Tax Incentives and Growth of Listed Oil and Gas Companies in Nigeria

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ABSTRACT

This study examined the effects of tax incentives on business growth of the listed Oil and gas companies in Nigeria. The ex-post facto research design was adopted for this study. The population of this study consists of the 12 listed Oil and gas Companies on the Nigerian Stock Exchange from which samples size of ten (10) firms was considered due to availability of data. The panel secondary data were collected from annual reports of the sampled companies for a 7 year period. In analyzing the data, Generalized Least Squares (GLS) was used. The results revealed that capital allowance has no significant relationship with business growth of the sampled listed oil and gas firms in Nigeria. The results also show that there is positive significant relationship between investment allowance and business growth of listed oil and gas firms in Nigeria. While the findings of the study showed that loss relief has a positive significant relationship with business growth of listed oil and gas firms in Nigeria, it was also disclosed that there is significant relationship between allowable interest and business growth of listed oil and gas companies in Nigeria during the period under review. The study therefore recommended that the Government should lay more emphasis on the role of tax incentives and help firms to understand tax law so as to utilize all the available tax incentives which in turn contribute to the growth of oil and gas businesses in Nigeria. The study also recommends there is need for the downstream sector to employ more loan to save tax and use the tax savings to grow the business.

Keywords*:* Capital Allowance, Investment Allowance, Loss Relief, Allowable Interest

INTRODUCTION

To attract multinational companies, the world in the recent years is characterized by extreme competition between governments and because of this, tax incentives are a global issue. In the recent years Nigeria government has made effort to provide an environment that is conducive for the growth and development of industries to reduce unfair competitions and stimulate the expansion of domestic production capacity. Tax incentive can be defined as a deduction, exclusion or exemption from tax liability that is offered as an enticement to investors so as to encourage investment in certain preferred sectors of the economy for a certain period. Tax incentives according to (Fletcher, 2002) has been defined as any tax provision granted to a qualified investment project that represents a favourable deviation from the provisions applicable to investment projects in general. Further, (Fletcher, 2002) advice that any tax provision that sets the corporate income tax (CIT) rate for foreign invested enterprises (FIEs) at half the rate that applies to all domestic companies would constitute a tax incentive, but a provision that simply sets a low CIT rate for all firms would not constitute a tax incentive.

Countries in the Europe give investment allowances while those poor developing ones give tax holidays as well as duty exemptions (Morisset, 2003). In the recent past, there has been an increase in the trend, as

evidenced by expansion of companies such as Toyota to Northern France as well as Mercedes-Benz to the Alabana state in the USA. There are therefore questions on whether governments have overstepped in these offers of incentives. This has in the long run raised debate after debate on the suitability of tax incentives (Harris, 1993). Governments all over the world use tax incentives to enhance economic activities and investments by firms, they use these form of incentives to channel some special economic activities towards some important sectors of the economy where they are either not felt or not existing at all (Kaplan, 2001).

Tax incentives are widespread around the globe and are always advancing. They are measures that accommodate a more encouraging duty treatment of specific exercises or segments contrasted with what is conceded to general industry, it comes in form of an offer to pay less tax. Tax incentive is an arrangement that concedes any individual or action great conditions that move away from the ordinary arrangements of the excise enactments. (Institute of Economic Affairs, 2012). In developed nations, tax incentives frequently assume different forms including, credits for investors of assets, high rates of depreciation, and exciting treatments for all expenditures incurred in research and developments. In some nations, tax incentives frequently appear as venture duty credits, quickened devaluation, and positive expense treatment for uses on innovative work

Tax incentives may take different structures. In the case of Nigeria the pertinent tax incentives include, tax holidays, investment allowances, accelerated depreciation, special zones, investment subsidies, tax exemptions, reductions in tax rates and indirect tax incentives (Tembur, 2016). In developed nations, tax incentives frequently assume different forms including, credits for investors of assets, high rates of depreciation, and exciting treatments for all expenditures incurred in research and developments Tax system in Nigeria, in many ways encourages investment and also promotes business growth as it provides for a number of tax incentives, including capital allowance, investment allowance, loss relief, labour intensity. (Oyedele, 2015).Tax incentives attract, retain or increase investment in a sector and it also stimulates growth. All these affect the growth of businesses in Nigeria; thereby increasing the rate of employment in the country and yields positive consequences. These incentives are backed by various Government legislations. They are granted to enhance the growth and development of industries as well as empowering individuals and corporate taxpayers economically (Oyedele, 2015).Nigeria is currently facing significant challenges in its petroleum industry because of the volatility of oil prices, pipeline vandalism and illegal refining. It is clear that the country must reduce its reliance on crude oil income by developing its midstream and downstream sectors and leveraging on its natural gas reserves (Okafor, 2012).

The existing petroleum regulatory framework however discourages investment in the sector and has proved to lack the requisite comprehensiveness to enable Nigeria achieve these outcomes. Moreover, the backbone of this framework, the Petroleum Act of 1969, failed to provide for the sustained development of Nigeria's gas resources. These factors necessitated an overhaul of the petroleum regulatory framework and the advancement of incentives to promote investment and operations in the industry. The National Gas and Petroleum Policies, were formulated in conjunction with new legislation to overhaul the Nigerian petroleum industry and initiate multi-sector economic growth, by addressing a broad range of issues such as sector governance, institutional framework, the fiscal regime, the need for a separate gas industry, the corporate structure of state-owned enterprises, transparency, accountability and environmental issues (Ojo, 2008).

The Government of Nigeria has put in place a number of investment incentives for the stimulation of private sector investment from within and outside the country. While some of these incentives cover all sectors, others are limited to some specific sectors. It is not clear whether some of the measures taken so far by the government to improve the growth of companies in Nigeria have really produced good results. However, in Nigeria which largely depends on oil and gas for development, incentive to these oil and gas companies should not only improve their financial performance but contribute to their growth, are these tax incentives given meeting the expectations of these firms?

A number of studies have been carried out on tax incentives in Nigeria. These are the studies of (Akinyomi, 2011) who examined the impact of tax incentive on the performance of small scale enterprises. (Uwaigbe, 2016) investigated tax incentive and growth of small scale manufacturing firms in Nigeria. (Olabisi, 2009) studied tax incentives as a catalyst for economic development in Nigeria. Furthermore, (Oriakhi & Osenwengie, 2013) carried their study on tax incentives and revenue productivity of the Nigeria tax system. While (Arzizeh, et al, 2018) examined the effect of tax incentives on foreign direct investment in petroleum industry. In addition, (Ohaka, 2016) investigated tax incentives and corporate finance performance of quoted manufacturing company in Nigeria. It was observed that these previous studies on tax incentives in Nigeria were focused on the relationship between the tax incentives and finance performance while some focused on the relationship between tax incentives and economic development. But it seems previous studies had not examined the effect of tax incentives on growth of listed oil and gas sector in Nigeria. However in the light of the problem, this study examined the effect of tax incentive on growth of listed oil and gas companies in Nigeria only known study that examined the relationship between tax incentive and growth is that of (Uwuigbe, 2006) but his study only focused on small scale enterprises. Based on this, it was observed that there is need to investigate the influence of tax incentives on growth of listed oil and Gas companies in Nigeria.

The study is therefore aim to research the effects of tax incentives on growth of listed oil and gas companies in Nigeria. The following hypotheses are formulated in order to achieve this objective:

1. Ho_1: There is no significant relationship between capital allowance and growth.
2. Ho_2: There is no significant relationship between investment allowance and growth.
3. There is no significant relationship between loss relief and growth.
4. Ho_5: There is no significant relationship between allowable interest and growth.

Significance of the Study

A review of the current tax policies can aid in carrying out a cost benefit analysis (CBA) and guiding the policy makers on appropriate incentives. Government, through this research could evaluate the impact of the tax incentives on business growth of listed oil and gas companies. On the other hand, it will enable government to know whether tax incentives can actually help to redirect investment pattern of individuals and corporate bodies towards the development of listed oil and gas firms in Nigeria.

The research will provide the corporate tax payers with an insight on available tax incentives and how to utilize them in order to increase their savings for future investments. Rise in level of investments in the country is likely to result to rise in level of revenue for the government through taxation.

The study will also be instrumental for researchers and academics who will want to get information relating to tax incentives and growth of oil and gas firms. It will also be of great use for researchers and students who will want to review the literature on tax incentives and business growth.

CONCEPTUAL REVIEW

Concept of Tax Incentives

Tax incentive has over the years taken different directional views. Tax incentives are considered as a tool that is used to accelerate economic growth and even development. This can be supported by the definition of (Ifueko, 2009) who in her view defined tax incentives as special arrangements in the tax laws to: attract, retain or increase investment in a particular sector, stimulate growth in specific areas and assist companies or individuals carrying on identified activities. She further noted that the underlying basis is to ensure

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overall growth of the economy and even development of all sectors. It can therefore be inferred that tax incentives are tax reduction given to encourage or support specific course of action intended to encourage investment in certain sectors or geographical areas.

Tax incentive as fiscal measures that are used to attract local or foreign investment capital to certain economic activities or particular areas in a country (Bruce, 2004),. They claim that any tax provision that is applicable to all investment projects does constitute tax incentives. This definition excludes general tax incentives, such as accelerated depreciation that applies to all investments. Such general tax provision deserves to be called incentives for three reasons. Firstly, they are designed as such and functions as such. Second, it makes sense for a government to broadcast that it is offering attractive tax incentives, even if they take the form of general of the tax code. And third, a number of countries such as Uganda and Indonesia have shifted from selective to general incentives, all with the intention of stimulating investment (Shah & Toye**,** 2000).

Consequently, priority sectors of the economy such as agriculture, mineral, oil and gas, export and manufacturing are given incentives in order to influence purchasing power and production costs both of which are crucial for the growth of industries (Kiabel & Nwakpasi,2012).In recognition of the need to attract foreign investment into the country, diversifying and enduring the expansion of the export of Nigeria as a means to speed up economic development and encouraging existing companies and potential firms to continue operation in Nigeria, various forms of tax incentives packages have been put in place in Nigeria. The current policy of the Nigerian Government is to ensure that incentives are sector based and not granted arbitrarily, the benefit to the Nigeria economy exceeds the costs of taxes forgone, and incentives are reviewed regularly to confirm if they are serving the expected purpose, (Ifueko, 2009) while foreign investors enjoying incentives are expected to voluntarily plough back to the Nigerian economy (Oriakhi & Osemwengie, 2013). Tax laws provided various incentives to companies carrying on business in Nigeria, Incentives may be granted on industry basis or on the tax type and may include: exemption from payment of taxes, reduction in rate of tax to be paid, grant of allowances and deductions from profits to tax.

Incentive under the Industrial Development (Income Tax) Relief Act

Pioneer status is granted to qualifying companies and/or products and services resulting in 3-5year tax holidays. Qualifying industries include: Mining manufacture of cement glass and glassware, lime from limestone, ceramic product, rubber, leather textile, and other areas of industry that of economic benefits to the country, it is granted to companies where the government is satisfied that: an industry is not being carried on in Nigeria on a scale suitable to the requirement of Nigeria or at all; there is no favourable prospects for further development in Nigeria; it is expedient in the public interest to encourage the development or establishment of an industry in Nigeria. This as a result attracts: tax period in the first instance and a maximum of five years in total, tax free dividends during the pioneer period, carry forward of losses made and capital allowances incurred to the pioneer period.

Incentive under the Companies Income Tax Act

Companies in Nigeria are subjected to tax under the company income tax Act cap c21 LFN 2004 as amended to date. Company income tax Act are chargeable on the income of all companies operating in the country except those specifically exempted under the Act (Ariwodola,2002) and the administration of the Act is the responsibility of the federal board of inland revenue FBIR. Loans granted to Nigeria companies may be exempted from tax, where they meet prescribed criteria, dividends received from Nigerian are exempted from tax; other than withholding tax deducted at source; profits of shipping and airline companies subjected to tax in Nigeria is restricted to activity carried out in Nigeria; dividend interest, rent or Expenses are exempted from tax; Nigeria companies with a minimum of 25% foreign equity and within their first four

years of operation are exempted from payment of tax.

Incentive under the Personal Income Tax Act

Non Nigeria employees of foreign companies in Nigeria may be exempted from tax in Nigeria where: they spend a cumulative period of less than 183 days in Nigeria during a 12 months period and their income is subjected to tax in their home country. The minister of finance has power to grants exemptions based on treaty agreement between country involve and Nigeria.

Incentive under the Petroleum Profit Tax Act

Petroleum operation is defined as the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its process not including refining at a refinery, in the course of a business carried on by the company engaged in such operations and all operations incidental thereto any of or any disposal of chargeable oil by or on behalf of the company (Ojo,2008).

Expenses incurred outside Nigeria which are wholly, exclusively and necessary incurred for the Nigerian operations are allowed as deductions against the profit of the Nigerian inter-company loans obtained under open market terms are allowed as deductions.

Capital Allowances

The study by (Maffini, et al, 2016) on the influence of incentives in the form of depreciation allowances provided new evidence by employing confidential corporation tax returns in the UK. A difference-in-difference analysis was conducted by exploring an exogenous change in the qualifying threshold for the first year allowances (FYAs) that was recorded in the year 2004. The findings of the study depicted an increase in the investment rate during the period when the firms qualified for FYAs by a percentage increase of between 2.1-2.6 when compared to the firms that didn‘t qualify for the FYAs. There was thus a mean increase of about 11%. The study established that the large effect was not as a result of an increase in the available of cash after, exogenous variation in the timing of payments of tax had been exploited but rather it was a cost of capital effect. It was also found that firms showed a rapid response to the FYAs within the period 12-18 months. It was also found out in the study that the salience of the FYAs was enhanced due to the cost of the capital created by the qualifying thresholds being just below the notches. The main result was however not driven by this behaviour.

Oyedele and Erukume (2015) describe capital allowance as that which is granted on tangible non-current assets in lieu of depreciation. With exception to Research and Development, other intangible non-current assets are not regarded as qualifying for the purpose of capital allowance. They also describe capital allowance as that which is granted on tangible non-current assets in lieu of depreciation. With exception to Research and Development, other intangible non-current assets are not regarded as qualifying for the purpose of capital allowance. Capital allowance can be viewed as a relief that is granted to the taxpayer who has incurred qualifying capital expenditure during a basis period in respect of assets in use for the purposes of income-generating trade or business. The 5th schedule to PITD, 1993 contains the relevant provisions specifying the rates and circumstances under which the allowances are granted. The rates are subject to adjustment from time to time with the passing of the appropriate legislation.

Investment Allowance

As an incentive for investment, additional investment allowance of 35% on the value of assets as an alternative to pioneer status available to companies in the gas subsector while an investment allowance of 10% was granted to companies in the business of agricultural production (other than in marketing and

process). This allowance is given in addition to the initial allowance granted on such assets. The allowance, like the initial allowance, is granted once on an asset and is not affected by the length of the basis period during which the asset was first put to use. But unlike the initial allowance, it is not deducted from the cost of the asset in arriving at the tax written down value of the asset. Like the initial allowance, investment allowance is granted on the cost of the asset in the year the asset is first put to use. Also, investment allowance is claimable and hence deductible from profit only in respect of production machinery in the year of expenditure and cannot be carried forward if not claimed or not relieved. Therefore, if a business sustains a loss in a year that investment allowance is claimable for tax purposes, the allowance will be lost even when a claim is made as it cannot be relieved from a loss.

According to Oyedele and Erukume (2015) Investment Allowance is granted at the rate of 10% to corporate organization (companies) that incur expenditure on plant and equipment. It is calculated on cost and granted in the first year in which the asset is first to used. It has no bearing on the calculation of the tax written down value of the asset. (Kiabel, 2011) is of the view that Investment Allowance is only available in the first year, and it is not deductible from the cost of the asset. The available investment allowance under the Nigerian tax system presently are: 10% investment allowance on plant and machinery for business in the agricultural sector; 10% investment allowance on production machinery in use by manufacturing concerns; and 15% investment allowance on plant and machinery acquired as a replacement for obsolete ones. (Olaleye, Memba, & Riro 2015).

Loss Relief

Business is chargeable to tax on profits earned. It is therefore reasonable and acceptable to all parties concerned that in a basis period when losses are incurred, no tax is payable in the relevant year of assessment.

Current Year Loss Relief: This is the current year relief which could be set of against income from all sources in the fiscal year during which the loss occurred.

Carry Forward Loss Relief: Where a company makes a loss for any year which forms the basis period for a year of assessment, the assessment for that year will be nil in respect of the trade or business where the loss has occurred, unlike current year loss relief which involves setting off the trading loss incurred in an accounting year against other incomes that are assessable to tax in the assessment year which the loss occurred. In other trade, loss relief is granted for a maximum period of four years while in manufacturing and agricultural sector, the relief continues indefinitely. Government use tax incentive to reduce the tax burden with a series of policies put in place, these are difficult to quantify for research purposes, thus researchers usually result to the use of dummy variables in measuring some of them. (Fowowe, 2013)

Business Growth

The term growth means "increase in size, or an improvement in quality as a result of a process or development in which an interacting series of internal changes lead to increase in size accompanied by changes in the characteristics in the growing objects. (Penrose, 1959).Growth means increase in sales, assets, net profit and a chance to take advantage of the experience curve to reduce the per unit cost of products sold and thereby increase profits. Business growth indicators are grouped into four categories. (Absanto & Nnko, 2013), They are:

Outcome indicators: Profit, which is the difference between revenue and cost, is an important indicator of business growth. The amount of profit that a business makes is a function of revenues generated as well as the level of efficiency in the business.

Output indicators: production level can be a reasonable indicator of the business because it is likely to reflect the capacity of the business and its potentiality for profit. According to (Olommi, 2004), when the products produced by a business increases, it implies that the business is growing.

Capacity indicators: these reflect the potential of the business to produce output and outcome. They include the value of assets, capital invested, production capacity and workforce size.

Qualitative indicators: Business structure, management practices and degree of formalisation indicate business growth (Olomi, 2004).

EMPERICAL REVIEW

The study of (Ordu, 2016) on the impact of Tax incentives on economic development in Nigeria that is seen in terms of industrial growth in the nation with evidence from years 2004 to 2014. The population of this study includes 51 respondents drawn from taxpayers, management and members of staff of some selected manufacturing companies in the South-South geo-political zone of Nigeria and Federal Inland Revenue Services. Using probability method, a sample size of 45 respondents was used whilst Thirty (30) companies were studied. The classes of personnel included in the research were administrative managers, accounts managers, internal auditors, and marketing and production staff. Survey method including the use of questionnaire and interview was adopted, whilst correlation method of analysis was adopted. Twenty eight (28) correctly responded copies of questionnaire out of 30 administered were obtained for the analysis; Spearman's Rank Correlation Coefficient (rho) statistical tool was used in testing the hypothesis using Statistical Package for Social Sciences software (SPSS). The findings reveal that sufficient tax incentives enhances industrial growth and economy.

Macek (2014) investigated the impact of taxation revenue on economic growth in OECD countries, using time series secondary data for the period 2000 – 2011. A mathematical multiple regression model was adopted to capture the linearity correlation between the variables of the study. Tax variables by OECD classification include personal income tax, corporate income tax, social security contribution, property tax, value-added tax and tax on consumption. The World Tax Index classification is only short by social security contribution. While economic growth variables captured in the model include gross domestic product, capital accumulation, human capital and government spending. The regression analysis employed was based on the neoclassical growth model of Mankiw, Romer and Weil (1992), and he found that corporate income tax, personal income tax and social security contribution were harmful for economic growth. The study could not confirm the impact of value-added tax on economic growth, but the property tax had insignificant impact. He then concluded that OECD countries should reduce corporate and personal income taxes and place more emphasis on indirect taxes such as tax on consumption, tax breaks, increased gross exports that are used to boost business investments in the country, high quality manpower, good source of labour training and learning by doing and assisting countries in developing an industrial labour force as well as procedural incentives. Negative impacts, on the other hand include the administration is legally complicated and conflictive; unhealthy competitions in the manufacturing sector caused by the tax incentives to the EPZ.

Githaiga (2013) surveyed that the impact of tax incentives on FDI inflows of firms listed at the NSE. This study focused on the impacts of Wear and Tear Allowances; Investment Deductions and Industrial Building Deductions, towards attracting FDI inflows to firms listed at the NSE. The results of the study revealed a strong relationship between wear and tear allowances and FDI inflows. Industrial building deductions and investments deductions had no significant relationship with FDI inflows.

Agundu and Ohaka (2012) examined the extent to which capital allowance served as veritable captivating investment incentive to stakeholders in the Nigerian manufacturing sector. The corporate financial

performance attractions considered were profit after tax (PAT), return on total assets (ROA), and return on shareholders' equity (ROE). Financial data accessed for analysis related to 58 manufacturing firms quoted on the Nigerian Stock Exchange (NSE). Statistical results such as coefficients of correlation and determination emerging from the process justified the potency of capital allowance as it was significantly associated with PAT, ROA and ROE. In the light of the analytical revelations, it was imperative for accounting and finance executives in Nigerian manufacturing firms to professionally enumerate and profile their investments in qualifying industrial assets in accordance with extant tax guides in order to benefit from capital allowance grants. The attractiveness of financial economies of capital allowance notwithstanding, manufacturing sector investors should exercise restraint and avoid indiscriminate industrial asset requisition and expansion. Sensitivity to technological, managerial and relational dynamics was also imperative so that the captivating intents of capital allowance would not end up precipitating decapitating contents in the Nigerian economy.

Fernando (2009), conducted a study on the impact of tax incentive on the performance of oil sector using primary data, data were estimated using regression analysis. The findings reviewed that the there is a relationship between tax incentive and the performance of oil sector. It was recommended that oil producing sectors should ensure that they take advantage of their tax incentives so as to increase their performance. Though the findings from this study were obtained using primary data, it could not ascertain if such findings will be achieved using secondary method of data collection.

Oyetunde (2008) also in his study on the role of tax incentives in a trio of Sub- Saharan African Economics, found out that, company income tax rates incentives were successfully used in Nigeria and have stimulated economic growth. Hines and Rice (2014) analyzed the effect of tax incentives on the foreign direct investment by comparing the inter-state distribution of investments with foreign investment in United State of America, using regression analysis, the results from the survey showed that high tax rates within the state are not good for the local investment.

METHODOLOGY

The ex-post facto research design was used for this study. Ex-post facto research is a type of research which is otherwise known as after the fact has been undertaken and the events have taken place and data are already in existence, (Adefila, 2008). The population of this study consists all 12 listed Oil and Gas Company listed as at 15th of October, 2019 in Nigeria Stock Exchange. The sample size of this study was determined based on the following filter criteria: i. The company must be listed on the Nigerian Stock Exchange from January, 2013 up to December, 2018.ii. The company must have continuous data from December, 2013 up to December, 2019 required by the study. On the basis of the above criteria, ten (10) listed oil and gas companies in Nigeria met all of the above criteria (Capital Oil Plc and Seplat Petroleum Development Company Plc.) were removed due to incomplete annual reports and accounts under review of study.The study employed secondary source of data collection. The data are extracted from the annual reports of the listed oil and gas companies in Nigeria Stock Exchange. The data is for the period of seven (7) years ranging from 2012-2018. The period was covered because it is the year of transition to international financial reporting standard (IFRS) adoption. The study employs generalized least square (GLS) model, also known as the Aitken's Estimator (Aitken, 1935), to analyze the panel data collected for the study. The study carried out some diagonistic test on Normality, and multcollinearity in order to ensure the reliability of the results. The GLS model is a technique for estimating the unknown parameters in a linear regression model when there is a certain degree of correlation between the residuals in a regression model (Gujarati & Porter, 2009).

Variables Measurements

Table 1: Summary of Variables and their Measurements

Variables	Measurement	Authors	Priori Expectation
BG_E	Difference between current and previous earnings divided by previous earnings.	Izedonmi & Okunbor (2014)	
CA	Capital allowance, measured by capital intensity i.e. fixed assets/total assets.	Ohaka & Agundu (2012)	+ve
IA	Investment allowance, 35% of plant and machinery	Section 39(ib) of Tax Laws (Compedium)	+ve
LR	For companies who make loss in a year particular year, a dummy variable of zero is assigned to such company, otherwise; 1 is assigned	Ohaka & Agundu (2012)	+ve
AI	Natural logarithm of the value of interest expense.	Tax Laws (Compedium)	+ve

Model Specification

Based on theories and models adapted by (Okoye & Gbegi, 2013; Izedonmi & Okunbor, 2014; Arzizeh & Akachukwu, 2018 & Twesige and Gasheja 2019), this study then modified their model specification as stated below:

$$BG\_E_{it} = \beta_0 + \beta_1 CA_{it} + \beta_2 IA_{it} + \beta_3 LR_{it} + \beta_4 AI_{it} + \varepsilon_i$$

Where:

BG_E_{it} = Business growth for company in i year t
β_0 = Coefficient of the constant variable
CA_{it} = Capital allowance for company in i year t
IA_{it} = Investment allowance company in i year t
LR_{it} = Loss Relief for company in i year t
AI_{it} = Allowable interest for company in i year t
$\beta_1, \beta_2, \beta_3, \beta_4$,= Regression coefficients of independent variables
ε_i = error term.

RESULTS

Descriptive Statistics

The descriptive statistics for the dependent and independent variables are displayed in Table 2. The summary statistics shown in table 2 are the mean, standard deviation, minimum and maximum values of the dependent and independent variables.

Table 2: Summary of Descriptive Statistics

Variables	Mean	Std. Dev.	Maximum	Minimum	No. Obs.
BG_E	1.091857	1.42816	5.7	-0.32	70
CA	0.527286	0.691786	5.88	0.07	70
IA	10.78329	2.130349	15.42	3.74	70

LR	0.157143	0.366563	1	0	70
AI	13.097	3.135115	17.88	5.68	70

Source: Output from STATA 13.

***Note**: BG_E is business growth; CA is capital allowance; IA is investment allowance; LR is loss relief; AI is allowable interest.*

Table 2 presents the descriptive statistics for the study. From the descriptive statistics, there were 70 numbers of observations in business growth (BG_E), capital allowance (CA), investment allowance (IA), loss relief (LR),and allowable interest (AI).the mean value of business growth (BG_E) for all the sample listed oil and gas firms is 1.091857, with standard deviation of 1.42816 while the maximum and minimum values of business growth are 5.7 and -0.37 respectively. The results from the table 4.1 also showed that the capital allowance (CA) has mean of 0.5272857 with standard deviation of 0.691786 while the maximum and minimum capital allowance are 5.88 and 0.07 respectively. Investment allowance (IA) has a maximum and minimum values of 15.42 and 3.74, with a mean value of 10.78329, and a standard deviation of 2.130349.The descriptive statistics showed that the loss relief (LR) has an average size of 0.1571429, with standard deviation of 0.3665631 while the minimum and maximum are 1 and 0 respectively. Finally, the maximum and minimum of allowable interest (AI) of the sample firms are 17.88 and 5.68 respectively with standard deviation of 3.135115 while the mean value is 13.097.

Correlations Matrix

Table 3 presents Pearson correlation analysis matrix that shows the degree of association between the dependent and independent variables of the study as well as between the independent variables themselves. It helps in deducing the degree or extent of relationship among all independent variables as excessive correlation could lead to multi collinearity, which could consequently lead to misleading findings and conclusions.

Table 4.2: Correlation Matrix of Dependent and Independent Variables

	BG_E	**CA**	**IA**	**LR**	**AI**
BG_E	1				
CA	0.0611	1			
IA	0.2101	-0.0458	1		
LR	0.4958	0.0509	-0.1866	1	
AI	0.4308	-0.3202	-0.0273	0.3428	1

Source: Output from STATA 13.

***Note**: BG_E is business growth; CA is capital allowance; IA is investment allowance; LR is loss relief; AI is allowable interest.*

The correlations for the dependent and independent variables of the model are presented in table 3.Based on the results correlation matrix. It can be observed that all the four explanatory variables capital allowance (CA), investment allowance (IA), loss relief (LR), and allowable interest (AI) are positively correlated with business growth (BG_E) of listed oil and gas firms in Nigeria. The highest correlation between independent variables is 0.3428 and that occurred between loss relief (LR) and investment allowance (IA).

Diagnostic Test

In order to be sure that there is no multicollinearity among the independent variables, multicollinearity was diagnosed.

Multicollinearity Test

Multicollinearity is a problem that occur when fitting a regression model (Gujarati & Porter, 2009). Multicollinearity can be assessed through correlation matrix and through variation inflation factor (VIF).

Table 4: Results of Multicollinearity Test

Variables	VIF	Tolerance
AI	1.3	0.767601
LR	1.21	0.825563
CA	1.15	0.867755
IA	1.04	0.963072
Mean VIF	1.18	

Source: Output from STATA 13.

Based on the result from table 4, it is obvious that the tolerance value for this study is in the amount of 0.767601 to 0.963072 which is above the threshold value of 0.10. While the highest VIF value is 1.30 which is less than the threshold value of 10, (Gujarati & Porter, 2009). Since all of the VIF value is below 10, there is no evidence of existence of multicollinearity between the variables of the study. Thus, the independent variables in this study do not seem to be severely affected by multicollinearity and so standard interpretation of the regression coefficient can be made.

Results

Table 5: Regression Estimates for Generalized Least Square (GLS)

Variables	Coefficients	Std. Error	Z-Values	P-Values
CA	0.338674	0.206696	1.64	0.101
IA	0.205507	0.063712	3.23	0.001
LR	1.660585	0.399925	4.15	0.000
AI	0.157408	0.048493	3.25	0.001
(Constant)	-3.62527	0.959356	-3.78	0.000

Source: Output from STATA 13 (Appendix 1A).

***Note**: CA is capital allowance; IA is investment allowance; LR is loss relief; AI is allowable interest.*

**Significant level at 1%. 5%,*

The results of Table 5 reveals that capital allowance (CA) has a coefficient of 0.3386735and a Z-value of 1.64 with a p-value of 0.101 which is statistically not significant at 5% level of significance. This implies that, capital allowance (CA) has no significant influence on the business growth of the sampled listed oil and gas firms in Nigeria. As a result of this, the study accepts null hypothesis one (H_{01}) which states that capital allowance does not have significant impact on the business growth of the sampled listed oil and gas firms in Nigeria.

The result in table5 shows that investment allowance (IA) positively influences business growth of listed oil and gas firms in Nigeria with a coefficient of 0.2055067 and z-value of 3.23 and a p-value of 0.001. This result indicates that a one unit increase in investment allowance (IA), would result in 0.2055067increase in business growth of listed oil and gas firms in Nigeria. Therefore, the study rejects null hypothesis two (H_{02}) which states that investment allowance does not significantly affect the business growth of listed oil and gas firms in Nigeria.

Based on the result in table5 which shows that loss relief (LR) positively influence growth of listed oil and gas firms in Nigeria with a coefficient of 1.660585 and z-value of 4.15 and a p-value of 0.000. This result indicates that a one unit increase in loss relief (LR), would result in 1.660585 increase in growth of listed oil and gas firms in Nigeria. The study therefore rejects null hypothesis three (H_{03}) which states that loss relief does not significantly affect the business growth of listed oil and gas firms in Nigeria.

In accordance with the results of table 5,allowable interest (AI) has a coefficient of 0.1574076and a z-value of 3.25 with a p-value of 0.001 which is statistically significant at 5% level of significance. This implies that, allowable interest (AI) has a significant positive effect on the business growth of the sampled listed oil and gas firms in Nigeria. This result suggests that increase in unit of allowable interest of oil and gas firms will lead to 0.1574076 increase in growth of the sampled listed oil and gas firms in Nigeria. As a result of this, the study rejects null hypothesis four (H_{04}) which states that allowable interest does not have significant impact on the business growth of the sampled listed oil and gas firms in Nigeria.

DISCUSSIONS

The results of robust generalized least square from table 5 disclosed that capital allowance has no significant relationship with business growth of the sampled listed oil and gas firms in Nigeria. This result implies that amount of capital allowance given has no impact on business growth of listed oil and gas firms in Nigeria .This finding supports those Githaiga (2013). Whereas, the result contradicts the finding of Agundu and Ohaka (2012)who found positive significant relationship between capital allowance and business growth.

The result shows that there is positive significant relationship between investment allowance and business growth of listed oil and gas firms in Nigeria during the period under review. This implies that investment allowance granted as relief to oil and gas firms in Nigeria contribute to business growth of oil and gas firms in Nigeria. The finding is consistent with findings of Andic (1999)who asserted that tax incentives not only stimulate investment and economic growth, but also impact the financial performance of firms.

However, the study found that loss relief has a positive significant relationship with business growth of listed oil and gas firms in Nigeria, which means that as loss relief increases, the level of business growth of listed oil and gas firms in Nigeria also increases. This can be justified that loss relief given to oil and gas firms in Nigeria serves as opportunity for business growth. The finding of this study agrees with that of Githaiga (2013); Andic (1999).

Based on the results of generalised least square in table 5, which showed that there is significant relationship between allowable interest and business growth of listed oil and gas companies in Nigeria during the period under review, the result indicates that the relief given to oil and gas firms in form of allowable interest thereby serve as opportunity to save from tax and use the tax savings to grow the business. The finding agrees with findings of Oyetunde (2008).

CONCLUSIONS

The study concludes that capital allowance has no significant impact on business growth of listed oil and gas

firms in Nigeria, which means that the relief given in form of capital allowance does not influence growth of business of listed oil and gas firms in Nigeria. The study also concludes that investment allowance has positive significant impact on business growth of listed oil and gas firms in Nigeria, which shows that the amount of investment allowance determine the level of business growth listed oil and gas firms in Nigeria. Furthermore, the study affirms that loss relief has positive significant with growth of listed oil and gas firms in Nigeria, which shows that loss relief given to oil and gas firms in Nigeria serves as opportunity for business growth. Finally, the study concludes that allowable interest has positive significant relationship with business growth of listed oil and gas firms in Nigeria. This indicates that the relief given to listed oil and gas firms in Nigeria inform of allowable interest thereby serve as opportunity to save from tax and use the tax savings to grow the business. Due to the findings of this study, it is therefore recommended that recommends that the government should lay more emphasis on the role of taxation and help firms to understand tax law so as to utilize all the available tax incentives which in turn contributes to the growth of oil and gas businesses and ensure that their efforts are geared towards granting tax incentives as a panacea to business growth. It is also recommended that there is a need for the government to employ investment allowance as a major tax incentive for oil and gas business firm in Nigeria because it stimulates their investing power thereby exempting them from other tax liabilities. The study further recommends that there is need for the downstream sector to employ more loan to save tax and use the tax savings to grow the business.

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