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Tax Incentives and Foreign Direct Investment of Listed Oil and Gas Companies in Nigeria

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Abstract: *This study investigates tax incentives and foreign direct investment of listed oil and gas companies in Nigeria. To achieve the purpose of the study, two (2) hypothetical statements were formulated for the study and relevant literature reviewed. The cross- sectional survey research method was adopted for the study on a population comprised of eleven listed oil and gas companies in Nigerian Stock Exchange as at January 2020. Eleven listed oil and gas companies (11) were obtained as the study's sample size, and 4-point likert-scale questionnaires administered on the Unit Heads of accounting, marketing, production and customer service and their Assistants as a major instrument for data collection. Subsequently, the simple random sampling technique was adopted and thirty (30) management staff was drawn from each of the companies and from the identified departments of the company under study, to arrive at 330 management staff for the whole sample, of which 202 copies of the questionnaire were returned, obtaining a 67.3 percent response rate. Analyses were performed by means of descriptive statistics and simple regressions,using Statistical Package for Social Sciences (SPSS) Version 22.0. The study revealed that capital allowance had a positive and moderate effect on foreign direct investment, while investment tax allowancehad a weak, positive and insignificant effecton foreign direct investment. The study therefore, concludes that, tax incentives through capital allowance significantly and positively influences foreign direct investment, but through investment tax allowance insignificantly and positively influences foreign direct investment of listed oil and gas companies in Nigeria, and recomends that, Nigeria government should not dwell much on using investment tax allowance to promote or attract foreign direct investment, that is those listed oil and gas companies that undertake same production activities in multiple countries or they can out rightly reduce investment tax allowance for listed oil and gas companies in Nigeria that operate on foreign direct investment since there is weak and insignificant effect of investment tax allowance on foreign direct investment but should maintain or improve on capital allowance to attract foreign direct investment since there is a positive and significant effect.*

Key Words: *Earnings quality, audit specialization, audit compensation, auditor busyness and educational level.*

INTRODUCTION

Foreign direct investment (FDI) has been the preoccupation of many economies of the world especially less developed countries that need such investment to boost capital (Peter &Kiabel, 2015).Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and

indeed was one of the top three leading African countries that consistently received FDI in the past decade. However, recently the level of FDI attracted by Nigeria is mediocre (Asiedu, 2003) compared with the resource base and potential need. Nigerian Government has over the years adopted one form of incentives or the other for companies operating in the country having been hobbled by political instability, corruption, inadequate infrastructure, and poor macroeconomic management which have hindered economic development and growth. And this is because tax policy incentives (TPI) provide an enabling environment that is conducive to foreign direct investment with a view to engender capital transfers, technology spillover and technical know-how and increased employment (Olaniyi*et al.,*2018) as well as encouraging business growth and development in the private sector organization (Arzizeh*et al.,*2018). Nigeria Government is interested for improvement in all of these areas.

However, according to Arzizeh *et al.*(2018), the issue of tax incentives has not really received positive attention in oil and gas sector because they think that the sector is rich enough to pay all taxes. According to him, there is little level of tax incentives in the oil sector and this cannot be compared with what is applicable to private sector. They also stated that the ability of the oil and gas sector to sustain itself and to expand are faced with the problems of high tax rate, multiple taxation, complex tax regulation and lack of proper enlightenment or education about tax related issues. And these have led to an increase in the record of death of some oil and gas industries in Nigeria.

Therefore, in recent years Nigeria began pursuing economic reforms in order to meet its target of becoming the world's top 20 economies. This has led to an interest in the Foreign Direct Investment (FDI) as a means of achieving economic growth. Consequently, strategies of attracting FDI turned out to be a heavily used approach of many governments across the world to boost their economies. The rationale behind the granting of tax incentives is to exploit investment opportunities, where the tax system is seen as an obstacle (Klemm & Parys, 2009). As such, in other to improve its (FDI), the Nigerian government through the relevant authorities has over the years engage in series of economic reforms of which tax incentive is paramount. These incentives are granted to investors (multinational companies, foreign and local) investors to make the local economy more attractive for investment (Ayanwale, 2017).

Ayanwale (2017) stated that, as such in other to improve its (FDI), the Nigerian government through the relevant authorities has over the years engage in series of economic reforms of which tax incentive is paramount. He highlighted in his study that FDI is an engine of economic growth and development in Africa where its need cannot be over emphasized.

Imad (2012) also stated that Nigeria in particular has over the last decade, pursued various forms of economic reforms and liberalization of trade regimes in order to become more competitive in the international financial market and according to George and James (2013), foreign direct investment (FDI) has been viewed as a major stimulus to economic growth in developing countries.

According to United Nations Conference on Trade and Development (2018), Nigeria has been rated as the third host economy for FDI in Africa behind Egypt and Ethiopia. Despite that, in the more recent tax incentives reforms of 1999, the county's net inflow of FDI was fluctuating. These fluctuations and the consequent high unpredictability of FDI pose some limitations to economic planning. Statistics shows a series of ups and downs in Nigeria's FDI. According

to World Bank statistics of 2019, Nigeria's FDI contribution to GDP declined by 1.608% in 2001as against 1.693% in 1999. It rose to 1.965 in 2002 but two years after in 2004, it again fell to 1.374%. In 2005, a high FDI to GDP was recorded (2.829%) but as usual it fell to 2.189% in 2007. Since 1999 tax reforms, the highest net inflow of FDI (% of GDP) was 2.931% reported in 2009.

This then raises the question about tax incentive policy considering the fact that before the 1999 tax incentive reforms; the country had recorded net inflows as high as 4.848% and 5.791% in 1993 and 1994 respectively. Also, UNCTAD (2018) reported 21% fall in Nigeria's FBI in 2017. These fluctuations in FDI values raise doubts about the purported effectiveness of the tax incentive policy which is a major policy aimed at attracting FDI into Nigeria.

More recently too, Trading Economics (2019) from a monetary (US dollars) based analysis highlighted that FDI in Nigeria increased by 438.84 million US dollars in the third quarter of 2018. For the period of 12 years spanning between 2007 and 2018, Nigeria's FDI averaged 1,261.83 US dollars. Within that period the highest FDI value was 3084.90 US dollars recorded in the last quarter of 2028.

Based on these, the paramount question then is whether incentives or rather tax incentives is a significant driver of FDI. Is it possible that tax incentives can stimulate FDI significantly? Does it have only a minimal impact on FDI? Or is it possible that FDI was driven by other factors besides tax incentives? Therefore, there is a need for re- appraisal of the relationship between tax incentives generally in the promotion of inflow of FDI. This study therefore investigates the relationship between tax incentives and foreign direct investment of listed oil and gas companies in Nigeria.

STATEMENT OF THE PROBLEM

The recent events in the oil and gas sector has called to question the appropriateness of the Nigerian petroleum tax incentives in attracting and sustaining FDI into the nation's oil and gas sector. There were instances of multinational oil companies relocating to other countries due to uncertainty of operating environment and this as a result laid a helping hand in crippling Nigerian economy (Adam, 2020).The issues of tax incentives have not really received positive attention in oil and gas sector because they think that the sector is rich enough to pay all taxes. (Bamidele, 2020). Furthermore, according to Arzizeh*et al.* (2018), there is little level of tax incentives in the oil sector and this cannot be compared with what is applicable to private sector. The ability of the oil and gas sector to sustain itself and to expand are faced with the problems of high tax rate, multiple taxation, complex tax regulation and lack of proper enlightenment or education about tax related issues. These have led to an increase in the record of death of some oil and gas industries in Nigeria.

Moreover, the flow of foreign direct investment to the Nigerian economy is low relative to other countries in Africa even with the presence of tax incentives. This is evidenced from UNCTAD(2014) reportwhich shows that out of the 57billion US dollars FDI inflows to Africa, Nigeria inflows stands at 5.6billion US dollars (10% of the total FDI to Africa). Meanwhile in 1999, UNCTAD reported that Nigeria accounted for 30% of FDI inflow to Africa and this was largely as a result of its oil attractiveness. However, in 2007 in spite of the oil boom, Nigeria accounted for about 16% of total FDI inflow to Africa. Its most important role in terms of attracting FDI started grinding down due to the surge of FDI to other oil- rich countries such as Angola and Sudan.

Another factor is the improved FDI performance of other large African countries such as Egypt and South Africa which are successful in attracting FDI in various sectors of their economies (Ibi-Ajayi, 2010). Also, UNCTAD (2018) reported 21% fall in Nigeria's FDI in 2017. These fluctuations in FDI values raise doubts about the purported effectiveness of the tax incentive policy which is a major policy aimed at attracting FDI into Nigeria, hence the need for this study.

Empirical studies on tax incentives and foreign direct investment have been carried out in Nigeria but they have been inconclusive. Many works focused on the effect of FDI on economic development and growth as seen in the works of Otto and Ukpere (2014) who examined FDI and economic development and growth in Nigeria, Olowo*et al*. (2020),who studied the effect of tax incentives on the growth and development of manufacturing firms in Nigeria. Muzurura*et al*. (2011) examined the impact of FDI on export growth in Zimbabwe for the period 1980 to 2011 while many others focused on the impact of tax incentives on the performance of oil sector companies as seen in the study of Fernado (2009) who conducted a study on the impact of tax incentives on performance of oil sector, Boniface (2019) also established the effects of tax incentives on financial performance of SACCOs in Nairobi country. Arzizeh*et al*. (2018) studied the effects of tax incentives on FDI in the petroleum industry from 2011-2015.

Despite the fact that similar studies have been done in Nigeria, the extent of the relationship between tax incentives and foreign direct investment in the listed oil and gas sector have received less attention. It is not clear whether tax incentives have significant effect on FDI in listed oil and gas companies in Nigeria. Moreover, variables of horizontal FDI, vertical FDI and conglomerate FDI to the best of researcher's knowledge have not been used as measures of FDI and there is also periodic gap to fill since this study to the best of the researcher's knowledge is the most recent study on tax incentives and foreign direct investment. Thus, in the light of the above premises that incited the researcherto fill in the gap by empirically examining the extent of the relationship between tax incentives and foreign direct investment in listed oil and gas companies in Nigeria.

LITERATURE REVIEW AND HYPOTHESES

The Eclectic FDI Theory

The eclectic theory Dunning (1977), popularly known as OLI, is an integration of three theories. The theory posits that firms undertake FDI when the advantages of Ownership, Location and Internalization combine to make it appealing to undertake FDI. Ownership advantage is the benefit that a company gets due to its ownership of some special assets, such as a powerful brand, intellectual property, technical knowledge or management ability. Location advantages refer to the benefit of setting an economic activity in a place because of the natural or acquired characteristics of the location. Internalization advantages refer to the gain that arises from undertaking a business activity in house rather than leaving it to a relatively inefficient market. According to (Nayyar, 2014), the theory therefore holds that FDI is the result of firms possessing Ownership specific (income generating) advantages (O) that they want to exploit in foreign Locations (L), which they cannot profitably do except through Internalization (I).JohnandRajneesh(2001), refer the eclectic theory Dunning (1977), popularly known as OLI to Seeker Theory.

The first consideration ownership **advantages** include proprietary information and various ownership rights of a multinational. These may consist of branding, copyright, trademark or patent rights, plus the use and management of internally-available skills. Ownership advantages are typically considered to be intangible. They include that which gives a competitive advantage, such as a reputation for reliability.

Location advantage is the second necessary good. Multinationals companies must assess whether there is a comparative advantage to performing specific functions within a particular nation. Often fixed in nature, these considerations apply to the availability and costs of resources, when functioning in one location compared to another. Location advantage can refer to natural or created resources, but either way, they are generally immobile, requiring a partnership with a foreign investor in that location to be utilized to full advantage.

Finally, **internalization advantages**signal when it is better for multinationals to produce a particular product in-house, versus contracting with a third-party that is outsourcing. At times, it may be more cost-effective for a multinational to operate from a different market location while they keep doing the work in-house. If the business decides to outsource the production, it may require negotiating partnerships with local producers. However, taking an outsourcing route only makes financial sense if the contracting multinationals can meet the organization's needs and quality standards at a lower cost. Perhaps the foreign multinationals can also offer a greater degree of local market knowledge, or even more skilled employees who can make a better product.

The Concept of Tax Incentives

Tax incentives can be defined as areduction made by the government in the amount of tax that a particular group of people or type of organization has to pay or a change in the tax system that benefits those people (Kaplan, 2013). Incentive refers to anything that encourages one to do something. Hence, a tax incentive is a generic term for all the measures adopted by the government to deliberately manipulate the tax system to the advantage of potential tax-payer (Dotun, 2016).

Tax incentive can also be definedasa deliberate reduction in or total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable ways. The desirable ways maybe to invest more, employ more, export more, sell more, consume less, import less and pollute less and so on (Sanni, 2017). The Oxford Advance Learners Dictionary defines tax incentives as reduction in the effective tax burden on the favored activity as against that currently imposed upon it in the hope that the reduction in government revenue (due to tax forgone) will be compensated by an expected expansion of the national economy and ultimately by resulting increases in total revenue from such broadened economic basis. Holland and Vann (2015) assert that, these incentives include personal allowance, capital allowance, investment allowance, loss relief, and roll over relief, annual allowance, pioneer relief, tax free dividend, export processing zones relief, research and development and tax-free

holiday. Oriakhi and Osemwengie (2013), also identified the following tax incentives used in Nigeria tax exemptions, investment allowances, investment reliefs in rural tax-free interest, tax deductible, research and development, tax-free dividends, tax breaks, and capital allowances. This study, therefore, explain tax incentive as all dealings that suggest supplementary satisfactory tax treatment of some particular actions or fragments in relation to what is permissible for general industry.Tax incentives can take the form of tax holidays, investment allowances and tax credits, accelerated depreciation, special zones, investment subsidies, tax exemptions, reduction in tax rates and indirect tax incentive.

According to Ohaka and Agundu (2012) the truth about tax incentives in Nigeria is that not many people truly take advantage of the incentives that exist. Where this advantage is taken, past trends have suggested an individual corporate approach rather than an industry-wide approach. Okauru (2017) further stated that, it is good to note that the incentives are to ease off the burden of tax-on-tax payers. Tax evasion and avoidance encourage investors, which in turn will enhance economic growth and development for purposes of influencing the structure and character of private investment.As the Nigeria market becomes more responsive, potential competitors are at an advantage.

The granting of tax incentives for investment is often done outside of a country's tax laws and administration, sometimes under multiple pieces of legislation. The design and administration of tax incentives may be the responsibility of several different Ministries (e.g., finance, trade, investment). Where various Ministries are involved, they may not coordinate their incentive measures (tax and non-tax) with each other or the national revenue authority, with the result that incentives may overlap, be inconsistent, or even work at cross-purposes. Administrative discretion in the management of incentives can seriously increase the risk of corruption and rent seeking.

Foreign Direct Investment

Foreign Direct Investment (FDI) is a means of achieving economic growth and, strategies of attracting FDI turned out to be a heavily used approach of many governments across the world to boost their economies. The rationale behind the granting of tax incentives is to exploit investment opportunities, where the tax system is seen as an obstacle (Klemm & Parys, 2009). The continuous inflow of foreign direct investment (FDI) into a country in one way or the other is linked to inflow of benefits such as technological knowhow, human capital development, gross domestic product (GDP), gross fixed capital formation (total investment in a host economy) and balance of payments (BOPs) **and** of the most salient features of today's globalization drive is conscious encouragement of cross-border investments, especially by transnational corporations and firms (TNCs) in other to attract the benefits of FDI(Peter & Kiable, 2015). Many countries and continents (especially developing) now see attracting FDI as an important element in their strategy for economic development. This is most probably because FDI is seen as an amalgamation of capital, technology and marketing and development.

FDI improves the quality of products and processes across sectors. Profits generated by FDI contribute to corporate tax revenues of the host country (Li &Liu ,2015). Employmentopportunities are created, especially in sectors that are heavily driven by labor-intensive technologies such as the agricultural sector. In addition, FDI in manufacturing will in most cases boost the level of productivity in the local economy as stimulates growth, especially in the context of developing countries (Ayanwale**,** 2017).

Empirical Review

George and Bariyima (2015), investigated tax incentives and foreign direct investment in Nigeria. Given the significance of Foreign Direct Investment (FDI) to economic growth and the use of tax incentives as a strategy among government of various countries to attract FDI, this study examines the influence of tax incentives in the decision of an investor to locate FDI in Nigeria. Data were drawn from annual statistical bulletin of the Central Bank of Nigeria and the World Bank World Development Indicators Database. The work employs a model of multiple regressions using static Error Correction Modeling (ECM) to determine the time series properties of tax incentives captured by annual tax revenue as a percentage of Gross Domestic Product (GDP)and FDI. The result showed that FDI response to tax incentives is negatively significant, that is, increase in tax incentives does not bring about a corresponding increase in FDI. Based on the findings, the paper recommends, amongst others, that dependence on tax incentives should be reduced and more attention be put on other incentives strategies such as stable economic reforms and stable political climate.

Patrick (2019), examined tax incentives for attracting foreign direct investment developing countries have increasingly resorted to the use of tax incentives to attract FDI, despite existing evidence of the shortcomings of tax incentives. In sub-Saharan Africa, tax incentives are a prominent feature of many investment codes. Sub-Saharan African countries find tax incentives as a means of attracting FDI because there are no viable alternatives per se, and they believe that tax incentives can be structured to ensure that FDI advances socio-economic and technological development. But the reliance on tax incentives at the expense of maximizing domestic tax revenue poses a challenge to sustainable development. This study examines Ghana and Kenya to see which of them will better achieve this balance, and makes recommendations on how this balance can be enhanced. The study finds that tax incentives are not well designed and administered. The recommendations suggest that legislative and administrative reforms be undertaken to make tax incentives more effective.

Olowo *et al.* (2020) examined the effect of tax incentives on the growth and development of Manufacturing firms in Nigeria. The study employed ex-post facto research design. Data on corporate income tax incentives, capital allowance incentives, custom duty incentives, excise tax incentives and return on asset were secondarily sourced from financial statement of account from 2013 to 2018. The data were analysed using ordinary least square of multiple regression technique

through E-view 9.0. Based on the analysis of the study, the results revealed that corporate income tax incentives ($P = 0.00 < 0.05$) has positive and significant effect on return on asset; capital allowance incentives ($P = 0.00 < 0.05$) has positive and significant effect on return on asset; custom duty incentives ($P = 0.00 < 0.05$) has positive and significant effect on return on asset, excise tax incentives ($P = 0.00 < 0.05$) has positive and significant effect on return on asset in Nigeria. The study concluded from findings of the study that tax incentives on the growth and development of Manufacturing firms in Nigeria. The study recommended the need for the government to conduct cost benefit analyses in order to ensure that the goals of granting such incentives are achieved.

Boniface (2019) established the effects of tax incentives on financial performance of SACCOs in Nairobi County. The study adopted a descriptive research design. The study population comprised of all the registered SACCOs in Nairobi County. A sample of 41 SACCOs was determined using 10- 30% of target population as representative rule and stratified random sampling technique. Secondary data from SASRA was collected and analyzed to establish the association between tax incentives and profitability of SACCOs. This study established that there is a weak positive relationship between capital allowance, accelerated depreciation and financial performance of SACCOs in Nairobi County. It further indicated a negative relationship between tax and financial performance. The study therefore recommended that the government should provide more and a diversity of tax incentives to the SACCOs, especially capital allowance and accelerated depreciation and tax exemptions, since an increase in each of them increases the profitability of SACCOs.

Raphael *et al*. (2019) investigated attracting foreign direct investment (FDI) in Nigeria through effective tax policy incentives, the focus of this study was to confirm the fact. Thus, an empirical investigation covering a period of 19 years (1999-2017) was conducted to ascertain the effect of cost-based and profit-based tax policy incentives on FDI in Nigeria. In line with the ex post facto research design adopted for the study, secondary data were sourced from CBN bulletins and World Bank Database. Multiple regression techniques were used in analysing the three models that were formulated. The findings revealed that although the cost-based tax policy incentives had some relatively stronger effect on FDI (with R^2 of .230) compared to profit-based tax policy incentives (with R^2 of .045), yet there was no significant relationship found between cost-based tax policy incentives, profit based tax policy incentives and FDI in Nigeria. It was therefore recommended that non-tax incentive initiatives should be considered as a necessary complement to the tax policy incentives in order to attract and stabilize FDI in Nigeria.

Arzizeh *et al.* (2018) focused on the effect of tax incentives on foreign direct investment in the petroleum industry in Nigeria. In the petroleum industry the issue of tax incentive has not really received a positive attention because the people think that the sector is rich enough to pay all taxes. Though there is little level of tax incentives in the oil sector, but this cannot be compared to what

we have in the private sector. The ability to sustain itself and to expand petroleum industries are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. These have led to an increase in record of dearth of petroleum industries in Nigeria. An ex-post-facto research design was adopted. Secondary data were collected and analyzed using regression analysis with the aid of (statistics & data). The findings revealed that tax incentives proxy by investment tax allowance, non-productive rent, capital allowance has a significant effect on foreign direct investment. Based on the findings it is concluded that firms' enjoying tax incentives will generate more employment opportunities than firms in highly taxed regions. Conducive investment climate is a strong requirement for the flow of sustainable physical investment in an economy. Tax incentives positively influences the living standards and per capital income, and expand variety of goods available to consumers. The study recommends that tax policies should be amended to eliminate double taxation. Also, it is recommended that tax incentives should be effectively implemented and efforts should be made by relevant tax authority to ensure that firms benefit from these incentives. Finally, investment climate in the country should be made conducive through effective policy formulation, implementation and the provision of adequate functional physical infrastructure.

From the review of literature, the following conceptual framework was designed:

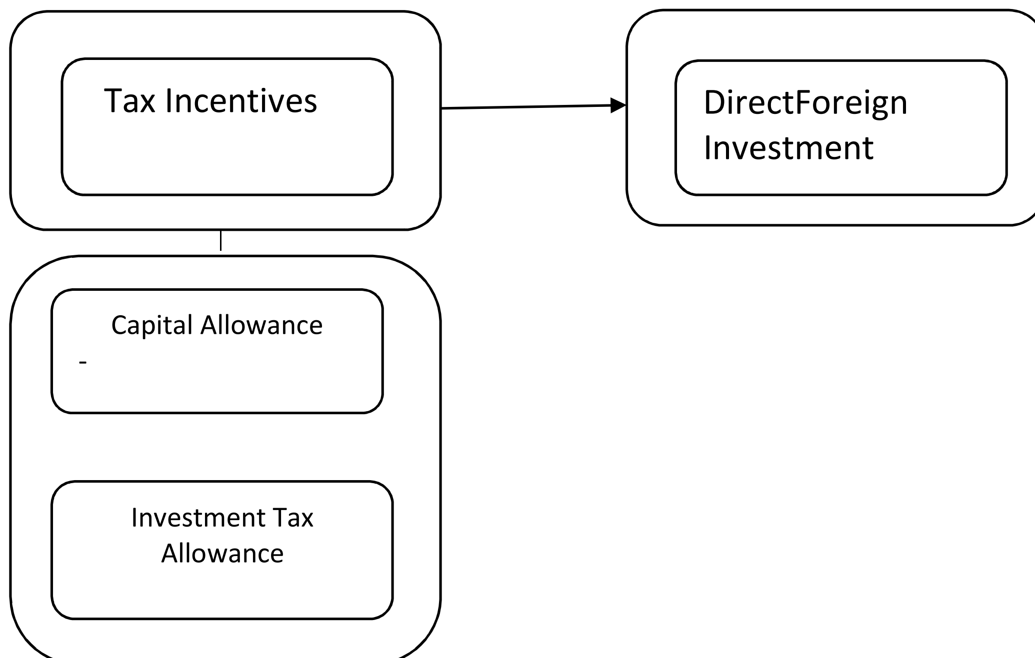

Figure 1: Conceptual Framework of Tax Incentives and Foreign Direct Investment.

Source: Designed by the Researchers, 2023

From the conceptaual framework, the following hypotheses stated in null form are presented below:

Ho1: There is no significant effect of capital allowance onforeign direct investment in listed oil and gas companies in Nigeria.

Ho2: There is no significant effect of investment tax allowance foreign direct investment inlistedoil and gas companies in Nigeria.

METHODOLOGY

The philosophical underpinningof this study tax incentives and foreign direct investment of listed oil and gas companies in Nigerian adopts the ontological assumptions, epistemological standpoint, objectivism, positivism and scientific approach. The combination of explanatory/ interpretative and cross-sectional survey design was adopted for the study because of its descriptive nature, causal relations, and power to draw inferences from particular to general through the use of appropriate test statistic and because the variables (human beings) are subject to change. The study chose the questionnaire method as a source of data collection for the study, and the cross-sectional field survey of the quasi-experimental research design was employed as a useful aid in examining the extent to which tax incentive interacts with the foreign direct investment. The research setting is a non-contrived one because it is a natural setting and the researcher cannot manipulate the research elements.

The population of the study is drawn from the eleven (11) oil and gas companies which are quoted on the Nigerian Stock Exchange. The population is also assumed as the sample size, since it is less than 30. A census sampling method was therefore adopted for the studya, and entire11 listed oil and gas companies on the Nigerian stock exchange were acknowledged as sample size of the study. The simple random sampling technique was adopted for the study to enable each firm under study to be given equal opportunity to be accessed. However, the number of participants in the study was three hundred and thirty (330), on a sample frame of thirty (30) respondents per firm. Therefore, the respondents were made up of staff in the accounts, finance, marketing, personnel and audit department (6 respondents per departments) of listed oil and gas companies in Nigeria.

The primary data collection method which consists of information obtained from original materials such as questionnaire was used for the study, and330 copies of structured questionnaires wer distributed to the respondents. Data was analyzed by means of quantitative techniques, whereby the findings was presented in the form of frequency distribution tables and charts while, the hypotheses were tested using simple regressions analysis to investigate the effect of tax incentives on foreign direct investment.

Reliability of the Instrument

The retrieved copies of questionnaires was scored, coded and imputed into the calculation of reliability using cronbach Alpha coefficient to determine the outcome with the aid of statistical package for social sciences (SPSS).Therefore, only the items that returned alpha values of 0.7 and above were considered. The table below presents the Cronbach alpha values

Table 1. Reliability Coefficient Table Showing the Cronbach's Alpha of all Variables of the Study

Scale	Dimension	Items	Reliability
CA	Capital Allowance	3	0.884
ITA	Investment Tax Allowance	3	0.887
FDI	Foreign Direct Investment	3	0.875
QITFDI	Composite	24	0.933

Source: SPSS output, 2023

The Cronbach's Alpha Reliability Coefficient was computed for the composite scale and each of the subscales, and the results are reported in Table 1. It indicates how the items for each factor were internally related in the manner expected. Apparently, the value of the Alpha coefficient for the composite scale and the subscales are all above the threshold ($\alpha \geq 0.70$); hence, they are all reliable.

RESULTS

This study dealt with tax incentives and foreign direct investment in listed oil and gas companies in Nigeria stock exchange. Of the 330 copies of questionnaire that were distributed to the respondents, 270 copies were returned, yielding a response rate of 82 percent. Moreover, of the 270 copies of the questionnaire returned, the usable copies numbered 202 leading to a response rate of 75%. Hence, these 202 copies were used for the analysis.

Statistical Test of Hypotheses

To test the hypotheses the simple regressions was performed on the dependent and independent variables to determine the degree of influence of the predictor variable on the dependent variable. This is aimed at identifying the extent of the effect of the dimensions of tax incentives on foreign direct investment.

Statistical Regression Analysis on the Extent and Direction of the influence ofCapital Allowances Foreign Direct Investment

Table 2: Showing the extent and Direction of the influence of Capital Allowance on Foreign Direct Investment.

Model Summary

Model	R	R square	Adjusted Square	R std error of the Estimate
1	. 568 [a]	.465	.463	.000

ANOVA of Capital Allowance andForeign Direct Investment.

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.087	1	.087	299.886	.000[a]
	Residual	.006	201	.000		
	Total	.093	202			

Coefficients of Capital Allowance andForeign Direct Investment

Model		Unstandardized Coefficient B	Std. error	Standardized Coefficient Beta	T	Sig.
1	(Constant)	.1.866 .	.068		26.786	.000
		.567	.048	.568	19.675	.000

Source: SPSS 22.0 Window Output (2023)

Decision: Since for hypothesis one, the significant .000 is less than 0.05, there is a significant effect of capital allowance on foreign direct investment. The regression helps us to conclude with the R (coefficient of correlation) that there is 56.8% direct relationship between capital allowance and foreign direct investment. R-squared value of 46.5% shows that capital allowance can affect foreign direct investment.

The ANOVA Table explains the fitness of the model as shown by. The F-ratio in the model is 26.786, which is very significant at $p < 0.05$. This implies that there is significant evidence to extrapolate that capital allowance is linearly related to foreign direct investment. This proposes that the model is measured to be fit and that capital allowance has some influence on foreign direct investment.

There is also a standardized coefficient of .568 which is perfect as well as corresponding P value (sig.) of 000 which is less than alpha (0.05). Therefore, we conclude that capital allowance significantly influences foreign direct investment of oil and gas firms in Nigeria.

Statistical Regression Analysis on the Extent and Direction of the influence of Investment Tax Allowance on Foreign Direct Investment

Table 3: Showing the Extent and Direction of the influence of Investment Tax Allowanceon Foreign Direct Investment

Model Summary

Model R	**R square**	**Adjusted Square**	**R std error of the Estimate**
1 . 246[a]	.224	.222	.49787

ANOVA of Investment Tax Allowance and Foreign Direct Investment

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	59.078	1	59.078	778.697	.1076[a]
	Residual	23.849	201	.406		
	Total	77.945	202			

Coefficients of Investment Tax Allowance and Foreign Direct Investment

	Unstandardized Coefficients		Standardized		
Model	B	Std. error	Beta	T	Sig.
1 (constant) -.	.1864	.160		10.206	.000
	.896	.078	.346	17.764	.000

Source: SPSS 22.0 Window Output (Based on 2023)

Decision: Since for hypothesis two, the significant is 1.076 which is greater than 0.05; there is an insignificant effect of investment tax allowance on foreign direct investment with the R (Coefficient of Correlation) that there is 24.6% direct relationship between investment tax allowance on foreign direct investment. R–square value of 22.4% shows that investment tax allowance can affect foreign direct investment to some degree.

The ANOVA Table explains the fitness of the model as shown by the F-ratio in the model is 778.697, which is very significant at $p < 0.05$. This implies that there is significant evidence to extrapolate that investment tax allowance is linearly related to foreign direct investment. This proposes that the model is measured to be fit and that investment tax allowance has some influence on foreign direct investment.

There is also a standardized coefficient of .346 which is perfect as well as corresponding P- value (sig.) of 1.076 which is greater than alpha (0.05). Therefore, we conclude that investment tax allowance insignificantly influences foreign direct investment of oil and gas firms in Nigeria.

DISCUSSION OF FINDINGS

In the previous section, all the relationships of interest were estimated, all stated hypotheses were tested, and the findings were summarized. In this section, we explain these findings in detail and relate them to both theoretical and empirical literature.

As an important dimension of tax incentive, capital allowance shows moderate, positive and significant effect on foreign direct investment in the oil and gas companies quoted in Nigeria stock exchange. This is evidenced by the results in Table 2 with beta value of .568 and p- value of 0.0000 leading us to reject the null hypotheses of no significant influence of the independent variable on the dependent variable. Consistent with our expectation *aprior,*these findings suggest that capital allowance that is real exchange rate compliant can positively influenceforeign direct investment. This finding agrees with the findings of Coleman (2008) which revealed that there is a significant relationship between tax incentives and industrial development; Olaleye *et al*. (2016) whose study showed positive linear relationships between reduced company income tax incentives and FDI. Moreover, this finding is also consistent with findings of Amaka and Ezeudaka (2019) which indicated that tax incentives policy changes the flow of FDI into non-oilsector. This result demonstrated the significant influence of capital allowance on vertical foreign direct investment, matching previous studies found in the literature.

The result in table 3 suggests that investment tax allowance has positive and highly insignificant influence on foreign direct investment. This is evidenced by the positive sign of beta (= .246) and the very high p-value (= 0.1076) corresponding to that table, thus leading us to strongly accept the null hypothesis of no significant influence of the independent variable on the dependent variables. We expected *priori* that investment tax allowance should have a positive and significant influence on foreign direct investment. Thus, our finding does not support this view and implies that investment tax allowance decreased the foreign direct investment, vertical foreign direct investment and conglomerate foreign direct investment of the companies in our sample. This finding on investment tax allowance is inconsistent with Ugwu (2018) result which indicated that FDI has positive but insignificant effect on FDI of Nigeria, Ghana and South Africa.

CONCLUSION AND RECOMMENDATION

This study assessed the extent of the influence of tax incentives onforeign direct investment of listed oil and gas companies in Nigeria by means of a quantitative analysis, which shows that tax incentives by variables of capital allowance which according to the outcome of the statistical

analysis influences foreign direct investment positively and significantly, while investment tax allowance influences foreign direct investment positively and insignificantly. The study therefore, concludes that, tax incentives through capital allowance significantly and positively influences foreign direct investment, but through investment taxallowance insignificantly and positively influences foreign direct investment of listed oil and gas companiesin Nigeria, and recomends that,Nigeria government should not dwell much onusing investment tax allowance to promote or attract foreign direct investment, that is those listed oil and gas companies that undertake same production activities in multiple countries or they can out rightly reduce investment tax allowance for listed oil and gas companies in Nigeria that operate on foreign direct investment since there is weak and insignificant effect of investment tax allowance on foreign direct investment but should maintain or improve on capital allowance to attract foreign direct investment since there is a positive and significant effect.

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