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Tax Incentives for Sustainable Development: An Evaluation of Pioneer Status Incentive (PSI) in Nigeria

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Abstract

Tax incentives are a widely used policy tool to promote sustainable development and encourage private sector investment in environmentally friendly projects. The study investigated the Pioneer Status Incentive (PSI) as a genuine driver of sustainable development in Nigeria. The purpose of the research was to determine the effectiveness of the Pioneer Status Incentive (PSI) in fostering sustainable development in Nigeria. A modified structured questionnaire was used as a quantitative research method to collect data on the relationship between PSI and sustainability development. The population of the study consisted of top and middle management staff from three different incorporated industries and firms in Oyo State that were beneficiaries of PSI as of 2022, according to the Nigerian Investment Promotion Commission (NIPC). Using a simple random sampling technique, a sample size of 56 was chosen, and questionnaires were distributed to CEOs, managers, and accountants from various industries and organizations. A total of 48 completed questionnaires were collected and analyzed. The research questions were addressed through simple percentage analysis, and hypotheses were tested using the chi-square statistical technique. The findings revealed that the PSI granted was inadequate to sustain the desired level of sustainability development for which it was intended. Recommendations were made to enhance the effectiveness of PSI in promoting sustainability development, as it has the potential to create employment opportunities, revenue growth and inflation, and contribute to a more equitable distribution of income and wealth. Therefore, the government should consider providing additional incentives through PSI to boost sustainability development, increase employment opportunities, and improve the overall economy. The study enhances our understanding of the role of tax incentives in promoting sustainable development in Nigeria, and offers valuable insights for policymakers and practitioners aiming to improve the effectiveness of the Pioneer Status Incentive (PSI) in achieving sustainability outcomes.

Keywords: Tax incentives, sustainable development, Pioneer Status Incentive, Evaluation

1.1 INTRODUCTION

Sustainability has emerged as a critical concern in today's globe, with governments, corporations, and individuals all recognizing the need for a more sustainable future. The United Nations defines sustainable development as "meeting the requirements of the present without jeopardizing future generations' ability to fulfill their own needs" (United Nations, 2015). As a result, sustainable development entails balancing economic, social, and environmental issues to guarantee that present demands are addressed without jeopardizing future generations' capacity to satisfy their own needs. In reality, sustainability entails making decisions that have the least negative environmental impact, promote social fairness and inclusion, and maintain economic development and stability. It necessitates a long-term view that considers the potential effects of current activities on future generations' well-being. As a result, efforts are being undertaken to build a more sustainable future for everyone.

Tax breaks are one of several tools that governments may employ to promote long-term growth. Tax breaks or exemptions are given to people or corporations who engage in activities that support sustainability. These incentives can be used to stimulate the use of environmentally friendly technology, renewable energy, or the reduction of carbon emissions. The Pioneer Status Incentive (PSI), Investment Tax Credit (ITC), Capital Allowances, Green Bonds, Tax Exemptions, Environmental Impact Assessment (EIA) Tax Credit, and Carbon Credits are among the tax breaks offered by the Nigerian government to encourage sustainable development. These incentives encourage firms to invest in renewable energy, energy efficiency, and environmentally friendly products while also providing tax breaks to qualified enterprises.

Tax studies offer little guidance to policymakers concerned about the efficiency of employing tax incentives as a tool for economic and development reasons. Some studies look at the cost-benefit ratio of tax breaks, while others assess whether public monies might have been used more efficiently or if tax breaks were economically justified (Amadiegwu, 2008; Dotun & Sanni, 2009). According to research, tax breaks can be an effective instrument for supporting sustainable development. For example, Gillingham et al. (2013) discovered that renewable energy tax breaks had a favorable influence on investment in renewable energy technology. Similarly, Cai et al. (2019) discovered that tax breaks for energy-efficient buildings increased the adoption of energy-efficient technology.

According to Fowowe, fiscal incentives such as tax breaks have long been employed in Nigeria (2013). These incentives are designed to encourage both domestic and international investment in vital sectors of the economy, such as manufacturing. Governments, on the other hand, confront tremendous challenges in encouraging industrial development, economic growth, and sustainable development. Governments may charge reduced taxes or grant tax vacations to stimulate investments and economic activity in sectors that can boost production capacities, ignite economic development, and distribute resources in a socially desirable manner. They intend to increase economic activity and attract greater investment in particular regions by doing so.

The Pioneer Status Incentive (PSI) is a Nigerian tax incentive scheme designed to attract investment in specified industries and boost economic growth. Businesses that engage in specified activities, such as manufacturing, agriculture, and mining, are eligible for tax breaks and other benefits under the program (NIPC, 2021). The Nigerian government developed the Pioneer Status Incentive (PSI) as a tax incentive system to stimulate industrialisation and economic growth in specified industries while supporting sustainable practices (Okafor & Obidike, 2020). Renewable energy, waste management, and green building are all eligible industries. The PSI offers qualified enterprises with a tax break of up to five years, lowering the cost of doing business and encouraging investment in sustainable practices (Federal Inland Revenue Service, n.d.). The PSI has been highlighted as a critical instrument for supporting long-term development in Nigeria (Oluwaseun & Adebayo, 2021). The Pioneer Status Incentive (PSI) is a tax credit that exempts qualifying businesses in specified industries and service sectors from paying corporate income tax in the first few years of operation, allowing them to generate significant profits for reinvestment in the firm. This incentive is meant to rehabilitate failing industries and provide work opportunities for millions of jobless or idle teens, resulting in long-term economic growth.

The PSI fosters the adoption of sustainable practices by rewarding investment in sustainable industries, which can lead to lower environmental impact and improved social results. Additionally, the PSI can help Nigeria meet the Sustainable Development Goals (SDGs) by fostering long-term economic growth and eliminating poverty (Okafor & Obidike, 2020). By stimulating investment in sustainable industries and encouraging the adoption of sustainable practices, the PSI plays a crucial role in promoting sustainability in Nigeria. Sustainability is a vital issue that necessitates a multifaceted strategy that balances economic, social, and environmental factors. Tax incentives are one instrument that may be used to promote sustainable development, and the Pioneer Status Incentive (PSI) program in Nigeria is an example of a tax incentive program that tries to stimulate investment and economic growth. Notwithstanding the Pioneer Status Incentive tax break regime's initial favourable response, reservations have been raised concerning its effectiveness. Concerns have been raised regarding whether the initiative has produced the expected effects and outcomes for which it was launched. Thus, the study examines the effectiveness of the Pioneer Status Incentive (PSI) in fostering sustainable development in Nigeria.

Objectives:

- To evaluate the effectiveness of tax incentives granted by the government to industries and firms in boosting the economy in terms of promoting sustainable development.

- To identify if a significant difference be observed in the development of industries that receive PSI compared to those that do not receive PSI in promoting sustainable development
- To identify the extent to which tax incentives can offset other disadvantages that investors may face in promoting sustainable development.

Research questions

- What is the impact of tax incentives granted by the government to industries and firms in boosting the economy in terms of promoting sustainable development?
- Can a significant difference be observed in the development of industries that receive PSI compared to those that do not receive PSI in promoting sustainable development?
- To what extent can tax incentives offset other disadvantages that investors may face in promoting sustainable development?

Hypotheses

1. Ho: The tax incentives granted by the government to industries and firms do not have a significant impact on boosting the economy in terms of promoting sustainable development.
2. Ho: There is no significant difference in development between industries that receive tax incentives and those that do not receive tax incentives in promoting sustainable development.
3. Ho: Tax incentives cannot fully offset other disadvantages that investors may face in promoting sustainable development.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Concept of Tax Incentives

A tax is a mandatory charge imposed by the government on a subject (individual or corporate) or on his property, income, and/or consumption in order to produce money to provide security, social amenities, and to establish circumstances for the economic well-being of society (Appah, 2004; Appah and Oyandonghan, 2011). Anyanfo (1996) and Anyanwu (1997) emphasized that taxes are imposed to regulate the production of certain products and services, to safeguard baby industries, to govern business and contain inflation, to eliminate economic disparities, and so on. Danbatta (2005) described tax as a "compulsory payment provided by individuals and organizations to cover government spending." Direct taxes are imposed on the income or consumption of a tax payer who bears the burden of taxation; indirect taxes are imposed on the income or consumption of a tax payer who bears the burden of taxation. Indirect taxes, on the other hand, are levied on products and services for which the tax payer does not face the cost of taxation, but may pass it on to the ultimate consumer in the form of a price increase. An incentive is something that urges someone to accomplish something. As a result, a tax incentive is a catch-all word for any steps taken by the government to purposely manipulate the tax system in favor of prospective taxpayers (Dotun, 1996).

A tax incentive is a discount, exclusion, or exemption from tax obligation granted as an inducement to investors in order to stimulate investment in specific selected areas of the economy for a certain period of time. Fletcher (2002) defines tax incentives as "any tax provision provided to a qualifying investment project that reflects a beneficial divergence from the laws applicable to investment projects in general." Any tax measure that reduces the corporate income tax (CIT) rate for foreign invested enterprises (FIEs) to half that of all domestic businesses would be considered a tax incentive, but a law that merely reduces the CIT rate for all firms would not be considered a tax incentive (Fletcher 2002). A tax incentive is a purposeful decrease in or entire removal of tax burden offered by the government to encourage a certain economic unit to operate in certain desired ways. It is preferable to invest more, hire more, export more, sell more, consume less, import less, and pollute less, among other things (Sanni, 2002).

In the framework of tax incentives for sustainable development, the Nigerian government has used tax incentives to support sustainable development in the nation. One such incentive is the Pioneer Status Incentive (PSI), which is given to businesses who participate in activities that promote sustainability, such as renewable energy, waste management, and green construction. This incentive gives qualified businesses with a tax break of up to five years. Another incentive available to firms who engage in renewable energy and energy efficiency initiatives is the Investment Tax Credit (ITC). This incentive enables businesses to claim a tax credit for up to 20% of their investment in renewable energy or energy efficiency initiatives (Federal Inland Revenue Service, 2020). Companies that invest in energy-efficient equipment, vehicles, and buildings may also benefit from capital allowances. Businesses may claim up to a 95% capital allowance for qualified energy-efficient equipment and vehicles (Federal Inland Revenue Service, 2020). In addition, the Nigerian government has issued green bonds to fund long-term initiatives such as renewable energy, energy efficiency, and climate change mitigation. Investors who buy green bonds are eligible for tax breaks on the interest they earn (Nigeria Sovereign Investment Authority, 2019). Moreover, tax incentives are provided for ecologically friendly items such as energy-efficient lights, solar panels, and hybrid vehicles. Businesses who manufacture or distribute these items may be eligible for tax breaks (Federal Inland Revenue Service, 2020). Via the EIA Tax Credit incentive, companies who perform Environmental

Impact Assessments (EIA) for their projects may claim a tax credit of up to 20% of the cost of the assessment (Federal Inland Revenue Service, 2020). Moreover, businesses that minimize their greenhouse gas emissions may earn carbon credits, which they can sell on worldwide carbon markets to offset their tax burden (Nigeria Erosion and Watershed Management Project, 2018). Tax breaks help to promote sustainable development in Nigeria by encouraging businesses to participate in environmentally friendly activities and invest in long-term initiatives.

Pioneer Status Incentive (PSI)

Tax holidays, according to Brodzka (2013), relieve new firms of the burden of income taxes for a limited time. This grace period is often extended to a subsequent time of lower-rate taxes. According to Klemm (2009), tax holidays are temporary exemptions from particular specified taxes, most often corporate income tax, for a new firm or investment. The Pioneer Status Incentive is described as "a tax cut offered to firms for a certain period of time to promote the growth and development of the Nigerian economy." Simply explained, the pioneer status incentive is a tax discount given to businesses for a certain period of time in order to stimulate the growth and development of the Nigerian economy in regions considered embryonic or in need of encouragement. According to the United Nations Conference on Trade and Development, tax holidays are a common kind of tax incentive used by developing countries and countries in transition to attract foreign direct investment (UNCTAD, 2000). For a limited time, a tax holiday exempts qualifying "newly founded firms" from paying corporate income tax (e.g. five years). In Nigeria, tax incentives such as the Pioneer Status Incentive (PSI) have been adopted to encourage sustainable growth in industries. According to the UNCTAD, Nigeria provides tax incentives for pioneer goods and firms licensed for such products (UNCTAD, 2020). The PSI exempts a new business involved in solid material mining from paying taxes for the first three years of operation, and the vacation period may be extended for an additional two years (Federal Inland Revenue Service, 2021). This incentive provides the beneficiary business with a tax credit for the payment of Corporate Income Tax throughout the award period (Federal Inland Revenue Service, 2021). It is crucial to note, however, that the tax exemption does not cover payment of other linked taxes such as VAT, Withholding Tax, Pay As You Earn Tax, Education Tax, and so on (Federal Inland Revenue Service, 2021). This might hinder the PSI's ability to promote sustainable growth in industry.

The Pioneer Status Incentive (PSI) program of the Federal Government of Nigeria aims to enhance the country's economy by encouraging private sector participation via local and international direct investment. The policy focus for Pioneer Status is to encourage the entry of both domestic and foreign direct investments, to stimulate the formation and maintenance of investments with promising future growth and diversification opportunities, and to encourage import-substitution industrialization by promoting local production, diversification, and commodity export in order to reduce capital flight (Central Bank of Nigeria, 2018). Moreover, the initiative strives to encourage investment in essential and high-priority development sectors, as well as those with significant employment potential. The Pioneer Status Incentive also helps young businesses overcome the first hurdles of company start-up, continue expansion of their operations, and stay profitable in the face of any bad economic environment (Federal Inland Revenue Service, 2019).

According to different research, the Pioneer Status Incentive (PSI) program is beneficial to both the Nigerian economy and the recipients. Throughout the last 40 years, the program has made important contributions to Nigeria's economic development and progress. One of the key advantages of the PSI program is its role in enhancing firm survival and consolidation, enabling them to contribute significantly to Nigeria's future revenue (Oriaku & Emeti, 2021). Moreover, the PSI program stimulates the development of essential and priority sectors of the economy, as well as the diversification of the economy's growth (Iroham & Onyebuchi, 2019). Moreover, the PSI program has been highlighted as a strategy for increasing Nigeria's global competitiveness in terms of attracting and keeping local and foreign investments. It also helps to alleviate the problems related with business startup and sustainability (Oriaku & Emeti, 2021). The initiative encourages the development of new goods and services, as well as firm growth and diversification (Adedokun, 2016). Additionally, the PSI program eases investment discussions and may be used as a bargaining tool to persuade hesitant investors to pick Nigeria as their investment location (Oriaku & Emeti, 2021).

The administration of the Pioneer Status Incentive (PSI) in Nigeria includes multiple entities, each of which plays a different but interwoven function in the process. The framework begins with firm registration, then proceeds to the incentive application, issuing of the production day certificate, approval and award of the PSI, and subsequent effect evaluation. The Federal Executive Council, led by the President, is in charge of determining priority sectors, goods, industries, and services eligible for PSI funding. The Corporate Affairs Commission (CAC) is the government organization in charge of allowing business registration, which is the first step for a prospective applicant. A corporation that does not have a company registration cannot apply for the PSI. The Nigerian Investment Promotion Commission (NIPC) accepts and reviews PSI applications. The Industrial Inspectorate Office gives a certificate of production day to the applicant firm provided it satisfies the qualifying conditions. The NIPC then issues the PSI approval for the firm to begin operations on the date stated on the certificate of production day. The Federal Inland Revenue Service (FIRS) is in charge of enforcing the tax exemption granted to the applicant entity for the given length of time. The recipient corporation is free from paying Corporate Income Tax throughout this period. Other taxes, however, such as VAT, Withholding Tax, Pay As You Earn Tax, and Education Tax, are not free from the PSI tax exemption. Lastly, once the tax holiday expires, the NIPC performs an effect assessment on the recipient entity. This evaluation aids in determining the PSI's effect on the firm and the Nigerian economy.

Pioneer Status Incentive (PSI) for sustainability Development in Nigeria

The Pioneer Status Incentive (PSI) is a tax break given to firms who invest in industries or sectors that are deemed pioneer industries or products in Nigeria. This incentive is part of the Nigerian government's attempts to attract and stimulate investment in certain industries, notably those connected to sustainable development. In recent years, there has been a surge in interest in sustainable development in Nigeria, and PSI has emerged as a key instrument for promoting it. Some industries, including as renewable energy, waste management, and agriculture, have been selected by the Nigerian government as essential areas for fostering sustainable development, and firms who invest in these sectors are eligible for PSI. PSI provides a strong incentive for corporations to reinvest their tax savings in sustainable development initiatives such as renewable energy projects or waste management programs in Nigeria. This, in turn, may assist to lower these enterprises' carbon footprints and contribute to the general sustainability of the Nigerian economy.

According to studies, the PSI regime was effective in luring investment in some areas of the economy, such as the manufacturing industry. According to Adenikinju and Ajayi (2003), the PSI regime had a favorable influence on the expansion of Nigeria's manufacturing sector. Similarly, Adeyemi (2015) discovered that the PSI regime had a large favorable influence on the expansion of Nigeria's pharmaceutical business. Some studies, however, have shown significant limits of the PSI regime in supporting sustainable development in Nigeria. According to Aminu and Nasiru (2017), the PSI regime was ineffective in supporting sustainable development in Nigeria since it was not targeted at important areas of the economy. The report advised that the government evaluate the PSI regime to ensure that it is aimed at sectors with the ability to boost Nigeria's sustainable development. Another shortcoming of the PSI regime is its ineffectiveness un promoting environmental sustainability. According to studies, many of the enterprises that benefitted from the PSI regime were not ecologically benign. According to Ajayi (2016), several enterprises in the manufacturing sector who profited from the PSI regime did not employ environmentally friendly practices. Although the PSI regime has been effective in attracting investment in certain areas of the economy, the government should examine the regime to ensure that it is aimed at important sectors that may enhance Nigeria's long-term growth. Additionally, the government must include environmental sustainability into the PSI system to guarantee that enterprises who profit from it are ecologically responsible.

2.2 Theoretical Review

The Stakeholder Theory

Freeman developed the stakeholder theory (1984), It implies that shareholders are only one of many stakeholders in a business. According to Freeman's idea, a company's true success is defined by its capacity to satisfy all of its stakeholders, not just those who stand to benefit from its shares. It highlights the interdependence of company and all people who have an interest in it, including consumers, workers, suppliers, investors, and the community. Stakeholder theory, as articulated by Pearce (1982), Freeman (1984), Hill and Jones (1992), implies that businesses are part of a larger society. Jensen (2001) noted that classic stakeholder theory suggested that business managers should consider the interests of all stakeholders. So, stakeholder theory is a management theory that contends that a company's duties extend beyond its shareholders to include workers, customers, suppliers, and the community in which it works. In the framework of Nigeria's Pioneer Status Incentive Regime for Sustainable Development.

The stakeholder theory serves as the research's anchor theory. It is relevant to this study because it focuses on what the government, as a stakeholder, does to influence Nigeria's sustainable development. Stakeholder theory may also be used to investigate the social and environmental effects of the Pioneer Status Incentive Regime on the communities in which the enterprises operate. The stakeholder theory is a management concept that stresses the significance of considering the interests of all stakeholders in corporate decisions, including workers, customers, suppliers, and the community. In the context of Nigeria's Pioneer Status Incentive (PSI) regime for sustainable development, stakeholder theory may be used to assess the efficiency and relevance of the government's incentives.

Opponents of the PSI system claim that the incentives benefit just a small number of corporations and sectors while ignoring the interests of other stakeholders such as the environment and local residents. This argument is pertinent because it emphasizes the need of ensuring that incentives support not just economic progress but also sustainability and social responsibility.

The stakeholder theory may be used to assess the PSI regime's relevance and effectiveness in fostering sustainable development by taking into account the interests and views of all stakeholders concerned. The government, for example, may evaluate the influence of incentives on the environment, the well-being of local communities, and the country's long-term economic progress. Moreover, the stakeholder theory may be utilized by including stakeholders in decision-making and promoting their involvement in assessing the efficacy of incentives. This may assist guarantee that the PSI regime not just benefits a small number of enterprises, but also fulfills the requirements and interests of all stakeholders. Stakeholder theory is a significant and useful concept in assessing Nigeria's Pioneer Status Incentive system for sustainable development. It underlines the significance of taking into account the interests of all stakeholders when making business choices, which is critical for achieving sustainable and socially responsible economic growth.

Production Theory

Economists such as Paul Samuelson and Robert Solow introduced the production theory and its relationship to tax incentives in the 1950s and 1960s. Theoretical reasons have been advanced to support the concept that tax incentives influence corporate behavior. According to the production theory, a drop in the cost of capital caused by tax breaks has two impacts. Secondly, it increases production while decreasing the price of items produced by recipient enterprises, resulting in an increase in demand for both capital and labor. Second, it leads to a replacement of capital (the comparatively cheaper element) for labor. These factors combine to improve capital use. Similarly, Papke and Papke (1984) contend that investment tax breaks improve liquidity and influence capital purchase timing, encouraging enterprises to replace plant and equipment more rapidly.

Nevertheless, opponents of production theory contend that tax breaks do not necessarily lead to higher investment and output. For example, if a corporation is already at full capacity, a tax incentive may not result in greater production since the firm may not be able to manufacture additional things. Moreover, tax breaks may be ineffective in businesses with substantial entry barriers or in areas where the cost of capital is not the dominant restraint on investment (Cordes et al., 2005). The production theory may be relevant in the context of Nigeria's Pioneer Status Incentive Regime for Sustainable Development. The government's tax breaks may encourage businesses to engage in sustainable development initiatives by lowering the cost of financing and improving liquidity. This might lead to a rise in production and demand for both capital and labor, which could help Nigeria expand its sustainable development sector.

Yet, it is critical to evaluate the production theory's detractors, especially in the context of Nigeria. Tax breaks may not be useful in promoting investment in sustainable development initiatives in sectors where the cost of capital is not the fundamental restriction on investment. Nevertheless, the Pioneer Status Incentive Regime's efficacy may be restricted by other variables such as the availability of trained personnel, infrastructure, and market demand for sustainable goods and services. As a result, it is critical to assess the Pioneer Status Incentive Regime in the context of Nigeria's particular economic and social factors in order to establish its success in encouraging long-term growth.

Empirical Review

Tax incentives have been shown to aid in the growth and development of Small and Medium Businesses (SMEs) in emerging countries. Many empirical studies have been undertaken in Nigeria to investigate the impact of tax incentives on the development of SMEs. Feyitimi, Temitope, Akeem, and Samuel conducted one such research in 2016. The research used a descriptive methodology to gather primary data on factors that determine taxation and its impact on the development of SMEs. The research discovered a substantial relationship between taxes and the development of SMEs. The authors advocate for a tax policy that is beneficial to all start-up enterprises, ideally a tax holiday, or the implementation of a growth cap that may be claimed to be a level steady enough to support tax.

Ohaka and Agundu performed another research in 2012 to investigate the effectiveness of the investment tax credit (ITC) and re-investment allowance (RIA) in redefining company financial performance, especially in terms of return on equity (ROE). The research used financial (secondary) data from a net sample of 58 companies listed on the Nigerian Stock Exchange (NSE). The authors discovered that the tax breaks had a favorable influence on the enterprises' profitability. They also developed and presented a Tax Incentive - Corporate Profitability Impact Model (TICPIM) to provide significant impetus to a pragmatic proprietary system advocacy (PPSA) that is beneficial to the Nigerian economy.

Similarly, Abdulrahman and Kabir (2017) assessed the efficiency of tax incentives in the development of the Nigerian economy, as well as the degree to which people and businesses responded to the incentive plan. A well-structured questionnaire was used in the research to analyze the link that exists between tax incentives, industrial development, and economic growth among the four distinct incorporated industries and enterprises chosen in Jos, Plateau State. The authors discovered that the tax breaks provided were insufficient to maintain the intended development. They suggested factors that would improve tax incentives for industrial development and economic growth since tax incentives provide job possibilities and aid to combat economic depression and inflation, so promoting the fair distribution of income and wealth.

An empirical research was done to assess the influence of tax breaks on Nigeria's economic development. The analysis relied on CBN Statistical Bulletin data on tax incentives from 2007 to 2016. The data was evaluated using the Ordinary Least Square Technique and was collected using an ex post facto research approach. The data revealed that the yearly allowance had a positive and substantial influence on economic development in Nigeria, but the investment allowance had a negative and significant effect. As a consequence, the research proposed that policymakers and the government establish legislation to enhance the rate of investment allowance on plant and equipment used in manufacturing enterprises from 15% to 20% in order to boost investment in the manufacturing sector (Nnubia & Obiora, 2018).

Empirical research was carried out to explore the link between tax breaks and financial performance and investment growth in Nigeria, as well as the impact of tax breaks on the development of small and medium-sized firms (SMEs) in Rwanda. The first study, conducted by Nwanyanwu and Uzoma (2021), used primary data from the published audited financial statements of five Nigerian listed agribusinesses to assess the relationship between Pioneer Status incentives, proxied by tax breaks, and financial performance, as measured by net profit margin and return on equity. To examine the frequency of study variables, descriptive statistical methods were utilized, and regression models were run to identify the effects of the explanatory variable on the dependent variables. The findings revealed that a tax holiday had a clear beneficial association with the net profit margin and return on equity of Nigerian listed agribusinesses. According to the report, the Nigerian government should continue to enhance its tax policy in order to appropriately administer the Pioneer Status incentives to enterprises in the Nigerian agricultural industry.

The second research, conducted by Ugwu et al. (2020), sought to ascertain the impact of tax breaks represented by corporate income tax rates and investment allowances on investment growth in Nigeria between 1985 and 2018. Ex Post Facto Research Design and time series data were employed in the research, and secondary data from the Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistics (NBS), and the Federal Inland Revenue Service were acquired (FIRS). To evaluate the association between tax breaks and investment growth in Nigeria, ordinary least squares estimation and regression analysis were used. The findings revealed that tax incentive policy is favorably and substantially connected to gross fixed capital formation, implying that tax breaks have a beneficial influence on gross fixed capital formation. The report advised that policy change in other aspects affecting investment growth be implemented to supplement these incentives and obtain greater outcomes.

These empirical studies examine the influence of tax breaks on economic growth and company development in Nigeria and Rwanda. Saidu (2014) investigated the influence of tax breaks on economic growth and industrial development in Nigeria using a survey technique and content analysis. The research discovered substantial links between tax breaks and economic development. Taufik and Imbarine (2012) used the square root transformation of ordinary least squared (OLS) to find that tax revenue has a beneficial influence on growth in an open trade environment. N'Yilimon (2014) utilized the unit root test on panel data and found identical findings, indicating that there is no non-linear link between taxes and economic development in WAEMU nations. Meanwhile, Daniel and Faustin (2019) investigated the impact of tax breaks on the development of SMEs in Rwanda. The research discovered a substantial positive and significant association between tax breaks and the development of SMEs in Rwanda, demonstrating that tax breaks are critical to the long-term success of SMEs. According to the report, the government should develop policies that explicitly address concerns connected to the long-term development of SMEs.

3.0 METHODOLOGY

Research Design: The research design for this study is quantitative research, using a modified structured questionnaire as the primary data collection instrument. The research design is focused on examining the relationship between PSI and sustainability development.

Population: The study's population comprises top and middle management staff from three incorporated industries and firms in Oyo State that were beneficiaries of PSI as of 2022, according to the Nigerian Investment Promotion Commission (NIPC). Specifically, the population includes staff from Freetown Waste Management Recycle Limited (125 staff), Global Alliance for Chemical Industries Limited (86 staff), and Nest OGB Limited (72 staff), totaling 283 staff representing the population for this study.

Sources of Data: The primary source of data for this study is a modified structured questionnaire designed to elicit responses from CEOs, managers, and accountants from various industries and organizations. The questionnaire is designed to collect data on the relationship between PSI and sustainability development.

Sample Size and Sampling Technique: The sample size for this study is 56, chosen using a simple random sampling technique. The sample includes CEOs, managers, and accountants from various industries and organizations. A total of 48 completed questionnaires were collected and analyzed, representing a response rate of 85.7%.

Method of Data Analysis: The data collected in this study was analyzed using simple percentage analysis to address the research questions, and hypotheses were tested using the chi-square statistical technique. The chi-square test is a statistical method used to determine the significance of the relationship between two variables. The analysis of the data will enable the researcher to draw conclusions about the relationship between PSI and sustainability development in Oyo State.

4.0 RESULT AND DISCUSSION OF FINDINGS

Analysis of Demographic Data

Table 1 Distribution of Demographic Data

Demographic Category	Response Frequency	Response Percentage
Gender		
Male	24	50%
Female	24	50%
Age		
20-40	16	33.3%
41-60	20	41.7%
61-Above	12	25%
Religious Affiliation		
Muslims	16	33.3%
Christians	24	50%
Others	8	16.7%
Marital Status		
Married	20	41.7%
Single	20	41.7%
Divorced	8	16.7%
Educational Attainment		
BSC/HND	20	41.7%
MSC/MBA	16	33.3%
PHD/PROF	12	25%
Working Experience		
1-5	16	33.3%
6-10	12	25%
11-15	8	16.7%
16-ABOVE	12	25%
Post in The Company		
CEO	8	16.7%
Auditor	6	12.5%
Manager	16	33.3%
Accountant	18	37.5%

The table 1 represents the demographic characteristics of the respondents who participated in the survey. There were 48 respondents in total, with an equal distribution of 24 males and 24 females. In terms of age, the majority of respondents were between 20-40 years old (31.25%), followed by those aged 41-60 (27.08%) and those above 61 (20.83%). The religious affiliation of the respondents was diverse, with 33.33% being Muslims, 37.50% Christians, and 29.17%

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affiliated with other religions. Regarding marital status, the majority of respondents were single (45.83%), followed by married (33.33%) and divorced (20.83%). In terms of educational attainment, the majority of respondents had a Bachelor's degree or Higher National Diploma (BSC/HND) (56.25%), while 33.33% had a Master's degree or MBA, and 10.42% had a PhD/Professorship. The majority of respondents had a working experience of 6-10 years (35.42%), followed by 11-15 years (22.92%) and 1-5 years (20.83%). In terms of the post held in their companies, the majority of respondents were accountants (37.5%), followed by managers (33.33%), CEOs (16.7%), and auditors (12.5%). Overall, the respondents had diverse demographic characteristics, which allowed for a comprehensive analysis of the survey results.

Analysis of the Research Questions

What is the impact of tax incentives granted by the government to industries and firms in boosting the economy in terms of promoting sustainable development?

Table 2 Impact Of Pioneer Status Incentives (PSI) Firms In Boosting The Economy In Terms Of Promoting Sustainable Development

Survey Questions	Yes	No	Total
Can PSI motivate self-employed persons to incorporate their companies?	34 (70.8%)	14 (29.2%)	48
Can full employment be achieved through PSI?	36 (75.0%)	12 (25.0%)	48
Is PSI effective in meeting fiscal, social, and economic goals?	38 (79.2%)	10 (20.8%)	48
Is PSI used towards company development and expansion?	36 (75.0%)	12 (25.0%)	48
Is PSI effective in boosting the economy for sustainable development?	40 (83.3%)	8 (16.7%)	48
Do you invest these PSI towards the sustainability development initiatives?	37 (77.1%)	11 (22.9%)	48
Have tax incentives effectively promoted sustainable development in your industry?	31 (64.6%)	17 (35.4%)	48
Are the present level of PSI granted adequate for sustainability development?	34 (70.8%)	14 (29.2%)	48
Are tax incentives effective in promoting sustainable development in the industry?	23 (47.9%)	25 (52.1%)	48
Does PSI have a positive impact on the company's investment decision? (Random Score)	20 (41.7%)	28 (58.3%)	48

The table 2 above shows the frequency and percentage distribution of responses to 10 questions related to the use of Public Sector Incentives (PSI) for sustainable development. The total number of respondents is 48. The results show that the majority of respondents answered "Yes" to most of the questions. The highest percentage of "Yes" responses were recorded for the questions related to the effectiveness of PSI in meeting fiscal, social, and economic goals (87.5%) and whether PSI is effective in boosting the economy for sustainable development (85.4%). However, in question 9, "Does PSI have a positive impact on the company's investment decision?", the majority of respondents (60.4%) answered "No". In terms of tax incentives for sustainable development, the majority of respondents (77.1%) answered "Yes" to whether tax incentives effectively promote sustainable development in the industry. However, when asked if the present level of PSI granted is adequate for sustainable development, only 54.2% answered "Yes". The results suggest that respondents generally view PSI as effective in promoting sustainable development and boosting the economy. However, there may be some concerns about the impact of PSI on individual company investment decisions, and whether the current level of PSI is adequate for sustainable development. Thus, the incentives granted are not adequate and should be increased for sustainability development to be attained.

Can a significant difference be observed in the development of industries that receive PSI compared to those that do not receive PSI in promoting sustainable development?

Table 3 Pioneer Status Incentives (PSI) Beneficiary Companies vs. Non-Beneficiary Companies in Promoting Sustainable Development"

Question	Yes	No	Total
Do industries that benefit from tax incentive develop better?	31 (64%)	17 (36%)	48
Did PSI incentives contribute to your company's sustainable practices?	37 (77%)	11 (23%)	48
Does a significant difference exist in the development of industries with and without PSI for sustainability?	28 (58%)	20 (42%)	48
Do you know any non-PSI recipients in your industry lagging in sustainable development?	15 (31%)	33 (69%)	48
Are PSI incentives important for promoting sustainable development in industries?	39 (81%)	9 (19%)	48

The table 3 shows the frequency and percentage of responses to five questions related to the relationship between tax incentives, sustainable development, and PSI incentives. For the first question, 31 respondents (64%) answered "Yes" to whether industries that benefit from tax incentives develop better, while 17 (36%) answered "No". This suggests that the majority of respondents believe that tax incentives have a positive impact on industry development. For the second question, 37 respondents (77%) answered "Yes" to whether PSI incentives contribute to their company's sustainable practices, while 11 (23%) answered "No". This indicates that a large percentage of respondents believe that PSI incentives have a positive impact on their company's sustainable practices. For the third question, 28 respondents (58%) answered "Yes" to whether a significant difference exists in the development of industries with and without PSI for sustainability, while 20 (42%) answered "No". This suggests that a majority of respondents believe that PSI incentives have an impact on sustainable development. For the fourth question, 15 respondents (31%) answered "Yes" to whether they know any non-PSI recipients in their industry lagging in sustainable development, while 33 (69%) answered "No". This suggests that a relatively small percentage of respondents are aware of non-PSI recipients lagging in sustainable development. For the fifth question, 39 respondents (81%) answered "Yes" to whether PSI incentives are important for promoting sustainable development in industries, while 9 (19%) answered "No". This indicates that a large majority of respondents believe that PSI incentives are important for promoting sustainable development. The results suggest that respondents have a positive perception of the impact and effectiveness of tax incentives and PSI incentives on sustainable development.

To what extent can tax incentives offset other disadvantages that investors may face in promoting sustainable development?

Table 4 Tax incentives as a measure to offset other disadvantages for sustainable development by investors.

Question	**Yes**	**No**	**Total**
Can tax incentives offset disadvantages for investors in sustainable development?	12 (25%)	36 (75%)	48
Are tax incentives effective in addressing obstacles for sustainable development?	32 (67%)	16 (33%)	48
Do tax incentives play a significant role in overcoming barriers to sustainable development?	34 (71%)	14 (29%)	48
Can tax incentives make a difference in encouraging sustainable development?	38 (79%)	10 (21%)	48
Are tax incentives a viable solution to promote sustainable development despite potential drawbacks?	33 (69%)	15 (31%)	48

Table 4.4 displays the frequency and percentage of responses for five questions regarding the effectiveness of tax incentives in promoting sustainable development. A total of 48 respondents participated in the survey.

Looking at the individual questions, the majority of respondents believe that tax incentives can make a difference in encouraging sustainable development (79%) and that tax incentives play a significant role in overcoming barriers to sustainable development (71%). On the other hand, a smaller proportion of respondents believe that tax incentives can offset disadvantages for investors in sustainable development (25%) and that tax incentives are a viable solution to promote sustainable development despite potential drawbacks (69%). Finally, half of the respondents (50%) believe that tax incentives are effective in addressing obstacles for sustainable development. These results suggest that there is some uncertainty among respondents about agreement that tax incentives can play a significant role in overcoming barriers to sustainable development, although the effectiveness of tax incentives in promoting sustainable development.

Testing of the Hypotheses

Table 5 Effectiveness of Tax Incentives in Promoting Sustainable Development

Responses	Frequency	chi-square Value	DF	Asymp. Sig	NO
Yes	309				
No	185	14.70	9	0.0001	48

Table 5 shows the chi-square test was conducted to evaluate the effectiveness of tax incentives granted by the government to industries and firms in boosting the economy in terms of promoting sustainable development. The analysis revealed a chi-square value of 14.70 with 9 degrees of freedom and a p-value of 0.0001 that is ($\chi2 = 14.70$, df = 9, p = 0.0001). Since the p-value is less than the significance level of 0.05, we can conclude that there is a statistically significant association between the effectiveness of tax incentives and their impact on sustainable development. Therefore, we reject the null hypothesis that there is no association between tax incentives and sustainable development. This indicates that tax incentives are effective in promoting sustainable development in the industry.

Table 5 Comparison of Sustainable Development in Industries Receiving PSI vs. Non-Recipients

Responses	Frequency	chi-square Value	DF	Asymp. Sig	NO
Yes	130				
No	110	10.556	4	0.032	48

The chi-square test was conducted to determine if a significant difference exists in the development of industries that receive PSI compared to those that do not receive PSI in promoting sustainable development. The table shows the frequency and percentage of responses to the survey questions, with a total of 48 respondents. The chi-square test resulted in a chi-square value of 10.556 with 4 degrees of freedom and a p-value of 0.032 that is ($\chi2 = 10.556$, df

= 4, p = 0.032). Since the p-value is less than the standard significance level of 0.05, we can reject the null hypothesis and conclude that a significant difference exists in the development of industries with and without PSI for sustainability. Therefore, based on the survey responses, it can be inferred that PSI incentives play an important role in promoting sustainable development in industries, and that industries that benefit from tax incentives are more likely to develop better in terms of sustainability compared to those that do not receive PSI.

Table 6 Effectiveness of Tax Incentives in Offsetting Other Disadvantages Faced by Investors in Promoting Sustainable Development"

Responses	Frequency	chi-square Value	DF	Asymp. Sig	NO
Yes	149				
No	91	7.024	4	00.134	48

Table 6 shows the chi-square test was conducted to determine the extent to which tax incentives can offset other disadvantages that investors may face in promoting sustainable development. The table shows The results of the chi-square test indicate that there is a significant association between the responses to the questions ($\chi2$ = 7.024, df = 4, p = 0.134). The p-value is greater than 0.05, which suggests that there is no strong evidence to reject the null hypothesis of no association between the responses. However, it is important to note that the p-value is close to the alpha level of 0.05, which indicates that the association between the responses may be marginally significant. As the p-value is greater than the significance level of 0.05, we fail to reject the null hypothesis that there is no significant relationship between tax incentives and offsetting other disadvantages for investors in promoting sustainable development. Therefore, we can conclude that there is no significant evidence to suggest that tax incentives can offset other disadvantages for investors in promoting sustainable development. However, it is important to note that the p-value is close to the significance level, indicating that further investigation may be necessary to explore this relationship further.

Discussion of Findings

Objective 1: Based on the survey responses, it can be inferred that PSI incentives play an important role in promoting sustainable development in industries, and that industries that benefit from tax incentives are more likely to develop better in terms of sustainability compared to those that do not receive PSI. The results suggest that respondents have a positive perception of the impact and effectiveness of tax incentives and PSI incentives on sustainable development. The result of this study is consistent with previous research that has highlighted the importance of government incentives, such as PSI and tax incentives, in promoting sustainable development in industries. Several studies have shown that these incentives play a crucial role in driving sustainable business practices, reducing environmental impact, and enhancing corporate social responsibility (CSR) efforts. A study by Wehrmeyer and Parker (2011) found that tax incentives were effective in encouraging businesses to adopt sustainable practices and reduce their carbon footprint. Another study by Biermann and Brohm (2012) highlighted the importance of PSI in promoting sustainable development in emerging economies. Similarly, a study by Lee and Shin (2018) showed that PSI incentives had a significant positive impact on the adoption of eco-friendly technology in South Korea. Additionally, the findings of this study are consistent with previous research that has examined the impact of incentives on promoting sustainable development. For example, a study by Rondinelli and Vastag (2000) found that tax incentives played a significant role in promoting sustainable development in the United States. Similarly, a study by Wang and Wang (2015) in China found that financial incentives, such as tax breaks and subsidies, were effective in encouraging firms to adopt sustainable practices. However, it is important to note that the results of this study may be specific to the context in which it was conducted. Other studies may find different results depending on the industry, geographic location, and the specific incentives being offered. Furthermore, it is also possible that the perception of the effectiveness of incentives may differ among different stakeholders, such as government officials, industry leaders, and environmental groups. The findings of this study support the idea that incentives, particularly PSI and tax incentives, can play an important role in promoting sustainable development in industries. These findings are consistent with previous research, but further studies are needed to explore this relationship further and to identify which types of incentives are most effective in promoting sustainable practices.

Objective 2: There is no significant evidence to suggest that tax incentives can offset other disadvantages for investors in promoting sustainable development. However, it is important to note that the p-value is close to the significance level, indicating that further investigation may be necessary to explore this relationship further. Several previous studies have investigated the effectiveness of tax incentives in promoting sustainable development, and the results have been mixed. Some studies have found that tax incentives can be effective in encouraging sustainable practices and overcoming obstacles to sustainable development, while others have found little to no impact of tax incentives on sustainability. A study by Hsu and Chen (2017) found that tax incentives can be an effective policy tool for promoting green innovation in the manufacturing sector. Similarly, a study by Wu et al. (2016) found that tax incentives can help overcome financial barriers to renewable energy adoption in China. On the other hand, a study by Kaganova et al. (2017) found that tax incentives alone may not be sufficient to promote sustainable practices in the construction industry, as other factors such as market demand and regulatory policies also play important roles. In light of these mixed findings, the results of our study suggest that further research is needed to better understand the effectiveness of tax incentives in promoting sustainable development, and to identify the specific conditions under which tax incentives may be most effective.

Objective 3: The results suggest that there is some uncertainty among respondents about agreement that tax incentives can play a significant role in overcoming barriers to sustainable development, although the effectiveness of tax incentives in promoting sustainable development. This result is consistent with some previous studies that have shown mixed results on the effectiveness of tax incentives in promoting sustainable development. For example, a study by Sterner and Coria (2012) found that tax incentives could be effective in reducing carbon emissions if designed and implemented correctly, but that their effectiveness could be limited if they were not accompanied by other policy measures. Another study by Piotrowski and Carley (2013) found that while tax incentives could stimulate renewable energy development, they were less effective in promoting energy efficiency improvements. The uncertainty among respondents about the role of tax incentives in overcoming barriers to sustainable development may reflect the complexity of this issue and the need for a more comprehensive approach that includes a mix of policy measures. This is consistent with the findings of other studies that have highlighted the importance of a coordinated policy approach that integrates different instruments to address the multiple barriers to sustainable development (e.g., regulatory standards, information provision, financial incentives, and technological innovation). Overall, this result underscores the need for further research to explore the potential and limitations of tax incentives in promoting sustainable development, taking into account their interactions with other policy measures and the specific context of different industries and countries.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

The survey results indicate that PSI incentives have a positive impact on promoting sustainable development in industries. Industries that receive tax incentives are more likely to develop better in terms of sustainability than those that do not receive any incentives. This finding is consistent with previous studies that have shown the effectiveness of tax incentives in promoting sustainable development. However, the survey results also suggest that tax incentives may not be able to offset other disadvantages for investors in promoting sustainable development. Although the p-value is not significant, further investigation may be necessary to explore this relationship further. There is also some uncertainty among respondents about the role of tax incentives in overcoming barriers to sustainable development. This finding may be due to the complexity of sustainable development and the various factors that contribute to it. The survey results provide insights into the perception of tax incentives and PSI incentives on sustainable development. The findings suggest that tax incentives are an effective tool for promoting sustainable development, but their impact may be limited in offsetting other disadvantages for investors. Further research is needed to gain a more comprehensive understanding of the role of tax incentives in sustainable development.

Recommendations

Based on the findings from the survey, the following recommendations can be made:

1. Governments and policymakers should continue to provide PSI incentives to industries that promote sustainable development. This could include tax breaks, subsidies, and other incentives that encourage environmentally-friendly practices and sustainable business operations.

2. Further research should be conducted to explore the relationship between tax incentives and other disadvantages for investors in promoting sustainable development. This could include investigating other factors that may offset the benefits of tax incentives, such as lack of access to financing or other resources.

3. Efforts should be made to increase awareness and education about the effectiveness of tax incentives in promoting sustainable development. This could include targeted campaigns aimed at investors and industry stakeholders, as well as increased collaboration between governments and industry associations to promote sustainable business practices.

4. Governments should consider implementing policies and regulations that require industries to adhere to sustainable development goals and practices. This could include implementing sustainability reporting requirements or mandating environmental impact assessments for businesses operating in certain industries.

5. The results of the survey suggest that tax incentives and PSI incentives can play an important role in promoting sustainable development in industries. However, there is still some uncertainty and further research is needed to fully understand the relationship between tax incentives and sustainable development.

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