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Effect of Tax Revenue on the Foreign Direct Investment (FDI) In Nigeria

Molokwu,Ifeoma Mirian, Prof. Inyiama , Oliver Ike & Prof. Ugwuanyi, Uche
[1, 2 & 3]*Department of Accountancy, Enugu State University of Science and Technology, Enugu State, Nigeria.*

Abstract
This study investigated the effect of Tax revenue on Foreign Direct Investment (FDI) in Nigeria from 2011 to 2020. The specific objectives of the study are as follows; to determine the effect of Company Income Tax (CIT) on FDI, to examine the effect of Value Added Tax (VAT) on FDI and to analyze the effect of Custom and Excise Duties (CED) on FDI. Data for the study were collected from Federal Inland Revenue Service (IFRS) Statistics Report, National Bureau of Statistics (NBS) and World Investment Report. Ordinary Least Square (OLS) regression analysis was used as the tool for analysis. The results showed that CIT has significant but negative effect on FDI, VAT has insignificant and negative effect on FDI while CED also have insignificant and negative effect on FDI. The study recommends that Nigerian government should lower Company Income Tax Rates (CITR) to stimulate FDI. Secondly, tax revenue should be properly distributed to benefit every taxpayer in order to encourage them pay their taxes as and when due. Finally, tax authorities should embark on greater sensitization especially amongst the growing Small and Medium Enterprises (SMEs) on the benefits and civic obligations to pay tax since they have little knowledge of their tax obligations.

Keywords*: Foreign Direct Investment, Company Income Tax, Value Added Tax, Custom and Excise Duties.*

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I. Introduction

Tax revenue has been employed by the government to influence economic activities and attain macroeconomic objectives of a nation such as improved aggregate demand and level of economic services, income distribution and pattern of resource allocation. Umoru & Anyiwe (2013) posit that tax is an involuntary contribution levied on private units such as individuals, properties, or businesses, which enables the government to carry out its capital projects in the country. It does not include public borrowing, user charge fee, gifts, fines and postal rate, etc. It is basically designed to help the government in actualizing its obligation for the entire socio-economic well-being of the citizens. However, issues often arise that require selective taxation to be applied when the economic concern in tax administration focus on improved economic stability and growth, and employment level in the country through FDI. The growth of foreign direct investment (FDI) has become more prominent in the world economy due to its contribution to the growth and development of every nation. FDI is a category of international investment, where resident entity in one country obtains a lasting interest in an enterprise resident in another country (Omowumi & Abel 2014). Amuka & Ezeudeka (2017) viewed FDI as one of the major channels through which technology can be transferred. When FDI comes to a domestic country, the recipient has a competitive advantage due to the application of new knowledge, technologies, experience, ways of production and management, it is believed that current successful economic growth of developing countries is explained by "catch up effect" in technological development from developed nations. FDI is critical for developing and emerging markets. Their companies need multinationals funding and expertise to expand their international sales. Foreign Direct Investment (FDI) is considered to be one of the key drivers of economy. Due to this fact, a number of studies have been done to determine its' impact on the country's economic development. Many authors (Bayar & Ozturk, 2018; Magombey & Odhiambo, 2017; Iqbal & Mahmood, 2016 and Agrawal & Khan, 2011 agree that FDI has a positive impact on the host country's economic growth in the following ways: promoting new jobs, increasing the local country's capital, introducing new technologies and technical experience, promoting export.

Joseph & Fidelis (2017) opined that the influx of FDI has been drastically reduced because of the accelerated growth of tax income garnered from foreign investors. However, a sharp drop in FDI aftermath led to a financial crisis. In order to find a solution to this problem, tax incentives were introduced mainly to persuade foreign capital inflow in the country. Meanwhile, it was assumed that the inflow of foreign resources raises the carrying capacity of the economy which is drastically reduced since the Nigeria oil boom. It was in these notions that Nigeria's investment promotion council in 1995 was founded to deliberate the effective tax incentive packages to promote, coordinate, and encourage foreign investment inflow into the country, with particular consideration to commendable sectors and industries. Hence, deliberations on how tax policy should be designed in such a manner to attract foreign investors in developing economies like Nigeria has been a topic of discuss.

Statement of the Problem

One major obstacle facing Nigerian economic development since decades has been its inability to generate adequate revenue. The main source of revenue to every country is tax. According to the Organization for Economic Cooperation and Development (OECD)'s Revenue Statistics in Africa 2019 report, Nigeria tax-to-Gross Domestic Product in 2017 is 5.7%. This was a moderate increase from the figures reported in 2016 which is 5.3%. A review of the extant literature on tax revenue and FDI reveal existence of different results. Surveyed empirical studies such as Edo and Alade 2018; Eiya and Izilin 2019; Olaniyan, Olubunmi, Efuntade and Taiwo 2020 show that Company Income Tax and Value Added Tax have a positive and significant effect on Foreign Direct Investment (FDI). However, Anichebe 2019; Adejare and Olatunji 2021 reveal that Company Income Tax has negative and significant impact on FDI. Faced with the above findings by various researchers, this study on the effect of tax revenue on FDI becomes imperative.

Objectives of the study

The broad objective of the study is to evaluate the effect of tax revenue on the Foreign Direct Investment in Nigeria. The specific objectives are:

(i) To determine the effect of companies income tax (CIT) on FDI in Nigeria

(ii) To examine the effect of Value Added Tax (VAT) on FDI in Nigeria

(iii) To analyze the effect of customs and excise Duties (CED) on FDI in Nigeria.

II. Review of Related Literature

Conceptual Review

Tax Revenue

Tax is regarded as the forceful income realized by the government from the consumption profit, incomes, and goods and services production. It is also levied forcefully on personal incomes, companies proceeds, capital gains, petroleum profit, and capital transfers. It is also an instrument engaged by the government to fully actualize its fiscal responsibilities. It is characterized by imperative attributes such as certainty, neutrality, convenience, cost of collection and equity (Adegbite, 2020).

Company Income Tax (CIT)

The tax law guiding companies' income tax in Nigeria is the companies' income tax Act and it is administered exclusively by the Federal Inland Revenue Service (FIRS). Currently in Nigeria, the tax rate for Nigerian companies is 30% and is imposed on an entity who is covered under the definition of a company given by section 105 of the Act as "any company or corporation (other than corporation sole) established by or under any law in force in Nigeria or elsewhere". CITA is the principal law that regulates taxation of companies in Nigeria. The tax regime in Nigeria is multi- level tax system which simply means that taxation is administered by the three tiers of government. The FIRS administer or oversee the income tax for companies. CIT is a tax on the profits of registered companies in Nigeria. It also includes tax on profits of foreign companies carrying on any business in Nigeria. The CIT is paid by limited liability companies inclusive of the public limited liability companies. Resident companies are liability to CIT on their worldwide income while Non-residents are subject to CIT on their Nigeria- source income. Corporate income tax is based on accounting profits adjusted for tax purposes (Finance Act 2019).

Companies Income Tax Rates (CITR): The CIT is currently charged at the rate of 30% for companies having more than N100 Million Naira turnover. It is also charged at the rate of 20% for companies with a turnover between N25 Million and N100 Million. The tax is assessed on a preceding year basis (i.e. tax is charged on profits for the accounting year ending in the year preceding assessment).The companies having less than N25 Million turnover are not liable to pay company income tax in line with the Finance Act 2019 as illustrated below;

Table 1 Companies Income Tax Rates (CITR)

S/n	Category	Criteria (by turnover)	CITR
1	Small	Less than or equal to N25,000,000	0%
2	Medium-Size	Greater than N25,000,000 but less than N100,000,000	20%
3	Large	Greater than or equal to N100,000,000	25%

Source: Finance Act 2019

Value Added Tax

Nigeria's Value Added Tax rate since the introduction of VAT through the VAT Decree No. 102 of 1993 has been 5% up until January 2020 when it was increased to 7.5%. The decision by the Federal Executive Council (FEC) to approve the proposed increase did not come as a surprise given the several attempts by recent and past administrations to increase the rate of VAT. The Value Added Tax (VAT) rate of 7.5 per cent took effect immediately after the Finance Act 2019 was signed into law by President Muhammadu Buhari on 13th January 2020. VAT payers, manufacturers, wholesalers, and importers of taxable goods and services were required to register with the FIRS. The act however exempted some goods and services especially those that affect the welfare of people and are important in improving the welfare of people such as medical and pharmaceutical products, educational items amongst others. VAT is a consumption tax that has been embraced and adopted by many nations across the globe. Because it is a consumption tax, it is difficult to evade and relatively easy to administer. From a buyer's perspective, VAT is a form of consumption tax. From the perspective of the seller, it is a tax only on the value added to a product, material, or service while from an accounting point of view, by the stage of its manufacture or distribution. It is levied on the value-added that results from each exchange. It is an indirect tax collected from someone other than the person who bears the cost of the tax or the tax burden.

Taxable Persons: Under Section 12, which is the definition section of the Value Added Tax (Amendment) Act of 2007, a taxable person includes an individual or body of individuals, family, corporations, sole trustee or executor or a person who carries out in a place a economic activity, a person exploiting tangible or intangible property to obtain income there from by way of trade or business or a person or agency of government acting in that capacity.

This definition as contained in the amended Act is more elaborate and the scope of a taxable person is wider, unlike the provisions of Section 46 of the VAT Act where the words "a person who independently carries out economic activity" are used. Such words are capable of so many interpretations. Some may refer to it only as an individual not a corporate entity or body of individuals. Flowing from the amended Act the word 'person' is defined to include artificial persons such as corporate entities, families, a body of individuals, sole trustees, executors A taxable person is obliged to register with the FIRS for VAT collection "within six months of the commencement of the Act or within six months of the commencement of business, whichever is earlier" Failure to register attracts a penalty of N50,000.00 for the first month in which the failure occurs; and N25,000.00 for each subsequent month. Since a period of six months has elapsed after the promulgation of the Act, it presupposes that every taxable person is now obliged to register as soon as it commences business. VAT can only be lawfully collected after registration; it means that until then the taxable person will not have any output VAT against which the input tax can be offset.

Section 10 mandates a non-resident company, carrying on business in Nigeria to register for VAT by using the address of the person with whom it has a subsisting contract. A non-resident company shall include the tax in its invoice while the person to whom the goods and services are supplied shall remit tax in the currency of the transaction.

Custom and Excise Duties

Custom and excise duties refers to a tax imposed on the imports or export of goods in or out of a country in order to raise revenue and protect domestic companies from predatory competition for foreign competitors (Egbuhuzor and Tomquin 2021). Custom duties in Nigeria are levied only on imports. Rates vary for different items, typically from 5% to 35% and are assessed with reference to the prevailing commodity and coding system. The rates of customs duties are either specific or on ad valorem basis, that is, it is based on the value of goods. Rule 3(i) of the Customs Valuation (Determination of Value of Imported Goods states that the value of imported goods shall be the transaction value adjusted in accordance with the provisions of its Rule 10. If objective and quantifiable data do not exist with regard to the valuation factors, if the valuation conditions are not fulfilled, or if Customs authorities have doubts concerning the truth or accuracy of the declared value in terms of Rule 12 of the said Valuation Rules, 2007, the valuation has to be carried out by other methods in the following hierarchical order: (i) Comparative Value Method - Comparison with transaction value of identical goods (Rule 4); (ii) (Comparative Value Method - Comparison with transaction value of similar goods (Rule 5); (iii) Deductive Value Method - Based on sale price in importing country (Rule 7); (iv) Computed Value Method - Based on cost of materials, fabrication Import duties are generally of the following types: 1. Basic duty; 2. Additional Customs duty; 3. True Countervailing duty or additional duty of customs; 4. Anti dumping duty/Safeguard duty. While revenue is a paramount consideration, Customs duties may also be levied to protect the domestic industry from foreign competition quantity (Fasoranti, 2013).

Foreign Direct Investment (FDI)

International Monetary Fund (IMF, 2004) defines FDI enterprise as an incorporated or unincorporated enterprise in which a foreign investor owns 10 percent or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise. Ownership of 10 percent of ordinary shares or voting stock determines the existence of a direct investment relationship. It does not require absolute control by the foreign investor before it could be seen as FDI-led enterprise. Foreign direct investment enterprise is an enterprise (institutional unit) in the financial or non-financial corporate sectors of the economy in which a non-resident investor owns 10 percent or more of the voting power of an incorporated enterprise or has the equivalent ownership in an enterprise operating under another legal structure. The investor could be a foreign company, group or individual person. Usually, the intent of the investor is to control or run the enterprise with ultimate goal of making profit.

According to Balance of Payment Manual (1993), FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. A direct investment enterprise is an incorporated or unincorporated enterprise in which a single foreign investor either owns 10 percent or more of the ordinary shares or voting power of an enterprise (unless it can be proven that the 10 percent ownership does not allow the investor an ineffective voice in the management) or owns less than 10 percent of the ordinary shares or voting power of an enterprise, yet maintains an effective voice in management (Organization for Economic Co-operation and Development; OECD, 1996). Control of the firm is the most distinct characteristics of FDI as opposed to foreign portfolio investment. Abbas, Akbar, Nasir, Ullah and Naseem (2011) were of the opinion that FDI refers to net inflows of investment in an economy of a country comprising the sum of equity capital, reinvestment of earnings, long term and short term capital.

Furthermore, Otto and Ukpere (2014) define FDI as oversea investment by private multinational corporations. From the afore-mentioned, FDI could be defined as cross-border investment by individuals, group, company or government in another country with the intent to get control of the firm and make profit. In some cases, there may international joint venture investments. In any case, there are at least two nations involved, the investing nation and the recipient nation. Using the direction of flow, the popular classification of FDI into FDI inflow and FDI outflow emerges. FDI inflow occurs when foreign capital is invested in a nation while FDI outflows results from investment of local capital in another country.

Agosin and Mayar (2000) opine that FDI is prized by developing countries for the bundle of assets that multinational enterprises (MNEs) deploy with their investment most of which are intangible (like technology, management, skills channels for marketing products internationally, product design, quality characteristics and brand names) and scarce in developing countries. These assets could help in improvement in quality and quantity of goods produced as well as market share of the enterprise concerned.

Theoretical Framework

This section gives an insight into the theory to which the study is based. Theories supporting this study are neoclassical growth model and endogenous growth theory.

The Neoclassical Growth Model

The neoclassical growth model, also known as the exogenous growth model or Solow-Swan growth model was developed by Robert Solow and Trevor Swan in 1956. The model is of the view that a sustained increase in capital in capital investment will lead to an increase in the growth rate temporary. The neoclassical growth model was the first attempt to model long-run growth analytically. It assumes that a steady growth path is reached when output, capital and labour are all growing at the same rate, such that output per worker and capital per worker are constant. The neoclassical model makes three important predictions according to Otu and Theophilus (2013). Firstly, an increasing capital relative to labour creates economic growth, since people can be more productive given more capital. Secondly, poor countries with less capital per person will grow faster because each investment in capital will produce a higher return than rich countries with ample capital. Thirdly, because of diminishing returns to capital, economics will eventually reach a point at which no new increase in capital will create economic growth. The following are the limitations of the model; its failure to take account of entrepreneurship and strength of institutions. The model also fails to explain how or why technological progress occurs. These limitations have led to the development of endogenous growth theory.

Endogenous Growth Model

The theory was developed as a reaction to omissions and deficiencies in the Solow-Swan neoclassical growth model. It is a new theory which explains the long-run growth rate of an economy on the basis of endogenous factors as against exogenous factors of the neoclassical growth theory. This theory holds that investment in human capital; innovation and knowledge are significant contributors to economic growth as popularized by King and Sergio (1990) as cited in Ilaboya and Mgbame (2012). The theory implies that government and private policies that embrace openness, competition, change and innovation will promote economic growth. Otu and Theophilus (2013) argue that the theory stresses the need for government, private and market institutions to nurture innovation and private incentive for an individual to be resourceful. The resourcefulness of individual on the other hand will increase the productivity capacity of the company, thereby enabling the companies to make more profit. Increase in the companies' profit will lead to increase in companies' income tax in the short run and economic growth in the long-run.

Internalization Theory

This theory war developed from the works of Buckley and Casson (1976) who propounded that there is a tendency in the economic system to generate sophisticated information and to transfer such internationally in form of FDI. It suggests that Foreign Direct Investment should occur when a firm can increase its value by internalizing markets for certain of its intangible assets. Such assets are commonly thought to include technological know-how, marketing ability and related consumer goodwill; and effective and dedicated management. The internalization theory holds that such intangible assets have some more of characteristics of public goods such that their value increases in direct proportion to the scale of the firms market. The theory therefore implies that when firms possessing significant intangible assets expand abroad, shareholders wealth increases owing to the increased scale which such intangible assets are applied (Buckley 2002).

The research is anchored on the internalization theory which suggests that a firm can increase its value by internalizing market for intangible assets such as technological know-how, marketing ability and related consumer goodwill which it gets from FDI. Therefore the theory is supportive of Company Income Tax (CIT) and FDI.

Empirical Review

Company Income Tax (CIT) and Foreign Direct Investment (FDI)

Oboh, T (2021) investigated the effect of Direct tax on FDI. The study looked at the impact of direct tax components like Petroleum Profit Tax, Corporate Income Tax, Education Tax and Personal Income Tax on FDI in Nigeria from 1981 to 2019 which totaled thirty eight years. The study used Ordinary Least Square (OLS) Regression analysis. The result revealed a positive relationship between Companies Income Tax and FDI. It recommends that tax policy on CIT be improved to increase FDI in Nigeria.

Olaniyan, Olubunmi, Efuntade & Taiwo (2020) reviewed the impact of FDI on revenue generation in Nigeria; mediating the role of company tax. Data was analyzed the impact of FDI on revenue generation in Nigeria; mediating the role of company tax. Data was analyzed using Ordinary Least Square (OLS) regression techniques which employed T-test, R-Square, Standard error test and Durbin Watson test. The result of the findings shows that FDI has a significant and positive relationship with CIT.

Oyeabo, Azubike & Ebieri (2019) investigated Corporate taxes on Foreign Direct Investment in Nigeria. The study engaged Cointegration Regression and Unrestricted Vector Autoregression analysis to estimate the relationship between the variables. The result shows that CIT has significant effect on FDI. Edo & Omoye (2018) studied effect of company taxes on FDI. The paper utilized information gathered from secondary sources including books, newspapers, publications, working papers and research findings from studies. The result from surveyed empirical studies shows that corporate taxes may have an important role in attracting FDI and has rising effect on the development of the country.

Saidu (2015) examined the relationship between corporate taxation and FDI in Nigeria from 1970 to 1980. The independent variable corporate taxation was measured using Corporate Tax Rate (CTR) while dependent variable FDI was measured using FDI net inflow (% of GDP). Descriptive Statistics Correlation Regression Analysis was used as the analytical tool. The result showed negative relationship between CTR and FDI.

Lackson (2015) studied effect of corporate income tax rate on FDI for twelve southern African Economies using Panel Data Analysis. The estimation models applied are Fixed Effects Model, Random Effects Model and the Dynamic Panel Data Model. The result shows that Company Income Tax Rate has a significant and negative effect on FDI. Nistor & Paun (2013) also reviewed the effect of Company Income Tax on FDI in Romania. The study employed Multiple Regression Analysis as the analytical tool. The result shows a negative and significant relationship between companies' income tax and FDI suggesting that economic development attracts companies in their search for bigger markets and higher income.

Value Added Tax (VAT) and Foreign Direct Investment (FDI)

Adajare and Olatunyi (2021) analyzed the impact of Non-oil taxation on FDI and economic services in Nigeria from 1994 to 2019. The study evaluated the causality bearing and FDI, economic services, VAT, CIT, Custom and Excise Duties and Education tax. Outcomes uncovered that VAT has positive and. significant effect on economic services but a negative influence on FDI.

Edo, Okafor and Justice (2020) investigated the effect of corporate tax on FDI in Nigeria between 1983 and 2017. Research data was analyzed using the Error Correction Model (ECM). The Coefficient of determinant (R_2) shows that about 77% of the systematic changes in FDI are attributed to the combined effect of all the explanatory variables captured in the study. The results show that VAT has a significant but negative relationship with FDI. Furthermore, VAT granger- cause FDI and economic services.

Anichebe (2019) examined impact of tax revenue on FDI in Nigeria using time series data from 1981 to 2017. The data was analyzed using OLS technique. The result shows that Value Added Tax (VAT) has positive relationship with FDI in the long run. Based on the findings, the following recommendations were made: provision of infrastructures by the government, elimination of multiple taxes as well as simplifying tax laws and adjusting rates to encourage investment.

Eiya and Izilin (2019) reviewed effect of taxes on FDI in Nigeria. The study adopted ex-post facto research design and covers a period of thirty four years from 1982 to 2015. Secondary data was collected and analyze using Autoregressive Distributed Lag (ARDL) regression technique. The study found out that there is a positive and significant relationship between VAT and FDI. Olaniyi, Ajayi and Oyedokun (2018) examined the tax policy incentives effect on FDI in Nigeria. The study embraced multiple regressions, ex-post-facto research design, and correlation methods to analyze the data realized from the CBN database. The result reveals that VAT and CET have significant effect on FDI. It was suggested among others after validated the positive significant effect of tax policy incentives on FDI, that government should look for a justifiable level of the VAT tax and custom duty to be paid by foreign materials importers with maximum FDI level into the country. Though, the study gauged tax policy incentives effect on FDI only which is absolutely different from the current study.

Custom and Excise Duties (CED) and Foreign Direct Investment (FDI)

Adajare and Olatunji (2021) analyzed the impact of Non-oil taxation on FDI and economic services in Nigeria from 1994 to 2019. The study evaluated the causality bearing and FDI, economic services, VAT, CIT, Custom and Excise Duties and Education tax. The study used Autoregressive Distributed Lag in the analysis of the relationship between the variables. Outcomes uncovered that Custom and Excise Duties upsurge economic and FDI positively and significantly.

Akinwumni, et al (2017) investigated the effect of multiplicity of taxes on FDI in Nigeria for the period 1996 to 2015. The study adopted the ex-post facto research design. Descriptive analytical procedure and inferential statistics were employed. From the findings, it is noted that there is high value of the R^2 (0.858333) which implies that 85.83% systematic variation in FDI is explained by VAT and CED. The F-Statistics shows significant linear relationship between the dependent and independent variables) observed that there is a negative and significant relationship between customs and excise duties and FDI in Nigeria.

III. Methodology

The design for this study is ex-post factor research design. This is appropriate for the study because data was collected after the events under investigation had taken place. Changes in the dependent variable are attributable to changes in the independent variables (Onykwelu 2015). Data collected is outside the control of the researcher as it has been collected and kept over the years. Data for the study is secondary data. This consists of Companies Income Tax, Value Added Tax and Custom Excise Duties from FIRS tax Statistics/ Report and National Bureau of Statistics (NBS). Data on Foreign Direct Investment [FDI] were collected from Central Bank of Nigeria (CBN) statistical bulletin and World Investment Report.

Analysis of Data

Data were analyzed using ordinary least square (OLS) regression. In statistics, OLS regression is a type of linear least square method of estimating the unknown parameters in a linear function of a set of explanatory variables by the principles of least square; minimizing the sum of the squares of the differences between the observed dependent variable (values of the variables being predicated) in the given data set and those predicated by the linear function.

OLS estimator is consistent when the regressors are exogenous, and optimal in the class of linear unbiased estimators when the errors are homoscedastic and serially uncorrelated. Under these conditions, the method of OLS provides minimum variance mean unbiased estimation when the errors have finite variances. Under the additional assumption that the errors are normally distributed, OLS is the maximum likelihood estimator.

Table 4. 1: Collinearity Statistics

Variable	VIF	1/VIF
CIT	1.53	0.652893
CED	1.47	0.682475
VAT	1.46	0.687267

Mean VIF | 1.48

From the table above, the TV ranges from 0.652893 to 0.687267 which suggests non multi-collinearity feature. The VIF which is simply the reciprocal of TV ranges from 1.53 to 1.46 also indicates non multi-collinearity feature.

Table 5: Breusch Pagan/Cook Weisberg Heteroskedasticity Test

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of FDI
chi2(5) = 0.17
Prob > chi2 = 0.6797

The above result was obtained from the test for heteroskedasticity. The probability value of 0.17 resulting from the test for heteroskedasticity implies that the model is free from the presence of unequal variance. Thus implies that our probability values for drawing inference on the level of significance are reliable and valid. The absence of heteroskedasticity validates the panel regression model results, which means there is no need for robust or weighted least square regression.

Table 4.2: Regression Result on Effect of Taxation (CIT, VAT & CED) on Foreign Direct Investment (FDI) in Nigeria

```
     Source |       SS       df       MS                 Number of obs =      10
-------------+------------------------------             F(  3,     6)  =    6.96
      Model |  44.1850141   314.728338                         Prob > F      =  0.0222
   Residual |  12.7039844    6 2.11733074                               R-squared     =  0.7767
---C---------+------------------------------             Adj R-squared =  0.6650
      Total |  56.8889985    9 6.32099984                Root MSE      =  1.4551
------------------------------------------------------------------------------------
FDI |   Coef.     Std. Err.      t      P>|t|      [95% Conf. Interval]
-------------+------------------------------------------------------------------------
        CIT | -.0089773   .0021374     -4.20   0.006     -.0142074-.0037472
        VAT |  .0015602   .0017854      0.87   0.416 .0028084      .0059288
        CED | -.0056540   .0064386     -0.88   0.414-.0214087      .0101008
      _cons |  13.67200   2.541207      5.38   0.0027.453886     19.89011
```

Source: Result output from STATA 15.

4.3: Discussion of Findings

The result of the analysis of the study using OLS Model is expressed as follows:

H_{01}: Company Income Tax has no significant effect on FDI.

In view of the above analysis as shown on table 5, the result shows that there is a significant and negative relationship between Company Income Tax (CIT) and Foreign Direct Investment (FDI). With a P-value of 0.006, the test is considered statistically significant at 1% level. However, the coefficient of correlation of -0.0089% indicates that increase in company income tax decreases Foreign Direct Investment (FDI) by 0.89%. Based on this, we reject the null hypothesis and accept alternate hypothesis which contends that Company Income Tax has significant effect on Foreign Direct Investment.

This result is in line with the findings of Eiya and Izilin (2019); Oyeabo et al (2019); Edo and Omoye (2018); Olaniyan et al (2020) but contrast the findings of Oboh (2021); Lackson (2015); Akunwunmi et al (2017); Saidu (2015); Nistor and Paun (2013) which reveal negative and insignificant effect.

H_{02}: **There is no significant relationship between VAT and FDI**.

In view of the above analysis as shown on table 5, the result shows that there is an insignificant and positive relationship between Value Added Tax (VAT) and Foreign Direct Investment (FDI). With a P-value of 0.416, the test is considered statistically insignificant at 10% level. This could be verified with the coefficient of

correlation of 0.00156% which indicates that increase in value added tax increases foreign direct investment by 0.156%. Based on this, we reject the alternate hypothesis and accept null hypothesis which contends that Value Added Tax has no significant relationship with Foreign Direct Investment.
The above result is in agreement with the findings of Edo, Okafor and Justice (2020); Nistor and Paun (2013) but at variance with the results of Anichebe (2019); Eiya and Izilin (2019); Adajare and Olatunji (2021); Akuwunmi, Olotu and Adegbie (2017) which show positive relationship.

H_{03}: Custom and Excise Duties have no significant effect on FDI.

In view of the above analysis as shown on table 5, the result shows that there is an insignificant and negative relationship between custom and excise duties and foreign direct investment. With a P-value of 0.414, the test is considered statistically insignificant at 10% level. This could be verified with the coefficient of correlation of -0.00565% which indicates that increase in custom and excise duties decreases foreign direct investment by 0.082%. Based on this, we reject the alternate hypothesis and accept null hypothesis which contends that custom duties and excise duties have no significant effect on Foreign Direct Investment.
The outcome supports the finding of Akuwunmi et al (2017) but disagrees with the result of Adajare and Olatunji (2021).

IV. Summary of findings

The outcome of the findings shows that Company Income Tax (CIT) has significant effect on Foreign Direct Investment (FDI). It also reveals no significant relationship between Value Added Tax (VAT) and FDI. Furthermore, the result shows that Custom and Excise duties have no significant effect on FDI.

V. Conclusion

From the statistical analysis of the study, it was noted that CIT has significant effect on FDI while VAT and CED have no effect on Foreign Direct Investment (FDI). Thus it was concluded that not all form of taxes have effect on FDI.

VI. Recommendations

Since FDI is one of the major sources for the transfer of hard currency and advanced technology into Nigeria economy, the following recommendations resulted from our analysis

1. To stimulate foreign Direct investment, the Nigerian government should lower taxation rate in the case of company income tax
2. Tax revenue should be properly distributed to benefit every taxpayer in other to encourage them pay their taxes as and when due.
3. Tax authorities should embark on greater sensitization especially amongst the growing small and medium enterprises (SMEs) on the benefits and civic obligations to pay tax since they have little knowledge of their tax obligation.

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