 indicates that there is a significant and positive association between Tax Holiday (TH) and Equipment Investment (EI) of manufacturing firms in Rivers State. with a spearman rho value of .571**and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis is rejected and the alternate hypothesis is accepted that there is a positive significant relationship between Tax Holiday (TH) and Equipment Investment (EI) of manufacturing firms in Rivers State.

Hypothesis 3 (HO3): Capital allowance does not significantly influence research and development of manufacturing investments firms in Rivers State.

Table 3: Summary of Spearman rank correlation coefficient on the relationship between Capital Allowance (CA) and Research & Development (R&D) investments of manufacturing firms in Rivers State

Correlations				
			CA	R&D
Spearman's rho	CA	Correlation Coefficient	1.000	.523**
		Sig. (2-tailed)	.	.000
		N	248	248
	R&D	Correlation Coefficient	.523**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table 3 indicates that there is a significant and positive association between Capital Allowance (CA) and Research & Development (R&D) Investments of manufacturing firms in Rivers State. with a spearman rho value of .523** and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis was rejected and the alternate hypothesis was accepted that there is a positive significant relationship between Capital Allowance (CA) and Research & Development (R&D) Investments of manufacturing firms in Rivers State.

Hypothesis 4 (HO4): Capital allowance does not significantly influence on equipment investment of manufacturing firms in Rivers State.

Table 4: Summary of Spearman rank correlation coefficient on the relationship between Capital Allowance (CA) and Equipment Investment (EI) of manufacturing firms in Rivers State

Correlations				
			CA	EI
Spearman's rho	CA	Correlation Coefficient	1.000	.584**
		Sig. (2-tailed)	.	.000
		N	248	248
	EI	Correlation Coefficient	.584**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table indicates that there is a significant and positive association between Capital Allowance (CA) and Equipment Investment (EI) of manufacturing firms in Rivers State. with a spearman rho value of .584**and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis is rejected and the alternate hypothesis is accepted that there is a positive significant relationship between Capital Allowance (CA) and Equipment Investment (EI) of manufacturing firms in Rivers State.

Hypothesis 5 (HO5): Loss relief does not significantly influence on research and development investments of manufacturing firms in Rivers State.

Table 5: Summary of Spearman rank correlation coefficient on the relationship between Loss Relief (LR) and Research and Development (R&D) investments of manufacturing firms in Rivers State

Correlations				
			LR	R&D
Spearman's rho	LR	Correlation Coefficient	1.000	.554**
		Sig. (2-tailed)	.	.000
		N	248	248
	R&D	Correlation Coefficient	.554**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table 5 indicates that there is a significant and positive association between Loss Relief (LR) and Research and Development (R&D) of manufacturing firms in Rivers State. with a spearman rho value of .554**and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis is rejected and the alternate hypothesis is accepted that there is a positive significant relationship between Loss Relief (LR) and Research and Development (R&D) of manufacturing firms in Rivers State.

Hypothesis 6 (HO6): Loss relief does not significantly influence on equipment investment of manufacturing firms in Rivers State.

Table 6: Summary of Spearman rank correlation coefficient on the relationship between Loss Relief (LR) and Equipment investment (EI) of manufacturing firms in Rivers State

Correlations				
			LR	EI
Spearman's rho	LR	Correlation Coefficient	1.000	.555**
		Sig. (2-tailed)	.	.000
		N	248	248
	EI	Correlation Coefficient	.555**	1.000
		Sig. (2-tailed)	.000	.
		N	248	248
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Researcher's Desk, 2019

The result on the table 6 indicates that there is a significant and positive association between Loss Relief (LR) and Equipment investment (EI) of manufacturing firms in Rivers State. with a spearman rho value of.555** and p-value of 0.000. The relationship is found to be significant and positive at the 0.05 level of significance. Based on this result, the null hypothesis is rejected and the alternate hypothesis is accepted that there is a positive significant relationship between Loss Relief (LR) and Equipment investment (EI) of manufacturing firms in Rivers State.

DISCUSSION OF FINDINGS

This study sought to determine the relationship between tax incentives and corporate investment from manufacturing firms in Rivers State Nigeria as such, the summary of findings is discussed under the following headings highlighting the relationships between the various proxies used in this study.

Tax Holiday and Corporate investment

The results in table 1 shows the Summary of the relationship between Tax Holiday (TH) and research and development (R&D) of manufacturing firms in Rivers State. The result indicates that there is a significant and positive association between Tax Holiday (TH) and Research and Development (R&D) investment of manufacturing firms in Rivers State at 0.05 level of significance. Also, the results in table 2 shows the Summary of Spearman rank correlation coefficient on the relationship between Tax Holiday (TH) and Equipment Investment (EI) of manufacturing firms in Rivers State. The result indicates that there is a significant and positive association between Tax Holiday (TH) and Equipment Investment (EI) of manufacturing firms in Rivers State. The relationship between Tax Holiday (TH) and Equipment Investment (EI)) of manufacturing firms in Rivers State is found to be significant and positive at the 0.05 level of significance.

In line with the findings above, Uwaoma and Ordu (2016), explains that the Nigerian government has over the years put in place different and overlapping incentive scheme to attract both local and foreign investment. Supporting this result, Donald, (1980) in his study also affirmed that tax incentives encourage and stimulate the economic activities of enterprises in terms of corporate investment.

Capital Allowance and Corporate Investment

The results in table 3 shows the summary of Spearman rank correlation coefficient on the relationship between Capital Allowance (CA) and Research & Development (R&D) investments of manufacturing firms in Rivers State. The result on the table indicates that there is a significant and positive association between Capital Allowance (CA) and Research & Development (R&D) investments of manufacturing firms in Rivers State at 0.05 level of significance. Furthermore, the results in table 4 shows the summary of Spearman rank correlation coefficient on the relationship between Capital Allowance (CA) and Equipment Investment (EI) of manufacturing firms in Rivers State. The result on the table indicates that there is a significant and positive association between Capital Allowance (CA) and Equipment Investment (EI) of manufacturing firms in Rivers State at 0.05 level of significance.

The above result corroborates the study Orighoye (2004) who investigated Tax incentive and foreign investment in the Nigerian oil and gas sector. The study was aimed at establishing whether by way of using tax incentives, it will compete for foreign direct investment in the oil and gas sector. The study concludes that tax incentives may not have an effect on FDI, henceforth, there is need to harmonize tax policies under regional arrangement. Kiabel, (2001), explains that capital allowance is seen as a relief that is granted to the taxpayers who incurred qualifying capital expenditure during a basis period in respect of assets that are in use for business purposes.

Loss Relief and Corporate Investment

The results in table 4 shows the summary of Spearman rank correlation coefficient on the relationship between Loss Relief (LR) and Research and Development(R&D) of manufacturing firms in Rivers State. The result on the table indicates that there is a significant and positive association between Loss Relief (LR) and Research and Development (R&D) of manufacturing firms in Rivers State at 0.05 level of significance.

Again, the results in table 6 shows the summary of Spearman rank correlation coefficient on the relationship between Loss Relief (LR) and Equipment investment (EI) of manufacturing firms in Rivers State. The result indicates that there is a significant and positive association between Loss Relief (LR) and Equipment investment (EI) of manufacturing firms in Rivers State at 0.05 level of significance.

These findings are in line with similar studies as they show significant influence of tax incentives on investment, especially, research and development and Equipment purchases. Previous studies have emphasized that tax incentives are available in Nigeria but the degree of awareness of tax incentives packages are low, hence there is an urgent need to increase awareness. Studies like Dunu (2009) observed that not all firms are aware of the availability of tax incentive schemes as a result of poor administrative tax scheme. Hence, there is need for further sensitization especially considering the significant nature of its influence on equipment purchase and research and development.

CONCLUSION AND RECOMMENDATIONS

This study concludes that tax incentives significantly influence corporate investments of manufacturing firms in Rivers State. This however is with exception of raw material purchases. This is so because of all three tax incentives studied, only loss reliefs evidenced significant influence on raw material purchases. The reason for both capital allowance and tax holidays not having significant influence on raw material purchases is yet to be examined.

Nevertheless, studies like Dunu (2009) observed that not all firms are aware of the availability of tax incentive schemes as a result of poor administrative tax scheme. Recommendations useful to various stakeholders are proffered below:

- there should be review of current tax incentive schemes to adequately deal with aiding raw material purchases by manufacturing firms in Rivers; and
- existing tax incentive laws should be reviewed to cater for current economic, technological, environmental, social situations in Rivers State.

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