

**EFFECTS OF TAXATION ON FINANCIAL PERFORMANCE OF INDUSTRIAL
GOODS SECTOR IN NIGERIA**

BY

TIVKAA, VICTORIA MEMBER

MATRIC NUMBER: 15020101018

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING
AND FINANCE, COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL
SCIENCES, MOUNTAIN TOP UNIVERSITY, IBAFO, OGUN STATE**

**IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF
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CERTIFICATION

I certify that this work was carried out by TIVKAA, VICTORIA MEMBER at the Department of Accounting and Finance, Mountain Top University, Ogun State, Nigeria under the supervision of Dr. Omokehinde, Joshua Odutola.

DR OMOKEHINDE (SUPERVISOR)

Signature: _____ Date: _____

DR AKINYOMI OJ (HEAD OF DEPARTMENT)

Signature: _____ Date: _____

DEDICATION

This Project is dedicated to Almighty God, the keeper of my soul, the Alpha and Omega, the unchangeable God, Way maker for His grace upon my life till the completion of my project.

ACKNOWLEDGEMENTS

I am exceedingly grateful to the Almighty God, my counselor and enabler by whose grace and inspiration this project is put together in spite of numerous difficulties.

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Table of Contents

TITLE PAGE	i
CERTIFICATION	ii
DEDICATION	iv
ACKNOWLEDGEMENT	iv
ABSTRACT	viii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Problem	6
1.3 Objective of the Study	7
1.4 Research Questions	7
1.5 Research Hypotheses	8
1.6 Significance of the Study	8
1.7 Scope of the Study	9
1.8 Limitations of the Study	9
1.9 Operational Definition of Terms	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.0 Introduction	11
2.1 Conceptual Review	11
2.1.1 Industrial Sector	11
2.1.2 Companies in the Industrial Goods Sector	12
2.1.3 Industrial Goods Sector Financial Performance	12
2.1.4 Measurement of Industrial Goods Sector Performance	14
2.1.4.1 Net Profit Margin	14
2.1.4.2 Gross Profit Margin	15
2.1.4.3 Return on Total Asset	15
2.1.4.4 Return on Equity	15
2.1.4.5 Return on Sales (ROS)	16
2.1.4.6 Earnings Per Share	16

2.1.4.7 Dividend Per Share	16
2.1.4.8 Net profit before tax	17
2.1.4.9 Net profit after tax	17
2.1.5 Taxation.....	17
2.1.5.1 Various taxes applicable to companies in the industrial sector in Nigeria	18
2.1.5.2 Company income tax.....	18
2.1.5.3 Value added tax (VAT).....	19
2.1.5.4 Educational tax	19
2.1.6 Business Performance	20
2.1.7 Taxation and Financial Performance of Industrial Sector in Nigeria.....	23
2.2 Theoretical Review	25
2.2.1 Theory of Business Growth	25
2.2.2 Theory of Taxation.....	26
2.2.3 The Tax Morale Theory	26
2.2.4 Capital structure and corporate taxes	27
2.2.5 Ability-To-Pay Principle	28
2.2.6 Three Sigma's Theory of the Business Model	29
2.3 Empirical Review	31
CHAPTER THREE	33
METHODOLOGY	33
3.1 Research Design	33
3.2 Population of study.....	33
3.3 Sampling Technique.....	34
3.4 Sample size Determination	34
3.5 Method of Data Collection.....	35
3.6 Method of Data Analysis.....	36
3.7 Model Specification	36
CHAPTER FOUR.....	38
DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS	38
4.1. Data Presentation, Analysis and Interpretation	38
4.1.1 Descriptive Statistics	38

4.1.1: Model Summary	40
4.1.2: ANOVA ^a	42
4.1.3: Coefficients ^a	43
4.2. Test of Hypotheses and Discussion.....	44
4.2.1: Model Summary	44
4.2.2: ANOVA ^a	45
4.2.3:Coefficients ^a	45
4.3.1: Model Summary	46
4.3.2: ANOVA ^a	47
4.3.3: Coefficients ^a	48
4.4.1: Model Summary	48
4.4.2: ANOVA ^a	49
4.4.3: Coefficients ^a	50
Appendix:.....	51
CHAPTER FIVE	56
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	56
5.1. Summary of the study	56
5.2. Conclusion.....	56
5.3. Recommendations	57
References	59

ABSTRACT

This study examined the Effect of Taxation on Financial Performance of Industrial Goods Sector in Nigeria. The study specifically analyzed the effect of Taxation on Industrial Goods Sectors Performance measured in terms of company income tax, value added tax, education tax and return on equity. This study sampled 4 companies from Industrial Goods Sector as classified on the Nigerian Stock Exchange. Secondary data were collected across the selected Industrial Goods Sector over a period of 10 years spanning from 2009 to 2018. Data collected in the study were analyzed by multiple linear regression techniques. Result revealed that the overall R value of 0.292 shows a low (29.2%) positive relationship between the return on equity and the independent variables jointly. The R square value of 0.085 (8.5%) depicts the value of variation in return on equity than can be attributed to the three independent variables jointly. The F-statistics of 0.992 and the corresponding p-value of 0.409 depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly. Therefore, the overall contribution of the independent variables to the model show that all the variables do not contribute significantly to the model as their p-values were more than 0.05 (5%). Therefore the regression equation extracted from the analysis is thus given as:

$$\text{ROE} = 17.008 - 2.170 (\text{CIT}) + 0.717 (\text{ET}) - 0.355 (\text{VAT}) + e_t$$

***Keywords:* Taxation, ROE, VAT, ET, Industrial sector, Business performance**

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Nigeria remains a major industrial country within the West African sub-region and Africa south of the Sahara. Although, few studies have focused on manufacturing activities within the country, most of these have for the most part concentrated on some aspects of manufacturing predominantly at the regional level, small-scale industries and native crafts.

In the development literature, industrialization has been recognized because of the major push of the modern economy. In most recent economies, industrial sector is the vehicle for the gathering of products and services, the generation of employment and also the development of incomes.

According to Abdu and Bassey (2018), the industry plays an essential role in building any economy. Extremely industrialized countries are advanced economies. Industrialization grows an economy, creates goods and services, provides jobs and incomes, increases the quality of living, and provides a healthy population. In defining the industrial sector, it's seen to be a section of the economy that consists of the Manufacturing that provides goods and services and the organization of any economy ought to be the one that has industry taking part in a leading role in its alignment and contribution to the Gross Domestic Product (GDP).

According to Abdu & Bassey et al (2018), the structure of the Nigerian economy is one that was conquered by the oil and gas sector followed by agriculture and then industry inhabiting the least position. The control of oil and gas sector caused about over 80% revenue to the country, generating it to be the driving force of the economy, resulting in abandonment in agriculture and decline in industry. Chete, Adeoti and Ogundele (2016) enlighten the structure of the Nigerian

economy to be one driven by the oil and gas sector accounting for 95% of export earnings and 85% of government revenue between 2011 and 2012, with the industrial sector comprising of mining, manufacturing and services accounting for a small portion of 10% of the economy.

It is typically claimed by development economists that industrial goods sector development is pre-requisite capable of transforming an underdeveloped economy into a developed one. This is because industrial goods sector is believed to be a catalyst capable of propelling a structural transformation and diversification of an economy (Chete et al 2016). Industrial goods sector serves as a catalyst to the economic growth; however, taxes applicable to the firms in this sector provide restrictions to the extent of growth of these sectors. Taxes such as company income taxes, import duty, excise duties and export duties may have significant effect on Nigerian industrial goods sector as XYZ (XY) Posit. Over the years, succeeding governments in Nigeria have instituted various policies and programme geared towards industrializing the Nigerian economy. However, despite these drives for industrialization, the efforts have appeared to not be yielding fruitful results because the share of industrial goods sector in total output remained insignificant (Udoh and Udeaja, 2011). For example, manufacturing sub-sector which is at the mind of industrial sector, has continued to perform poorly over the years.

The poor performance of industrial sector has confirmed within the dismal performance of the industrial goods sector, has been renowned to so many factors, including the capability under-utilization; poor and putrefying infrastructures; low level of technology; low investment; high price of production; high rates of inflation; antagonistic investment climate; policy non-implementation and reversals; lack of political determination to essentially industrialized the Nigerian economy; corruption, weak institutions; poor domestic linkages; general economic

instability and lack of finance capital to make up production capability within the numerous industries, etc.

According to Adams (2010) an American businessman, taxation is a burden in which citizens must endure to sustain their government since the government has certain activities for the benefits of those in it governs. Taxation may not be the most significant source of revenue to the government in terms of industrial sector dimensions. However, taxation is important raising government revenue from the point of view of business conviction but not consistency in performance. G Otieno(2018). Despite the essential power of government to impose taxes, identifying the means of taxations has been used to encourage fiscal distributions of income, but not identify the problems that influence against the use of taxations as financial performance. G Otieno et al (2018).

It has become more hostile and innovative method of collecting tax without the concern of tax purpose (Dennis 2014).Individual tax persons, duplicitous activities in tax collection due to lack of accepting the importance of paying taxes that have difficulties that affects financial performance. G Otieno et al (2018). Therefore, the problem of taxation constitutes the problem of tax consciousness, tax administration, tax contributions, tax systems, tax purposes, taxes rates and challenges of tax reforms. G Otieno et al (2018). Income tax can be considered as a tool of fiscal policy employed by the government all over the world to impact negatively or positively the nature of economic activities (Okon 2017).

The struggle has been made to inspect taxation as a tool for revenue financial performance in the country for structural developments, but the concerns relating to taxation as a tool for financial performance has not been measured (Enahoro, 2012). In America states, taxation policy is

sustained with aim to boost tax restructuring to raise revenue for public activities (Fashola, 2009).

Taxation in Nigeria is based on system that existed in Britain as it was a British colony. Taxation originated in 1900 with the hut tax regulation which imposed a standard charge for every hut or dwelling. During that era, taxation was meant at raising revenue for the administrative structure imposed by the colonial government but also as a means of encouraging monetary or economic activities (Waweru 2014).

On the other hand, tax may be a obligatory levy imposed on eligible citizens, corporate bodies as well as goods and services to transform the government to finance its activities. Tax is also defined as a means by which, a government suitable part of the private sector's income. The accumulated revenue is employed in meeting frequent and capital expenditure. Tax occupies a unique position, because it is an essential part of government policies, the ability of government to generate policy from this sector affects services of such government. The means of refining internally generated revenue is through value added tax. Tax payment may be a voluntarily support imposed by the government on income earners, importers, exporters, investors, corporations etc. a country tax policy and system are importantly connected with business ventures in that countries. An economy that exercises favourable and tax laws and policies will positively rise successfully and finance healthy business organization. Once businesses develop, the economy develops as well.

The development of any sector is measured by the contribution and number of employment it is providing an increase in sales, profit, income and capital thus, which describes a survival capability of any problem facing the sector or firm.

Salami (2010) claims that there are numerous types of taxes, i.e. corporate tax, income tax, sales tax, excise tax, fine, prices, and custom duty, special assessments, VAT and many more. The government levy taxes in order fulfill the following purpose i.e. solve unemployment problem. Raise revenue, social welfare, maintain economic stability, offer protection policy, and help achieve fair distribution of resources by optimal allocation of resources and increase the rate of economic formula. However, when imposing any tax, the subsequent challenges and conditions should be accomplished i.e. convenience, productivity, equality, economical, flexibility, certainty, durability, elasticity, and simplicity otherwise it won't be achieving its objectives. Another challenge of taxation is those who try not to pay tax through avoidance or evading.

It is the craving of each country to build a civilized country with a sound and powerful economy. Tax payment is an example of such craving, although most income earners see it as a means of exploitation by the government. The preliminary purpose of tax was to raise money to finance public expenditure, tax is one of the instrument applied by the government in managing the economy. Personal income tax is charged on all income that accrues to nonexempt people living in Nigeria. It is furthermore levied on all income arising within Nigeria notwithstanding where ever the tax payer lives.

Income obtained from taxation of business and individuals are used for provision of infrastructure such as water supply, good roads, social amenities and electricity which are essential for the smooth running of a business. Holban (2007) announced that taxation can contribute to welfare and development through three sources; it must be able to generate sufficient funds for financing public services and social transfers at a high level of quality, it should offer incentive for more employment and for an effective and lasting use of natural resources, and finally it should be able to reposition income.

The focus of this study is to therefore examine the effect of taxation on financial performance of Industrial goods sector in Nigeria, the importance of taxes to the Nigerian economy, to evaluate the factors that encourage non-compliance with tax obligation by industrial goods sectors and to establish the relationship between taxation and the financial performance of industrial goods sector in Nigeria.

1.2 Statement of the Problem

Industrial goods sector find it challenging to function profitably due to excessive taxation or high tax rates. Other problems of industrial goods sector also include double high taxes, coverage, skilled required is not adequate and evasion of taxes is high, problem faced by tax collectors in order to know the exact amount of individual income from each source of income, inability to provide adequate and appropriate guidelines and interpretation of legislation to the tax payer, inadequate orientation about the importance usefulness of tax. Ever since the Board Inland Revenue imposed taxation, people have been engaging in avoidance and evasion of tax from time to time. Tax related issues are responsible for the untimely close-ups of industrial goods sector, ranging from multiple taxations to enormous tax burdens, irregular power supply, lack of focus, insufficient capital, inability to involve or employ the right caliber staff, inability to acquire the right plant and machinery, inexperience, lack of proper book keeping, inadequate market research, inability to separate business and family or personal finances, inability to distinguish between revenue and profit, over-concentration on one or two markets for finished products, lack of proper recordings or any records at all, lack of succession plan, infrastructural inadequacies (water, roads, etc). Ocheni and Gemade(2015).

According to a study carried out by Bateman (2013), it was stated in a survey that 90% of business owners admitted that taxes were a huge limitations to businesses, as they claim taxes are high and do not allow new businesses to cover up initial cost.

Tax burden is very high; government should look for a way by reducing them because most of their income is taken away by tax. If tax is taken, they will have a more robust income.

1.3 Objective of the Study

The main objective of the study is to examine the effect of taxation on the performance of industrial goods sector in Nigeria. However, the specific objectives are:

- i. To examine the effect of company income tax on return on equity of companies in the industrial goods sector in Nigeria.
- ii. To assess the effect of value added tax on return on equity of companies in the industrial goods sector in Nigeria.
- iii. To investigate the effect of Education tax on the return on equity of companies in the industrial goods sector in Nigeria.

1.4 Research Questions

The following research questions were used as a guide in order to achieve the objectives stated above

- i. What is the effect of company income tax on return on equity of companies in the industrial sector goods in Nigeria?

- ii. Does value added tax have significant effect on return on equity of companies in the industrial goods sector in Nigeria?
- iii. Does Education tax have any effect on the return on equity of companies in the industrial goods sector in Nigeria?

1.5 Research Hypotheses

For the purpose of this research work, the following research hypotheses were carried out in order to show the problems of the study. These hypotheses were stated in null form as follows:

H₀1: There is no significant relationship between company income tax and return on equity of companies in the industrial goods sector in Nigeria.

H₀2: There is no significant relationship between value added tax and return on equity of companies in the industrial goods sector in Nigeria.

H₀3: There is no significant relationship between Education tax and the return on equity of companies in the industrial goods sector in Nigeria.

1.6 Significance of the Study

The significance of the findings to researchers, government, entrepreneur, and all stakeholders gives a clear view on how industrial sector in Nigeria can perform effectively given the various applicable taxes. It also gives a clearer view on why industrial sector fail in Nigeria and the difficult task related to taxation in Nigeria. If taken seriously by the general public and the government, the recommendations and findings will help in building a better and stronger tax system in Nigeria. The difficulties of taxation in Nigeria are stated in order for extreme

measures be taken to tackle and show the general public that revenue derived from tax to the government can be increased

1.7 Scope of the Study

The scope of this study is strictly restricted to taxation of industrial sector in Nigeria. It focuses on how taxation can affect the profit after tax (earnings) of the industrial goods sector. These taxes include corporate tax, Import and Export duties tax, Value Added Tax (VAT), Capital gain tax and Capital allowances. The study covers a period of 2017 and 2018.

1.8 Limitations of the Study

The limitations of this study include high level of illiteracy among tax payers, lack of information from appropriate quarters, limited resources at the disposal of the researcher lack of materials on this topic.

In conclusion, the data gathered will truly represent the effect of taxation of industrial sector in Nigeria.

1.9 Operational Definition of Terms

Taxation: This is a means whereby the state collects funds to pay for public services or a financial charge imposed on people

Tax: Government entity that is authorized by law to assess, levy and collect taxes

Tax Policy: This is a line of action adopted by government in respect of taxation. Taxation is one of the major fixed policies

Tax Rate: Tax rate can be defined as the rate at which taxes are levied on income, goods and services and the rates are authorized by law to assess, levy and collect taxes.

Taxable Activities: It includes the activities of public or government authorities, association, organization, and clubs. It includes any activities other than those in the exemption list, conducted as a business, vacation, trade or profession.

Tax Authority: These are government entity that is authorized by law to collect taxes on the income of individual and any corporation.

Tax Administrations: They are responsible for interpretation and application of tax law.

Tax Evasion: This is when a tax payer willfully fails to report a source(s) as taxable income or seeks to reduce his tax liability to the tax authority. This act is criminal and offensive.

Income Tax: These are taxes that are based on how much money a person earns.

Financial performance: It refers to an individual's way of increasing asset returns

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter is demystified into: conceptual, theoretical, and empirical reviews to establish the various concepts and related theory and empirical evidence of other researchers.

2.1 Conceptual Review

The concepts of focus in this study include taxation, financial performance and business performance.

2.1.1 Industrial Sector

Industry comprises of companies or firms manufacturing or producing common products and or services in well-organized plants with high degree of specialization and automation. In addition, such a sector refers to mining, manufacturing, construction, gas, water and electricity (Sahoo & Sethi, 2012). This study examined industrial goods sector. There are several sectors classified on the Nigerian Stock Exchange.

The role of Industrialization sector is remarkably essential for economic growth, and for poverty reduction. However, the pattern of industrialization, effects on how economy of countries advantage from growth (Sahoo & Sethi, 2012). Thus, expanding industrial field is remarkably significant for economic development (Kniivilä, 2004). Starting with the industrial revolution, technological adjustment has played crucial role in industrial sector (Sahoo & Sethi 2012). In the early 1990s, the value of world's industrial sector rises; for example, over (60%) of such a rise

can be recognized to six major industrial countries - the US, Japan, Germany, Italy, the UK and France. While developing nations included 21% of manufacturing value rise. This shows that there is an evident gap between developed and developing nations, as analyzed by (Kniivilä, 2004).

2.1.2 Companies in the Industrial Goods Sector

This sector contains companies primarily involved in the manufacture and distribution of capital goods, including engineering and building products, aerospace and defense, industrial machinery, electrical equipment, and packaging products for industrial and consumer products. Their businesses are dominated by the production of goods for commercial use.

There are 14 companies in the industrial goods sector listed on the Nigeria Stock Exchange. They are Dangote Cement Plc., Berger Paints Plc., Austin Laz & Company Plc., Beta Glass Plc., Cap Plc., Cement Co. of North Nig. Plc. (CCNN), Cutix Plc., First Aluminum Nigeria Plc., Greif Nigeria Plc., Lafarge Africa Plc., Meyer Plc., Notore Chemical Industrial Plc., Portland Paints & Products Nigeria Plc. and Premier Paints Plc.

2.1.3 Industrial Goods Sector Financial Performance

Curristine (2005) in Ilesanmi (2011) defines performance as the yield or results of activities carried out in relation to the purposes being pursued.

The concept “financial performance” has involved noticeable concern of scholars in different parts of business and strategic management (Jat, 2006). Performance has been defined as the end result of activity, and the appropriate measure selected to evaluate corporate performance is

considered to depend on the type of organization to be evaluated and the objectives to be accomplished through that evaluation (Jat et al 2006).

Financial performance is a way to satisfy financiers and this can be corresponded to by sales revenue, market growth (Cho & Pucik, 2005). These two features complement each other. Sales revenue measures a firm's former ability to generate returns on sales. Market growth expresses a firm's former ability to augment its size.

Financial performance defines whether or not a company's financial is healthy over a particular period of time. This can be done by relating two elements in the financial statements called ratio (Christianti, 2014). According to Graham et. al (2014) public company is very essential to emphasis on financial statements rather than private companies because the financial statements are used so as to tax planning action is not wrong in reporting earnings per share of the company. If the income received has exceeded PKP (Taxable Income), the taxpayer is required to pay taxes and is required to report the income tax received (Aryobimo, 2012).

Financial performance is measured by using Return on Equity. According to Wedha (2017) ROE is a ratio that indicates a company's ability to generate net profit by using its own capital and generate net profit available to owners or investors. ROE compares net profit after tax with total equity invested by company's shareholders.

Ogundajo and Onakoya (2016) studied the influence of corporate tax planning on the financial performance of manufacturing firms quoted on Nigerian Stock Exchange using annual reports and accounts of 10 selected firms out of 28 firms listed under consumer goods sector.

Ocheni and Gemade (2015) carried out a study on the effects of multiple taxation on the performance of small and medium scale enterprises (SMEs). The study therefore observed the effect of multiple taxation on SMEs survival. The study involved a survey research design, by

administering a self-administered questionnaire. However, notwithstanding the deluge of studies on the SME sector in Nigeria and Lagos specifically, few studies have critically examined effect of how finance when developed are used on the performance of SME since the skills required to set up a business is not same as those wanted to run a business (Edward, 2012).

Akinyomi and Tasie (2011) examined the impact of tax incentive on the overall performance of registered small and medium scale industries in River State, Nigeria. The study randomly selected eleven out of the twenty two registered small and medium scale food and beverages manufacturing industries in River State and questionnaire was administered to 260 respondents in the selected companies. The study employed Chi-Square in the analysis and test of hypothesis. The findings revealed that there are various tax incentives available to small scale industries and the operators in these industries are very familiar with them. It was also revealed that tax incentives significantly affect the profitability, staff strength and the growth and development of small scale industries positively. Their conclusion was that tax incentives have effect on the perfect on the economic performance of small scale industries.

2.1.4 Measurement of Industrial Goods Sector Performance

Industrial Goods Sector has been measured in a number of ways. They are:

2.1.4.1 Net Profit Margin

This ratio gives a measure of net income dollars generated by each Jordanian dinar of sales.

Net Profit Margin (NPM) = Net Profit/Net Sales

2.1.4.2 Gross Profit Margin

Gross profit is the difference between revenue and cost of goods sold. Gross Profit Margin (GPM) is the ratio of gross profit to revenue. Horngren (2008).

Gross profit margin (GPM) = $\text{Gross Profit} / \text{Net Sales}$

2.1.4.3 Return on Total Asset

Performance analysis can be used to decide the level of a firm's operational and finance efficiency. One measurement of a firm performance that can be used is by measuring ROA. ROA reflects how well a firm gains profit based on the total value of its assets (Khidmat, W., & Rehman, M. (2014)). The higher the ROA value means the better the firm in using its entire assets to gain profits.

2.1.4.4 Return on Equity

According to Wedha (2017) ROE is a ratio that indicates a company's ability to generate net profit by using its own capital and generate net profit accessible to owners or investors. ROE compares net profit after tax with total equity invested by the company's shareholders, which means that the higher ROE ratio, the higher the value of the company, this is certainly an attraction for investors to invest their capital in the company. Financial performance is measured using ROE.

ROE is a ratio that is often used to measure a firm's capability to make turnovers, which is obtained by dividing net income by total shareholder equity (Pour, A, Z. (2016)).

2.1.4.5 Return on Sales (ROS)

ROS is the ratio used to measure firm performance in terms of profitability, which is to calculate how much is the operational profit that can be obtained by a firm from sales activities. This ratio can be obtained by dividing operating income with total sales (Hakro, A. N., & Akram, M. (2009)).

2.1.4.6 Earnings Per Share

Earnings per share (EPS) specify the dollar amount earned on behalf of each common share, thus the higher the better. EPS is calculated by dividing net income by the number of outstanding shares, this ratio is an indicator to measure the performance of a firm in terms of the profitability. From an investor perspective, higher EPS is better since it indicates the business views of the firm in the future is better and it has a higher prospective of growth opportunities. This condition permits the return rate received by investors to be higher (Haque, S., & Faruquee, M. (2013)).

2.1.4.7 Dividend Per Share

Dividend per share (DPS) is the sum of confirmed dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time by the number of outstanding ordinary shares issued.

2.1.4.8 Net profit before tax

Profit before tax (PBT) is a measure that aims at a company's profits before the company has to pay corporate income tax. It deducts all expenses from revenue as well as interest expenses and operating expenses except for income tax.

2.1.4.9 Net profit after tax

Profit After Tax is the total amount that a business receives after all tax deductions have taken place. Profit after tax is also seen as a measure of a company's profitability after all its expenses have been deducted and can be fully utilized by the company to conduct its business.

2.1.5 Taxation

Taxation is the means where by the state collects funds to pay for public services or a financial charge imposed on people.

In both advanced and emerging economies, the primary initiative of taxation is mainly to generate revenue for the endowment of social amenities and the welfare of the inhabitants. Taxation is used as an tool of economic regulation for the purpose of discouraging and encouraging certain forms of certain behaviour (Okafor, 2012).

According to Edame (2011) Okoi and Edame (2013), Taxation is a compulsory levy imposed on an attention of a state or upon his property, corporate bodies, Institutions, etc. in order to bear the cost of expenses inquired by the government to provide security, social amenities and create conditions for the economic wellbeing of the society. The National Tax Policy (2012) provides

that taxation is essentially the process of collecting taxes within a particular location. It is also seen as a monetary burden lay upon individuals or property to support government expenditure.

Ojo (2008) views taxation as a concept and the science of imposing tax on citizens.

2.1.5.1 Various taxes applicable to companies in the industrial sector in Nigeria

Hereunder discussed are some major transaction taxes commonly attributed to construction business (Kiabel and Nwokah, 2009; Ayodele, 2006).

2.1.5.2 Company income tax

The Companies Income Tax Act (CITA) oversees the taxation of companies' payable tax for each year of assessment of the profits at a rate of 30% that is self-assessed on a previous government's fiscal year basis. These include profits accumulating in, derived from, brought into or received from a trade, business or investment (worldwide income). Also companies paying dividends to its shareholders are first indulged to pay tax on its profits at the company's tax rate. However, where a company is a shareholder in another company then such dividends are exempted from the profits of the company for the purposes of computation of the tax. Except proviso Tax Administration (Self-Assessment) Regulations 2011, failure to pay and file tax returns to FIRS within the time limits specified in the CITA invites certain consequences and interest. Construction companies often undergo delayed payment on certificates leading to untimely preparation of account statements and hence delayed returns and payment of company tax.

2.1.5.3 Value added tax (VAT)

This was led by the VAT decree No. 2 of 1993, to replace the old sales tax, which is at a flat rate of 5% of all invoiced amounts of taxable goods and services but accepted by the final consumer, payable upon registering with the Federal Board of Inland Revenue. The scope and coverage of VAT is enormously broad and applies to all imported, supplied or manufactured goods and services in Nigeria, excluding those that are specifically listed as exempt or zero-rated e.g. exported services, medical and pharmaceuticals products, educational and learning materials and equipment. Also, goods and services for use in export processing zones (EPZs) or free port zones are not accountable to VAT on the basis that these areas are outside the scope of Nigerian VAT rules. Non-resident companies doing business in Nigeria are mandatory to register for and charge VAT on all their taxable provisions in the country, while any differences on VAT assessment is decided by Tax Appeal Tribunal. VAT assessment rules are unstructured to construction products and material like concrete, timber and sand often locally acquired and without formal processing, hence impairing aggregate profit margin.

2.1.5.4 Educational tax

The Section 7(1)(a) to (e) of the TETFUND ACT, 2011 enforces a 2% Education Tax on the assessable profit (tax-adjusted profit before capital allowances) of all registered companies in Nigeria, undertaking public procurement contracts at all levels of government, viewed as a social obligation to donate their own share in developing educational facilities in the country. Moreover, the obligation of the Fund is to Federal and State tertiary educational institutions, precisely for the provision and maintenance of essential physical infrastructure for teaching and learning, Instructional material and equipment, and Research and publication. TETFund invested

about N7, 647,600,000.00 in all states and federal government higher institutions in the southwest in 2013 for the provision and maintenance of essential physical infrastructure. However, the scope of the tax is limited to public sector construction contracts in tax assessment.

2.1.6 Business Performance

Performance has been defined as the subsequent of efforts in form of activities of the business enterprise which comprises its strategy and operational activities, management of all segments of business enterprise such as the human resources, finance, production, marketing (Leitner, 2000). Business performance is the strength expended by an enterprise so as to influence and achieve its stated objectives which could include: its employee's satisfaction, its customer's satisfaction, the societal satisfaction, its survival, sales growth, and return on investment, employment, and ultimately profitability. This means performance is actual output as against expected output (Mark & Nwaiwu, 2015). Furthermore, Mark and Nwaiwu (2015) added that business performance entails how well the business enterprise is managed in terms of the value professed by customers in relation to the organization's provision and other stakeholder should be acknowledge when defining performance.

Oghojafor, Olamitunji and Sulaimon (2011) added that performance according to productivity and effectiveness can be explained as the state of competitiveness of an enterprise, which means the level of proficiency and efficiency extended by an enterprise that create available a sustainable market.

GEM (2014) defined performance as the act of performing; of doing something successfully; using knowledge as renowned from merely possessing it. However, performance seems to be conceptualized, operational zed, and measured in different ways thus making cross-comparison

difficult. G Otieno et al (2018). On the other hand, Lerner and Hisrich (1997) conducted a study on Israeli women entrepreneurs and classified the factors that affect their performance into five perspectives, that is, motivations and goals, social learning theory (entrepreneurial socialization), network affiliation (contacts and membership in organizations); human capital (level of education, skills) and environmental impacts (location, sector participation, and socio political variables).

Business enterprise's performance according to Oghojafor, Olamitunji, and Sulaimon (2011) is how a manager successfully and resourcefully exploits the organization's resources so as to achieve the organizational goals and satisfy the stakeholders. According to Akinleye and Fasogbon (2010) sales growth or sales revenue aspect of enterprise performance measurement signifies an increase in sales which has been considered as the lifeblood of a successful business enterprise. This has been additionally expressed in the sense that an increase in sales augments profit (Babafemi, 2015; Dauda, Akingbade & Akinlade, 2010). Based on the applicable literature that has been reviewed in this study, four performance measurement dimensions have been implemented. These include: service quality, sales revenue, job creation, and market growth.

Service quality is the same as product quality is exceedingly multifaceted to ascertain and evaluate for the reason that what customers acknowledged as quality varies from a person to another (Oyeniya, 2009). Service quality represents the discrepancy among customers' anticipations and sentiments about quality of service provided (Neringa & Justina, 2014). Quality in service can as well be referred to as a means to bring about sustainable competitive advantage. Service quality is extended when customer expectations are satisfied, or exceeded (Wicks & Roethlein, 2009). Service quality is unquestionably a meaningful facet of service product design process, this is because it impacts the level of demand for a specified service product, laterally

with customer side view of this service product (Sumathi, 2012). Furthermore it has been seen as signs of business performance. Quality of service is said to have an impact on an enterprise profit and financial indicators of business performance (Sivadass & Baker-Prewitt, 2000). The term 'quality' involves an overall uniqueness of a service or product that describes an enterprise ability to satisfy an acknowledged or implied requirements; suitability to make use of; and congruence to requirements (Pitta, Franzak & Fowler, 2006). Susman, Warren, and Ding (2006) defined service quality as a constant process of setting up and promoting the relationships among an enterprise and its customers by evaluating, predicting and gratifying their acknowledged and implied needs.

Sales revenue according to Simanjuntak and Tjandrawinata (2011) is an authoritative subject in all organizations in each sector of industry, for the reason that sales revenue is the most essential business channel by means of which growth prospects and asset-in place are reformed into ready money. A lot of companies put together serious hard work to issue their sales revenue; in so doing, they can enlarge their organization's performance (Hand, 2005). There are notches of considerations that can have an effect on the level of sales revenue, both from the financial and non-financial performance measure perspective. According to Hand (2005) from the financial perspective, market share, financial expenses, price level, economic growth, and others are anticipated to have an influence on sales revenue. While from non-financial point of view, Hand (2005) concerns to policies and patents as major role players in determining the level of an organization's sales revenue.

Market growth, according to Storey and Grene (2010), is an enterprise performance pointer which entails the owners/managers to execute an analysis of the market in order to recognize its

customers and as well as their needs and wants. Market growth refers to the increase in sales among an enterprise's customer base over a particular period of time.

Business performance is the determination exhausted by an enterprise so as to influence and accomplish its stated objectives which could include: its employee's satisfaction, its customer's satisfaction, the societal satisfaction, its survival, sales growth, and return on investment, employment, and ultimately profitability. This means performance is actual output as against expected output (Mark & Nwaiwu, 2015). Furthermore, Mark and Nwaiwu (2015) added that business performance involves how well the business enterprise is achieved in terms of the value professed by customers in relation to the organization's delivery and other stakeholder should be recognize when defining performance.

2.1.7 Taxation and Financial Performance of Industrial Sector in Nigeria

Agoulu (2014) sees taxation as the compulsory levy by the government by its agencies on income, salaries, profits, dividend, discounts, interests and royalties. He adds that tax is levied against company's profits, capital gain, transfers while Ojo (2017) claimed that taxation is a concept or science of imposing tax on citizens. According to him, tax is a compulsory levy imposed and involves to be paid by every citizen. The imposition of tax is anticipated to generate income which shall be used in the provision of social amenities (Dennis 2014).

Adeyemi (2012) detects taxation as a burden in which every person must bear to sustain the government functions. The main goal of taxation is to advance countries economic development and increase rate of economic financial performance and thus per capital income leads to high standard of living. Taxation can be progressive tax rate employed to achieve justifiable distribution of resources. The government can increase tax rates, or decrease capital allowances

rates given in lieu of depression to promote or discourage certain business or tax may give tax holidays to certain firms (Syndelle 2009). The taxation in terms of income of tax can be employed as an agent of social change if used as creative potency in the economic development. G Otieno et al (2018)

The word financial performance has been elucidated differently by different scholars.

Micheni(2013) defines financial performance as the subjective measure of how well a firm can use its asset to generate revenue. He also adds that financial performance is a overall measure of the firms' financial obligation over a given period. It is also used to associate related firms through the industry or compare the same industries across sectors.

According to Wanjiku (2014), financial performance is the solitary most essential determinant in appraising the financial performance prospective, earning capacity and financial strength. She referred dictionary to define financial performance as a measuring results of the firm financial policies and operations in terms of monetary and reflect on return on investment, return on equity, and return on investment and liquidity levels.

Financial performance is a way to satisfy financiers and this can be agreed to by sales revenue, market growth (Cho & Pucik, 2005). These two aspects complement each other. Sales revenue measures a firm's past ability to generate returns on sales. Market growth expresses a firm's past ability to enlarge its size.

The study has used financial performance in taxation of industrial goods sector, since it serves as a measure of financial management to meet objective of the sector.

The industrial goods sector anticipates either on a positive or negative relationship of taxation and financial performance. Thus, taxation is measured as a critical factor to increase financial performance for the success of industrial goods sector.

2.2 Theoretical Review

This section makes provision for the essential theoretical suppositions for the study.

2.2.1 Theory of Business Growth

Several authors have suggested theories relating to business growth. The oldest and most common theory according to Elhiraika & Nkurunziza (2006) is Gibrat's 'Law of Proportionate Effect—LPE', (1931). Here, Gibrat specifies that the rate of growth of a firm is independent of its first size. By insinuation, it would mean that large firms are better in the context of private sector development given that they generate more employment than small firms. Conversely, Jovanovic (1982) states in his 'Learning model' that younger firms learn over time, which helps them improve their performance as they accumulate market knowledge. According to this model, young firms develop faster than old ones. Furthermore, given that younger firms are usually smaller than older businesses for the explanations discussed above, Jovanovic deduces that small firms grow faster than large ones. This is a merging process where small firms will eventually become as large as any other large firm in the same sector over time.

Churchill and Lewis (1983) as cited in Olawale & Garwe (2010) on the other hand claim that as a new small firm starts and develops, it moves through some growth stages, each with its own distinctive characteristics. These authors also recognized the stages of growth as; existence,

survival, success, take-off and resource maturity. In each stage of growth as different set of factors is critical to the firm's survival and success. The exact moment in time in which a start-up venture becomes a new business has not yet been theoretically determined. However, the idea of business survival could be equated with a firm that has fully completed the transaction to stage-two organization in the five stages of small business growth. Adebisi, DO Gbegi - 2013

2.2.2 Theory of Taxation

According to Eftekhari, (2009) taxation has always been an issue for the government and taxpayers alike from the early years of civilization. The issue of taxation has created a lot of argument and severe political conflicts over time. According to its importance, numerous economic theories have been suggested to run an effective system. Taxes are generally classified below three different theories as given: ability to pay principle, benefit approach and equal distribution principle. However, in this paper we shall be considering ability to pay principle.

2.2.3 The Tax Morale Theory

The tax morale theory was first advanced by German scholars focused on Gunter Schmolders known as Cologne school of tax psychology. Tax morale can be characterized as the individual factor that motivates a person to conform with his or her tax obligations. As a determinant of tax behavior, tax morals aim to elucidate how and why a tax payer's morality influences his or her tax behavior. Various studies have found out that tax evasion can be attributed to the tax morale (Mocetti, 2013).

On the other hand, tax payers would be persuaded to evade tax when the communities in which they live or operate disapprove of tax evasion and on the other hand, tax payers are more likely to conform to tax obligation if their friends, relatives and acquaintances obey with these

obligations. Also, tax payers are probable to evade taxes if they feel that other people are getting away with tax evasion. In other words, if a society endures tax evasion, such a society would encourage tax evasion (Waweru, 2014). Religious beliefs are a variable in tax evasion as studies have revealed that tax payers who have strong religious commitments or beliefs would likely be tax compliant even if they feel that the tax rate is high (Gee, 2006).

In some cases, tax payers can feel morally justified for evading taxes if they feel that the quality and quantity of public services and goods are unacceptable whereas in economies where the provision of public goods and services is satisfactory the evasion rates are low. Tax payers will tend to conform to their tax obligation if they feel that their government is honest, democratic and participatory and also if the tax payers believe they play a meaningful role in governance (Cummings, 2007).

2.2.4 Capital structure and corporate taxes

Miller and Modigliani (1963) correct their earlier proposition on capital structure with the inclusion of corporate taxes. The theory suggests that the value of the firm is equal to the value of the firm's cash flow with no debt tax shield (value of an all equity firm) plus the present value of tax shield in the case of perpetual cash flows. According to Givoly, Hayn, Ofer and Sarig (1992), the relation between capital structure and taxes has been the subject of extensive theoretical analysis, which led to testable hypotheses. These hypotheses stipulate particular relations amongst the optimal capital structure, corporate tax rates and non-debt tax shields. Previous empirical tests regarding the relation between leverage and corporate tax recognized have produced inconclusive results. Various studies find no evidence to support theoretical predictions that leverage levels are linked to firm's non-debts tax shields. Scholes, Wilson and

Wolfson (1990), however, find the there is a relationship between marginal tax rates and financing decisions for commercial banks. Olokoyo (2013)

2.2.5 Ability-To-Pay Principle

As the name recommends, it states that the taxation should be levied according to an individual's ability to pay. It states that public expenditure should come from "him that hath" instead of "him that hath not". The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean-Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is certainly the basis of 'progressive tax,' as the tax rate increases by the increase of the taxable amount. This principle is definitely the most equitable tax system, and has been extensively used in industrialized economics. The normal and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is regarded as a deprivation to the taxpayer because he submitted money to the government which he would have used for his own personal use. Nevertheless, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as (i) each taxpayer surrenders the same absolute degree of utility that s/he obtains from her/his income, or (ii) each sacrifices the same proportion of utilities/he obtains from her/his income, or (iii) each gives up the same utility for the last unit of income; respectively. Ocheni and Gemade (2015)

2.2.6 Three Sigma's Theory of the Business Model

This model is an application of the theory of business formulated by Peter Drucker. The vital belief of this theory is that loads of business organizations decline and fail for the reason that the suppositions they formulate that form the root for their basic business decisions become obsolete or invalid (Whittington, 2002). On behalf of this cause, all businesses and organizations must from time to time observe their basic suppositions to find out whether they persist to reflect the existing realities they combat with and also how they should modify it just in case they do not. This model makes available for the organization to discover and inspect those suppositions and amend them if required. This model is suitable for the use of businesses, governments, and non-profit organizations. It can as well be used for new business startups to spot, look at, and articulate specific assumptions that will be the cause of their business planning. The model has three divisions with each one holding one or more components that present a framework to analyze what went before and current decisions (Ezenwa, 2016).

The first division is organizational focus, which dictates that strategic thinking starts in on a reassessment of organization's mission, vision, and purpose, and the examination of these components for sensibleness and reliability to spot inherent and precise suppositions that have an influence on decision on whether to enter or continue in the business enterprise activity.

The second division of this model has to do with the external environment and covers five components. The first component indulges the enterprise to analyses the social, economic, and political factors in the external business environment to establish the exact suppositions regarding them that impact the business's decisions, and its activities. The second component emphasizes market factors such as existing and potential customers, distribution channel, advertisement, promotion, pricing, product distinctiveness, and among others, which require

strategic thinking to find out the applicable suppositions on them that impact the business decisions.

The third component of this division imitates on the users of the enterprise product, and calls for the firm to assess the factors of its customer behavior which comprise the firm's product purchase decision, influences on the purchase or use of the product and so on, to find out the customers characteristics that influence the decision and expectations of the business organization. The fourth component indulges the firm to study the technological factors of the business environment to find out the causal features of the technological environmental factors that impact the firm's decisions and expectations.

Finally, the fifth component dwells on the industry competitive formation and requires the need for the business organization to examine this formation to determine competitive formation feature that impacts the business decisions. This structure comprises the potential new entrants into the market, suppliers, substitute products, market segment product, and major competitors. These competitive industry factors which pose the greatest threat that must be neutralized by taking strategic actions.

The third division of this business model is footed on the competitive advantage and core competencies of an enterprise. It stressed the need for an enterprise to inspect organizational competencies.

The second division of the business model offers a theoretical base for this study as it shows that external environmental factors dictate the need for a business enterprise to operate strategically in order to survive and boost effectiveness in their performance in a most efficient manner. The business/owners need to be understanding with what influence can the external environmental

factors pose to their business operation and how their comprehension of their effects make for optimal performance.

2.3 Empirical Review

Relevant empirical studies were reviewed for this study. These prior studies include the impact of taxation on financial performance, business growth and business survival.

According to Azubike (2009) in Ogbonna and Appah (2012), tax is a major player in every society of the world. This means that tax system is an opportunity for government to collect additional revenue needed in discharging its obligations. Nigeria breweries plc, as the name implies is a public limited company with registered head

Azubike (2009) posits that tax is a major source of government revenue all over the world. Government use tax proceeds to render their traditional functions, such as the provision of public goods, maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic maintenance.

Musgrave and Musgrave (2004) also stated that the economic effects of tax include micro effects on the distribution of income and efficiency of resource use as well as macro effect on the level of capacity output, employment, prices, and growth. However, the use of tax as an instrument of fiscal policy cannot be achieved because of dwindling level of revenue generated as a result of ineffectiveness of government officials.

Kiabel and Nwokah (2009) argued that the increasing cost of running government coupled with the dwindling revenue has left all tiers of government in Nigeria with formulating strategies to improve the revenue base.

Ola (2001) stated that tax is dynamic as a necessity fiscal instruments to reform and effect the required changes in the national economy.

Azubike (2009) noted that tax reform is an ongoing process with tax policy makers and tax administrators continually adopting the tax systems to reflect changing economic, social and political circumstances in the economy.

Aguolu (2010) posits that the various tax legislations were all aimed at encouraging tax compliance and increasing tax yield. He said that the Nigerian government undertook various tax law reforms to improve tax administration and to increase tax yield. The Value Added Tax (Amendment) Act, 2007; was for instance intended to widen the value added tax base and improve the machinery for its collection. Similarly the Company's Income Tax (Amendment) Act, 2007; the Federal Inland Revenue Services (Establishment) Act, 2007 and The Personal Income tax (Amendment) Act, 2011,

Eftekhari (2009), taxation has always been an issue for the government and taxpayers alike from the early years of civilization. The issue of taxation has generated a lot of controversy and severe political conflicts over time. According to its importance, several economic theories have been proposed to run an effective system.

Gabay, Remotin & Uy (n.d) see taxation as the process by which the sovereign, through its law making body, raises revenues used to defray expenses of government, a means of government in increasing its revenue under the authority of the law, purposely used to promote welfare and protection of its citizenry, and the collection of the share of individual and organizational income by a government under the authority of the law.

Iwuji (n.d.) defines tax as a statutory compulsory contribution imposed by government exacted from a person's or entity's income, property or transaction for the purpose of funding

governance. A tax can either be of three basic structures; proportional, regressive or progressive. Tax is said to be proportional when the taxpayer is levied an amount that is an indirect proportion of his income. A regressive tax is one that charges a higher rate to persons receiving lower income, and finally a progressive tax levies a higher rate to higher income earners.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

This study employed an ex-post-factor research design based on secondary data obtained from the annual report of Wapco, Dangote Cement Plc., CAP Plc. and Berger Paints. The study also used descriptive statistics of first and second moments of mean, variance and standard deviation to analyze the behavior of the variables.

3.2 Population of study

The population of this study consists of 14 companies listed under industrial goods sector as obtained on the daily official list of the Nigerian Stock Exchange. The companies include Dangote Cement Plc. Berger Paints Plc., Austin Laz & Company Plc., Beta Glass Plc., Cap Plc.,

and Cement Co. of North. Nig. Plc. (CCNN), Cutix Plc., First Aluminum Nigeria Plc., Greif Nigeria Plc., Lafarge Africa Plc., Meyer Plc., Notre Chemical Industry Plc., Portland Paints & Products Nigeria Plc. and Premier Paints Plc.

3.3 Sampling Technique

The study used stratified sampling method by distributing the companies by their capitalization. In view of this, Wapco, Dangote Cement plc, CAP plc and Berger Paints are selected as a case study, having capitalization representing above 80% of the total market value of the companies in industrial goods sector.

3.4 Sample size Determination

Table 3.2: Capitalization of the industrial goods sector as at 31 June, 2019

S/N	Company's Capital	Units of shares	Price	Capitalization	Proportion (%)
1	WAPCO	39,423,197,042.00	10	<u>₦ 394,231,970,420</u>	14.85
2	MEYER	3,756,085,677.00	0.59	<u>₦ 2,216,090,549.43</u>	0.08
3	CCNN	8,885,267,655.00	13.50	<u>₦ 119,951,113,342.5</u>	4.52
4	DANG CEM	9,168,631,185.00	185	<u>₦1,696,196,769,225</u>	63.89
5	CAP	4,949,309,622.00	31.10	<u>₦ 153,923,529,244.2</u>	5.80
6	FIRST ALUM	14,921,173,288.00	0.50	<u>₦ 7,460,586,644</u>	0.28

7	PORT PAINT	5,609,798,773.00	0.50	<u>₦ 2,804,899,386.5</u>	0.11
8	BERGER	2,049,179,964.00	6.40	<u>₦ 13,114,751,769.6</u>	0.49
9	CUTIX	6,226,662,893.00	0.50	<u>₦ 3,113,331,446.5</u>	0.00
10	BETA GLAS	3,535,023,186.00	75	<u>₦ 265,126,738,950</u>	9.99
Total		83,603,155,997.00		<u>₦ 2,658,139,780,977.7</u>	100.00

$$\text{Sample size capitalization} = \sum \frac{C_1 + C_2 + C_3 + C_4}{C_1 + C_2 + \dots + C_{10}} \times \frac{100}{1}$$

$$= \sum \frac{C_{1-4}}{C_{1-10}} \times \frac{100}{1}$$

$$\sum \frac{2,257,467,020,658.8}{2,658,139,780,977.7} \times \frac{100}{1}$$

$$= 85.03\%$$

3.5 Method of Data Collection

The required data for this study were taken from secondary source. The data were extracted from the Annual Report of Wapco, Dangote Cement plc. CAP plc, and Berger Paints.

3.6 Method of Data Analysis

Multiple Linear Regression analysis was used in this study to determine the significant relationship between dependent variable and the independent variables, because it is the reason for using linear regression.

3.7 Model Specification

Three models were derived for the study. The study adopted the model of reference. The models are shown below.

$$\text{FPIGS} = f(\text{Taxes})$$

$$\text{Taxes} = f(\text{CIT}, \text{VAT}, \text{ET})$$

$$\text{FPIGS} = f(\text{CIT}, \text{VAT}, \text{ET})$$

$$\text{FPIGS} = \alpha_1 + \beta_1 \text{CIT} + \beta_2 \text{VAT} + \beta_3 \text{ET} + \varepsilon_t$$

Where:

α_1 = Intercept

β_1, β_2 and β_3 = Co-efficient of the CIT, VAT and ET respectively

FPIGS = Financial Performance of Industrial Goods Sector measured by the Return on Equity (ROE)

CIT = Company income tax

VAT = Value added tax

ET= Education Tax

ROE= Return on Equity

ε_t = Error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.1. Data Presentation, Analysis and Interpretation

This chapter analyses and interprets the results gotten from the study. It begins with descriptive statistics and then the regression results.

4.1.1 Descriptive Statistics

The summary of the descriptive statistics of the variables for this project are presented in table 4.1.1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on equity	36	4.10	9.40	7.1444	1.84615
lnET	36	4.13	5.88	4.8907	.47199
lnVAT	36	4.70	6.30	5.4223	.45346
lnCIT	36	4.89	5.63	5.2750	.19570
Valid N (listwise)	36				

Source: Output of data analysis by author using SPSS.

Table 4.1 presents the descriptive statistics for the dependent and explanatory variables. From the table, return on equity has minimum and maximum values of 4.10 and 9.40 respectively and the mean value of 7.1444 as well as the standard deviation value of 1.84615. The standard deviation of 1.84615 signifies that the data deviate from the mean value from both sides by 1.84615 implying that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

The table also shows that the mean of the Education tax of the sampled firms is 4.8907 with standard deviation of .47199, and minimum and maximum values of 4.13 and 5.88 respectively. This implies that the performance of the sector in terms of Education tax is on average 4.8907, and the standard deviation value indicates that the Education tax of the sampled sector deviates from the mean value from both sides by .47199, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

Moreover, the table shows that the mean of the value added tax of the sector is 5.4223 with standard deviation of .45346. The minimum and maximum values are 4.70 and 6.30 respectively. This implies that value added tax of the sampled firms is on average 5.4223, and the standard deviation value indicates that the value deviates from the mean from both sides by .45346, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

Finally, the table shows that the mean of the company income tax of the sector is 5.2750 with standard deviation of .19570. The minimum and maximum values are of 4.89 and 5.63 respectively. This implies that company income tax of the sector is on average 5.2750. The standard deviation indicates that the value of the sector' company income tax deviates from the

mean value from both sides by .19570. This implies that there is no significant dispersion of the data from the mean because the standard deviation is lower.

OBJECTIVE 1; To examine the effect of company income tax on return on equity of companies in the industrial goods sector in Nigeria.

Test of Hypotheses

Hypothesis One

H₀: There is no significant relationship between company income tax and return on equity of companies in the industrial goods sector in Nigeria.

H₁: There is a significant relationship between company income tax and return on equity of companies in the industrial goods sector in Nigeria.

4.1.1: Model Summary

Table 4.1.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.236 ^a	.056	.028	1.8202

a. Predictors: (Constant), lnCIT

Source: Researcher's computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s)). The

sig of R indicates the direction of the relationship (positive or negative). The value of R range from -1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.1.1, $R = 0.236$. This mean there is a (23.6%) positive relationship between return on equity and company income tax, while its value show low valued relationship.

The R squared (coefficient of determination) show the degree of linear- correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be optimistically estimated how well the model fit the population.

Table 4.1.1, show R square of 0.056, which means that company income tax can only explain 5.6% variation in the value of return on equity while holding other independent variables constant.

Adjusted R square only adjusts for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to a more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is 0.028.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the sample statistic is.

4.1.2: ANOVA ^a

Table 4.1.2: ANOVA ^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.645	1	6.645	2.006	.166 ^b
	Residual	112.644	34	3.313		
	Total	119.289	35			

a. Dependent Variable: Return on Equity

b. Predictors: (Constant), lnCIT

Source: Researcher's computation, 2019

The ANOVA table tells us the overall significance of the model. The F-statistics is the regression mean square (MSR) divided by the residual mean square. F- Statistics determine whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.1.2 show an F-statistics value of 2.006 and a p-

value of 0.166 which is more than 0.05. It suggests that there is no significant relationship between return on equity and company income tax. H_0 is therefore accepted and H_1 rejected.

4.1.3: Coefficients^a

Table 4.1.3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	18.889	8.299		2.276	.029
lnCIT	-2.227	1.572	-.236	-1.416	.166

a. Dependent Variable: Return on Equity

Source: Researcher's computation, 2019

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

4.2. Test of Hypotheses and Discussion

HYPOTHESIS TWO

OBJECTIVE 2: To assess the effect of value added tax on return on equity of companies in the industrial goods sector in Nigeria.

H₀: There is no significant relationship between value added tax and return on equity of companies in the industrial goods sector in Nigeria.

H₁: There is a significant relationship between value added tax and return on equity of companies in the industrial goods sector in Nigeria.

4.2.1: Model Summary

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.139 ^a	.019	-.010	1.8550

a. Predictors: (Constant), lnVAT

Table 4.2.1 R value is 0.139 (13.9%). This revealed a positive relationship between the return on equity (a measure of performance) and valued added tax. The relationship is not a strong positive relationship as its R value depicts. The R square value is 0.019 (1.9%) meaning that a variation in return on equity can only be explained to the tune of 1.9% by the valued added tax.

4. 2.2: ANOVA^a

Table 4. 2.2: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.293	1	2.293	.666	.420 ^b
	Residual	116.996	34	3.441		
	Total	119.289	35			

a. Dependent Variable: Return on Equity

b. Predictors: (Constant), lnVAT

Source: Researcher's computation, 2019.

In table 4.2.2, the f-statistics value is 0.666 with a corresponding p-value of 0.420. The p-value is more than the significance value of 0.05 (5%). This suggests no statistically significant relationship between return on equity and the valued added tax. This signifies the acceptance of H_0 and the rejection of H_1 .

4.2.3: Coefficients^a

Table 4.2.3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	10.205	3.762		2.713	.010
	LnVAT	-.564	.691	-.139	-.816	.420

a. Dependent Variable: Return on Equity

Source: Researcher's computation, 2019

HYPOTHESIS THREE

OBJECTIVE; To investigate the effect of Education tax on the return on equity of companies in the industrial goods sector in Nigeria.

H₀: There is no significant relationship between Education tax and the return on equity of companies in the industrial goods sector in Nigeria.

H₁: There is a significant relationship between Education tax and the return on equity of companies in the industrial goods sector in Nigeria.

4.3.1: Model Summary

Table 4.3.1:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.102 ^a	.010	-.019	1.8633

a. Predictors: (Constant), lnET

Table 4.3.1 shows the result of the relationship between the return on equity and educational tax. The R value of 0.102 shows a low (10.2%) positive relationship between return on equity and educational tax. The R squared value shows the variation in the value of return on equity that is attributed to educational tax. The value is 0.010 signify 1.0% variation.

4.3.2: ANOVA ^a

Table 4.3.2: ANOVA ^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.245	1	1.245	.359	.553 ^b
	Residual	118.044	34	3.472		
	Total	119.289	35			

a. Dependent Variable: Return on Equity

b. Predictors: (Constant), lnET

Source; Researcher's computation, 2019

The F-statistics value of 0.359 with a corresponding p-value of 0.553 is shown in Table 4.3.1. The p-value is more than 0.05 (5%) critical value. This suggests no statistically significant relationship between return on equity and educational tax. This imply the adoption of H₀ (Null) hypothesis and the rejection of H₁ (Alternate) hypothesis.

4.3.3: Coefficients^a

Table 4.3.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.190	3.278		1.583	.123
	LnET	.400	.667	.102	.599	.553

a. Dependent Variable: Return on Equity

Source: Researcher's computation, 2019

4.4.1: Model Summary

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.292 ^a	.085	-.001	1.8468

a. Predictors: (Constant), lnVAT, lnET, lnCIT

Source: Researcher's computation, 2019

Table 4.4.1 show the overall R value for the model. The R value of 0. 292 show a low (29.2%) positive relationship between the return on equity and the independent variables jointly. The R

squared value of 0.085 (8.5%) depict the value of variation in return on equity than can be attributed to the three independent variables jointly.

4.4.2: ANOVA^a

Table 4.4.2: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.153	3	3.384	.992	.409 ^b
	Residual	109.136	32	3.410		
	Total	119.289	35			

a. Dependent Variable: Return on Equity

b. Predictors: (Constant), lnVAT, lnET, lnCIT

Source: Researcher's computation, 2019

Table 4.4.2 revealed an F-statistics of 0.992 and a corresponding p-value of 0.409. This depicts that jointly, there is no statistically significant relationship between return on equity and independent variables jointly.

4.4.3: Coefficients^a

Table 4.4.3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.008	8.638		1.969	.058
	LnCIT	-2.170	1.865	-.230	-1.163	.253
	LnET	.717	.712	.183	1.008	.321
	LnVAT	-.355	.846	-.087	-.420	.678

a. Dependent Variable: Return on Equity

Source: Researcher's computation, 2019

Table 4.4.3 reveals the overall contribution of the independent variables to the model. The result show that all the variables do not contribute significantly to the model as their p-values showed values more than 0.05 (5%).

Therefore the regression equation extracted from the analysis is thus given as:

$$ROE = 17.008 - 2.170 (CIT) + 0.717 (ET) - 0.355 (VAT) + e_t$$

Appendix:

ROE	ET	VAT	CIT	ln ET	ln VAT	ln CIT
7.7	62.4	132.2	139.2	4.13	4.88	4.94
7.7	82.2	129.3	143.1	4.41	4.86	4.96
7.7	80.1	213.2	147.3	4.38	5.36	4.99
7.7	80.3	182.6	133.1	4.39	5.21	4.89
9.4	71.8	109.8	147.4	4.27	4.7	4.99
9.4	144.8	133.5	159.7	4.98	4.89	5.07
9.4	119.8	257	177.7	4.79	5.55	5.18
9.4	137.1	200.3	164.7	4.92	5.3	5.1
8.3	174.7	124.4	171	5.16	4.82	5.14
8.3	157.7	157.4	181.8	5.06	5.06	5.2
8.3	238.9	398.7	173.6	5.48	5.99	5.16
8.3	187.6	168.1	183.8	5.23	5.12	5.21
8.6	152.7	158.3	185.5	5.03	5.06	5.22
8.6	78	183	193.6	4.36	5.21	5.27
8.6	359	475.1	194.4	5.88	6.16	5.27
8.6	146.1	169.1	222	4.98	5.13	5.4
6.3	172.7	178.1	213.8	5.15	5.18	5.37
6.3	83.1	404.2	194.15	4.42	6	5.27
6.3	292.8	422.6	193.39	5.68	6.05	5.26
6.3	192.5	202.4	192.88	5.26	5.31	5.26
6.4	336.2	174.9	195.66	5.82	5.16	5.28

6.4	68.1	159.4	203.18	4.22	5.07	5.31
6.4	207.1	415.7	202.11	5.33	6.03	5.31
6.4	118.6	279.1	177.78	4.78	5.63	5.18
4.1	103	176.3	196.57	4.63	5.17	5.28
4.1	108.5	171.7	194.61	4.69	5.15	5.27
4.1	250.5	453.7	210.35	5.52	6.12	5.35
4.1	112.4	186.7	209.47	4.72	5.23	5.34
4.5	103.5	159	222	4.64	5.07	5.4
4.5	150.8	206.4	243.31	5.02	5.33	5.49
4.5	88.8	543.4	248.89	4.49	6.3	5.52
4.5	62.7	297.6	253.46	4.14	5.7	5.54
9	116.5	256.9	277.26	4.76	5.55	5.62
9	215.3	315.1	264	5.37	5.75	5.58
9	169	510.8	279.69	5.13	6.24	5.63
9	127	347.2	276.41	4.84	5.85	5.62

Keys:

ROE = Return on Equity

ET = Education Tax

VAT = Valued Added Tax

CIT= Company Income Tax

$\ln\text{CIT}$ = Logarithms of Education Tax

$\ln\text{VAT}$ = Logarithms of Valued Added Tax

$\ln\text{CIT}$ = Logarithms of Company Income Tax.

4.4 Discussion of Findings

This section deals with the presentation, analysis and interpretation of data generated for the study. The variables for measuring Taxation and financial performance are collected from the annual reports and accounts of the listed Industrial Goods Sector sampled in the study.

4.5 Interpretation And Summary Of Results

The correlation coefficient (R) stood at 0.236 indicating that there is a (23.6%) positive relationship between return on equity and company income tax. This relationship is weak.

R-square of 0.056, which means that company income tax can only explain 5.6% variation in the value of return on equity while holding other independent variables constant.

Also, the R-square value adjusted for the number of variables in the regression stands at 0.028.

The F-statistics value of 2.006 was greater than the p-value of 0.166 suggesting that there is no significant relationship between return on equity and company income tax and that H_0 is therefore accepted and H_1 rejected.

HYPOTHESIS II

The R value stood at 0.139 (13.9%). This revealed a positive relationship between the return on equity (a measure of performance) and valued added tax. The R square value is 0.019 (1.9%)

meaning that a variation in return on equity can only be explained to the tune of 1.9% by the value added tax.

The f-statistics value is 0.666 with a corresponding p-value of 0.420. The p-value is more than the significance value of 0.05 (5%). This suggests no statistically significant relationship between return on equity and the value added tax. This signifies the acceptance of H_0 and the rejection of H_1 .

HYPOTHESIS III

The R value of 0.102 shows a low (10.2%) positive relationship between return on equity and Education Tax. The R squared value shows the variation in the value of return on equity that is attributed to education tax. The value is 0.010 signify 1.0% variation. This suggests no statistically significant relationship between return on equity and education tax. The F-statistics value stood at 0.359 and p-value of 0.553 respectively. The p-value is more than 0.05 (5%) critical value. This implies that the adoption of H_0 (Null) hypothesis and the rejection of H_1 (Alternate) hypothesis.

SUMMARY

The overall R value of 0.292 shows a low (29.2%) positive relationship between the return on equity and the independent variables jointly. The R square value of 0.085 (8.5%) depicts the value of variation in return on equity than can be attributed to the three independent variables jointly. The F-statistics of 0.992 and the corresponding p-value of 0.409 depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly. Therefore, the overall contribution of the independent variables to the model show that all the variables do not contribute significantly to the model as their p-values were more than 0.05 (5%).

Therefore the regression equation extracted from the analysis is thus given as:

$$\text{ROE} = 17.008 - 2.170 (\text{CIT}) + 0.717 (\text{ET}) - 0.355 (\text{VAT}) + e_t$$

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of the study

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. This chapter will thus be structured into conclusion, recommendations and areas for further research.

This study intends to establish The Effect of Taxation on financial performance of Industrial Goods Sector listed in the Nigerian Stock Exchange. In order to do this, the research was designed as a stratified study where relationships were tested. The population comprised of the entire 14 Industrial Goods Sector listed in the Nigerian Stock Exchange. Only 4 Industrial Goods Sector was chosen to form the sample of the study, which is Dangote Cement plc, Lafarge plc, CAP plc and Berger paint. The return on equity (ROE) was used as a measure of financial performance. While Secondary data was used in the study where data on net profit after tax and total equity were obtained to get the ROE from the annual report of the industrial Goods Sector available at Nigeria Stock Exchange and the respective company websites. Data was analyzed using multiple linear regression analysis. Other variables used were

5.2. Conclusion

From the results in chapter four, the first hypothesis revealed that there is a positive relationship between return on equity and company income tax, but no significant relationship between return on equity and company income tax and that H_0 is therefore accepted and H_1 rejected. Hypothesis two revealed a positive relationship between the return on equity (a measure of performance) and

valued added tax, but no statistically significant relationship between return on equity and the valued added tax. The third hypothesis revealed that there is a positive relationship between return on equity and Education Tax, but has no statistically significant relationship between return on equity and education tax.

The study found that the overall R value of 0.292 show a low (29.2%) positive relationship between the return on equity and the independent variables jointly. The R square value of 0.085 (8.5%) depicts the value of variation in return on equity than can be attributed to the three independent variables jointly. The F-statistics of 0.992 and the corresponding p-value of 0.409 depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly. Therefore, the overall contribution of the independent variables to the model show that all the variables do not contribute significantly to the model as their p-values were more than 0.05 (5%). Therefore the regression equation extracted from the analysis is thus given as:

$$\text{ROE} = 17.008 - 2.170 (\text{CIT}) + 0.717 (\text{ET}) - 0.355 (\text{VAT}) + e_t$$

This is because the sector has been declining in contributing to the federally collected revenue due to poor infrastructure in form of electricity, technology. Resulting from this, the contribution of Company Income Tax, Value Added Tax and Education Tax very low, that is why it has no significant relation with the federally collect revenue and the performance of the sector

5.3. Recommendations

Taxation has a negative impact on the financial performance of the Industrial Goods Sector. The result revealed that the overall R value of 0.292 show a low (29.2%) positive relationship between the return on equity and the independent variables jointly. The R square value of 0.085

(8.5%) depicts the value of variation in return on equity than can be attributed to the three independent variables jointly. The F-statistics of 0.992 and the corresponding p-value of 0.409 depict that jointly, there is no statistically significant relationship between return on equity and independent variables jointly. Therefore, the overall contribution of the independent variables to the model show that all the variables do not contribute significantly to the model as their p-values were more than 0.05 (5%).

Therefore the regression equation extracted from the analysis is thus given as:

$$\text{ROE} = 17.008 - 2.170 (\text{CIT}) + 0.717 (\text{ET}) - 0.355 (\text{VAT}) + e_t$$

Therefore Industrial Goods Sector should be aggressive in improving their financial performance. Government should plough back the tax collected from industrial goods sector to provide infrastructure that will enable the company to operate profitably and to contribute more in form of Company Income Tax, Value Added Tax and Education Tax to federally collected revenue.

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