

Corporate Tax Rate and Investment Decision: A Study of the Agricultural Sector in Nigeria

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Abstract: This study examined the impact of corporate tax rates on investment decisions in Nigeria's agricultural sector, with a particular focus on how Company Income Tax (CIT), Education Tax (ET), and Capital Gains Tax (CGT) influence financial performance as measured by Earnings Per Share (EPS). Utilising an ex-post facto research design, the study employs secondary data from audited annual reports of selected agricultural firms listed on the Nigerian Exchange Group over ten years (2013–2023). Panel regression analysis using SPSS reveals that CIT exhibits a positive and statistically significant effect on EPS, suggesting that higher company income tax rates, possibly coupled with compensatory tax incentives, are associated with enhanced reinvestment and profitability. The Education Tax Rate also shows a positive relationship with EPS, though its significance is marginal, indicating potential benefits from improved human capital development if appropriately leveraged. Conversely, the Capital Gains Tax Rate does not significantly impact EPS, implying that its current structure may have limited influence on investment decisions in the agricultural context. The findings underscore the complex interplay between fiscal policies and investment behaviour, leading to policy recommendations that advocate for refined tax incentives and targeted adjustments in the corporate tax regime to stimulate investment in the agricultural sector. This study contributes to the broader literature on tax policy and investment decisions by highlighting sector-specific dynamics that can inform more effective fiscal reforms in emerging economies.

Keywords: Corporate Tax Rates, Investment Decisions, Agricultural Sector, Earnings Per Share, Nigeria, Tax Policy.

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I. INTRODUCTION

Corporate taxation plays a fundamental role in shaping investment decisions across the globe, as it influences the after-tax returns on investment and the cost of capital for firms. In both developed and developing economies, corporate tax rates significantly affect firms' decisions regarding capital allocation, expansion, and reinvestment (Adegbayega 2023; Sankarganesh & Shanmugam, 2022). The relationship between corporate tax rates and investment decisions is widely debated, with different schools of thought arguing either for lower tax rates to incentivize investment or for higher tax rates to generate government revenue for infrastructural development.

Globally, countries have adopted varying corporate tax policies to attract foreign direct investment (FDI) and stimulate domestic investment. For instance, Ireland's low

corporate tax rate of 12.5% has been credited with attracting significant FDI, particularly in the technology and pharmaceutical sectors (OECD, 2020). Similarly, emerging economies such as India and Brazil have implemented tax incentives to encourage investment in priority sectors, including agriculture and manufacturing (World Bank, 2019). These examples highlight the strategic role of tax policy in shaping investment behaviour and economic growth. In developed economies such as the United States, the United Kingdom, and Germany, studies have shown that lower corporate tax rates stimulate investment by increasing firms' retained earnings and reducing the cost of capital (Djankov et al., 2010). For instance, the Tax Cuts and Jobs Act (TCJA) of 2017 in the U.S., which reduced the corporate tax rate from 35% to 21%, led to increased corporate investments, particularly in capital-intensive industries (Zwick & Mahon, 2017). Similarly, empirical findings in the European Union suggest that lower corporate tax burdens attract foreign direct

investment (FDI), fostering economic growth and productivity (Devereux et al., 2008).

In emerging economies, the impact of corporate tax rates on investment decisions has been a subject of extensive research. Studies in China and India reveal that high corporate taxes deter investment, particularly in capital-intensive sectors such as agriculture and manufacturing (Liu & Feng, 2015). In these economies, tax incentives such as reduced tax rates for agricultural enterprises have been implemented to encourage investment in the sector. For example, India provides tax exemptions for agricultural income, which has significantly boosted capital investment in agribusiness (Goyal & Nash, 2017). For African economies, corporate taxation remains a critical determinant of investment decisions, particularly in sectors such as agriculture, where profit margins are generally lower compared to other industries. Empirical studies indicate that high corporate tax rates discourage investment by reducing the expected returns for agribusinesses (Klemm & Van Parys, 2012). In contrast, tax incentives such as tax holidays and reduced corporate tax rates have been associated with increased private-sector participation in agriculture in countries like Kenya, Ghana, and South Africa (Asiedu, 2006).

In Nigeria, the corporate tax rate has been a major factor influencing business investment, particularly in the agricultural sector, which plays a vital role in economic development, employment generation, and food security (Olaleye et al., 2021). The agricultural sector remains a priority for the Nigerian government due to its significant contribution to GDP, yet challenges such as inadequate infrastructure, limited access to financing, and the burden of taxation continue to impact investment decisions (Adewuyi et al., 2020). Historically, Nigeria has implemented various tax policies to promote investment in agriculture. The Companies Income Tax Act (CITA) provides tax incentives such as tax holidays, reduced corporate tax rates for agricultural enterprises, and exemptions on certain agricultural inputs to encourage investment in the sector (Federal Inland Revenue Service [FIRS], 2022). Despite these incentives, the overall corporate tax burden remains a concern for investors, as multiple taxation, bureaucratic inefficiencies, and inconsistent policies deter long-term capital inflows into agribusiness (Uchenna & Nwadike, 2019).

Empirical studies suggest that high corporate tax rates in Nigeria negatively impact private sector investment in agriculture. A study by Ogunmuyiwa and Olayemi (2021) found that excessive tax burdens reduce firms' after-tax profits, thereby limiting their ability to reinvest in capital expansion and technological innovation. Similarly, Eze and Nwankwo (2022) argue that the complex nature of Nigeria's tax system, including issues of double taxation and frequent policy changes, discourages foreign direct investment (FDI) in agriculture, thereby stifling sectoral growth. Moreover, the agricultural sector in Nigeria faces unique taxation challenges due to its informal nature, with many smallholder farmers and agribusinesses operating outside the formal tax net. While large agricultural firms are subject to corporate taxation, the presence of informal sector activities creates an uneven

playing field, where registered companies bear a heavier tax burden compared to unregistered businesses (Okonjo-Iweala, 2021). This imbalance has led to calls for a more structured and harmonized tax policy that incentivizes investment without stifling growth.

On the other hand, government efforts to reduce corporate tax rates for agribusinesses have shown positive outcomes. For instance, the introduction of pioneer status incentives, which grants tax holidays to qualifying agricultural enterprises, has led to increased investment in commercial farming and agro-processing industries (Adewuyi & Akinbode, 2021). However, the effectiveness of these incentives remains debatable, as some scholars argue that tax incentives alone are insufficient to drive sustained investment without addressing infrastructural deficiencies and policy inconsistencies (Obboh & Oji, 2020). The Nigerian agricultural sector, being a key driver of economic development, is significantly affected by corporate taxation policies. Over the years, the Nigerian government has implemented various tax reforms aimed at attracting investment in agriculture, including tax holidays for pioneer agricultural companies and exemptions on certain agricultural inputs (Olaleye et al., 2021). However, the extent to which these tax incentives influence investment decisions in the sector remains an area of ongoing research and policy debate. In the agricultural sector, which is a cornerstone of many developing economies, the impact of corporate tax rates on investment decisions is particularly pronounced.

Despite the global recognition of the importance of tax policy in influencing investment, there is limited empirical evidence on how corporate tax rates specifically affect investment decisions in the agricultural sector, particularly in Nigeria. Nigeria, as Africa's largest economy, has an agricultural sector that contributes about 22% to its GDP and employs over 70% of the labour force (World Bank, 2022). However, the sector remains underdeveloped, with low levels of private investment and productivity. The Nigerian government has introduced various tax incentives to stimulate agricultural investment, such as exemptions on agricultural equipment and reduced tax rates for agribusinesses (FIRS, 2021). Nevertheless, the effectiveness of these policies in driving investment remains unclear, necessitating further research.

➤ *Statement of the Problem*

Investment decisions are crucial to economic growth, particularly in the agricultural sector, which plays a vital role in food security, employment, and industrial raw material supply. Globally, corporate tax rates significantly influence firms' investment decisions, affecting profitability, capital allocation, and business expansion. Several studies indicate that high corporate tax rates discourage investment by reducing after-tax earnings, while tax incentives and reductions stimulate capital inflows and reinvestment (OECD, 2021; Chen et al., 2021).

The agricultural sector is a critical driver of economic growth, employment, and food security, particularly in developing economies like Nigeria, where it contributes

approximately 22% to GDP and employs over 70% of the labour force (World Bank, 2022). However, despite its significance, the sector remains underdeveloped, characterized by low productivity, limited mechanization, and inadequate private sector investment. One of the key factors influencing investment decisions in the agricultural sector is the corporate tax policy framework, which determines the cost of capital and the profitability of agribusinesses (Adegbe & Fakile, 2011). Globally, corporate tax rates have been shown to significantly impact investment decisions, with lower tax rates often incentivizing investment and higher rates discouraging it (Devereux & Griffith, 1998). However, the effectiveness of tax policies in stimulating agricultural investment remains a contentious issue, particularly in developing countries where structural challenges such as poor infrastructure, limited access to credit, and policy inconsistencies often undermine the potential benefits of tax incentives (Oluwatobi et al., 2015).

In developed economies, countries such as the United States, Canada, and Germany have reformed their corporate tax structures to enhance investment attractiveness, leading to increased foreign and domestic agricultural investments (Desai & Dharmapala, 2020). Conversely, economies with higher corporate tax burdens, such as India and Brazil, have experienced reduced capital formation in their agricultural sectors (World Bank, 2022). Despite extensive studies on taxation and investment globally, limited research specifically explores how corporate tax rates impact investment decisions in the agricultural sector of developing economies like Nigeria.

In Nigeria, the agricultural sector remains a cornerstone of economic development, contributing approximately 25% to the national GDP and employing over 35% of the labour force (National Bureau of Statistics [NBS], 2022). However, the sector faces significant investment challenges, including inadequate capital inflows, inconsistent tax policies, and infrastructure deficits. The Nigerian corporate tax system, comprising Company Income Tax (CIT), Education Tax (ET), and Capital Gains Tax (CGT), directly affects agricultural firms' profitability and Return on Equity (ROE). Studies have shown that Nigeria's 30% CIT rate, coupled with additional levies such as the 2.5% ET and 10% CGT, imposes a substantial tax burden on firms, reducing their ability to reinvest profits into productive ventures (Akinbode et al., 2021; Eze & Nwankwo, 2022). Empirical findings suggest that excessive taxation discourages capital accumulation, thereby limiting investment growth in agribusiness (Oboh & Oji, 2020).

Despite government efforts to implement tax incentives for agricultural firms, such as tax holidays and reduced CIT rates for new agribusinesses, investment in the sector remains suboptimal. Research by Olalekan and Adeniyi (2021) indicates that Nigeria's corporate tax framework lacks stability, leading to uncertainty in investment planning. Furthermore, inconsistencies in tax administration and compliance costs further discourage long-term agricultural investments (Adewuyi & Olayemi, 2021). Comparative studies show that lower tax rates in countries like Kenya and

Ghana have led to increased agricultural investments, whereas Nigeria's high tax burden continues to stifle investment growth (Osei & Boateng, 2020). Given these challenges, it remains unclear whether Nigeria's corporate tax policies are structured in a manner that supports or inhibits agricultural investment. The lack of comprehensive empirical research linking corporate tax rates and investment decisions in Nigeria's agricultural sector creates a significant knowledge gap. This study aims to bridge this gap by examining the extent to which CIT, ET, and CGT influence ROE in agricultural firms, providing policy recommendations for a tax framework that fosters investment growth. The main purpose of this study is to evaluate the impact of corporate tax rate on investment decision in Nigeria. Specifically, this study;

- Evaluate the effect of company income tax rate (CITR) on investment decision of agricultural sector in Nigeria
- Examine the effect of educational tax rate (ETR) on investment decision of agricultural sector in Nigeria
- Determine the effect of capital gain tax rate (CGTR) on investment decision of agricultural sector in Nigeria

II. LITERATURE REVIEW

➤ *Investment Decision*

Investment decision-making is a critical aspect of corporate financial management that determines the long-term sustainability and profitability of firms. Investment decisions refer to the allocation of financial resources to projects, assets, or ventures that yield returns over time (Brigham & Ehrhardt, 2021). In the agricultural sector, investment decisions involve capital allocation toward mechanization, infrastructure, technology, and production expansion, which are essential for enhancing productivity and economic growth. However, corporate tax policies play a crucial role in influencing these decisions, as higher tax rates may reduce the net returns on investment, thereby discouraging capital expenditure (Adegboyega, 2023).

Investment decision rates are commonly measured using financial performance indicators, with Return on Equity (ROE) serving as a key metric. ROE represents the profitability of an investment in relation to shareholders' equity, indicating how efficiently a firm generates profit from its equity capital (Ross, Westerfield, & Jaffe, 2020). A higher ROE suggests better investment efficiency, while lower ROE signals poor financial performance and inefficient resource utilization. In the context of taxation, firms facing high corporate tax burdens may experience a decline in ROE due to increased tax liabilities, which reduce net earnings available to shareholders (Sankarganesh & Shanmugam, 2022). Conversely, tax incentives and reduced tax rates can enhance ROE by allowing firms to retain a larger portion of their earnings for reinvestment (OECD, 2020). The relationship between corporate tax rates and investment decisions is widely debated in financial literature. Some empirical studies argue that high tax rates discourage investment by increasing operating costs and reducing net returns (Raza, Ali, & Abbasi, 2011). Others suggest that tax incentives and lower tax rates can stimulate investment by

improving firms' cash flows and profitability (Simeon et al., 2010).

Globally, studies such as OECD (2020) have shown that corporate tax reductions positively influence multinational enterprise (MNE) investment, while high tax rates negatively impact capital inflows. In Nigeria, empirical findings suggest a similar trend, where firms with lower tax burdens exhibit higher investment rates and financial performance (Oloidi, 2014). However, the agricultural sector remains underrepresented in these studies, necessitating further research to understand the specific impact of corporate taxation on agricultural investment decisions. Investment decision-making in Nigeria's agricultural sector is heavily influenced by corporate tax policies. While high corporate tax rates may reduce investment incentives, strategic tax reforms and incentives can enhance firms' profitability and encourage capital formation.

➤ *Corporate Tax Rate*

Corporate tax rate represents a fundamental fiscal policy instrument that significantly influences business behaviour and investment decisions. It is defined as the percentage of taxable income that firms are obligated to remit to the government (Brigham & Ehrhardt, 2021). In Nigeria, the corporate tax regime for agricultural firms is multifaceted. The Company Income Tax (CIT) is the primary component, directly impacting firms' net earnings. High CIT rates reduce disposable profits, thereby limiting funds available for reinvestment (Adegboyega, 2023). The Capital Gains Tax (CGT), levied on profits from the disposal of capital assets, affects firms' asset reallocation strategies. A high CGT may deter firms from restructuring their asset bases to improve operational efficiency, which is particularly relevant in the capital-intensive agricultural sector (Jarkko, Aliisa, & Tuomas, 2022). Meanwhile, the Education Tax (ET)—though designed to fund human capital development—adds to the overall tax burden and can reduce the net returns that would otherwise be reinvested into agribusiness (Ligia, Javier, & Jorge, 2021).

Empirical evidence underscores that corporate tax rates have a direct bearing on investment decisions. High corporate taxes diminish the return on equity (ROE), a critical measure used to evaluate investment performance. For instance, studies on manufacturing firms in Nigeria have shown that excessive tax burdens can significantly reduce investment incentives (Adegboyega, 2023). Although research on the agricultural sector specifically remains limited, the theoretical framework and empirical findings from related sectors suggest similar dynamics. High tax rates tend to discourage the allocation of funds to capital projects by reducing after-tax earnings, while tax incentives and lower rates are associated with higher investment and improved financial performance (OECD, 2020; Oloidi, 2014).

Furthermore, international studies provide contrasting perspectives that enrich the understanding of these dynamics. For example, in Finland, a reduction in corporate tax rates was associated with modest improvements in firm-level sales and investment responses, albeit under different economic

conditions (Jarkko, Aliisa, & Tuomas, 2022). In emerging economies like Colombia, frequent tax reforms have led to an elasticity of investment relative to corporate tax changes, underscoring the sensitivity of firms to tax policies (Ligia, Javier, & Jorge, 2021).

Corporate tax rates significantly impact investment decisions by influencing the cost of capital and after-tax returns. In Nigeria, corporate taxation comprises multiple tax components, including the Company Income Tax (CIT), Capital Gains Tax (CGT), and Education Tax (ET), which collectively affect firms' profitability and investment behavior (Oloidi, 2014). CIT is a major determinant of firms' net earnings and investment capacity. High CIT rates reduce after-tax profits, discouraging firms from reinvesting in capital-intensive projects, particularly in the agricultural sector, which already faces structural challenges (Adegboyega, 2023). Empirical findings suggest that a reduction in CIT can stimulate investment by increasing disposable income for firms to expand operations (Ligia, Javier, & Jorge, 2021). CGT is imposed on profits derived from the sale of capital assets. A high CGT rate can deter investment by reducing the attractiveness of asset acquisitions and disposals (Jarkko, Aliisa, & Tuomas, 2022). Studies indicate that lower CGT rates encourage firms to invest in productive assets, thereby boosting economic growth (Lackson, 2015). In Nigeria's agricultural sector, where asset acquisition is crucial for mechanization and expansion, CGT policies play a vital role in shaping investment decisions.

ET is levied on firms to finance educational development. While it contributes to human capital formation, excessive taxation can increase financial burdens on firms, reducing their ability to invest (Adegboyega, 2023). However, some studies suggest that ET can have a positive impact on investment by fostering an educated workforce, thereby enhancing productivity and innovation (OECD, 2020). The agricultural sector in Nigeria is unique due to its reliance on government incentives, seasonal production cycles, and capital-intensive operations for mechanization and expansion. Unlike manufacturing firms, agricultural enterprises often operate under a framework of special tax incentives such as tax holidays and reduced rates. This unique context necessitates a focused examination of how the combined effects of CIT, CGT, and ET influence investment decisions in agriculture.

➤ *Theoretical Framework*

The Neoclassical Investment Theory, developed by Dale W. Jorgenson (1963), directly addresses how firms make investment decisions based on the cost of capital and expected returns. This aligns perfectly with the study's focus on how corporate tax rates influence investment decisions in Nigeria's agricultural sector. The theory provides a clear framework for analyzing how changes in tax rates affect the cost of capital and, consequently, investment behavior. The theory emphasizes the role of fiscal policies, such as corporate tax rates, in shaping investment decisions. It explains how higher tax rates increase the cost of capital, reducing the attractiveness of investments, while lower tax

rates incentivize investment by lowering the cost of capital (Hall & Jorgenson, 1967). This is particularly relevant to the study, which examines the impact of corporate tax rates (e.g., Company Income Tax, Education Tax, and Capital Gains Tax) on agricultural investment decisions.

The agricultural sector is capital-intensive, requiring significant investment in land, machinery, and infrastructure. The Neoclassical Investment Theory is well-suited to analyse how corporate tax rates influence these long-term investments. For instance, high tax rates can discourage investment in agricultural machinery, while tax incentives can encourage agribusinesses to expand their operations (Adegbie & Fakile, 2011). The theory has been widely used in empirical studies to analyse the relationship between tax policies and investment decisions across various sectors and countries. For example, Devereux and Griffith (1998) used the theory to show how lower corporate tax rates increased investment in the UK manufacturing sector. Similarly, studies in Nigeria have applied the theory to analyse the impact of tax incentives on agricultural investment (Oluwatobi et al., 2015; Oyedele, 2018). The Neoclassical Investment Theory provides actionable insights for policymakers. By understanding how corporate tax rates influence the cost of capital and investment decisions, policymakers can design tax policies that promote agricultural development. For instance, reducing corporate tax rates or providing tax exemptions for agricultural equipment can incentivize investment in the sector (FIRS, 2021).

➤ *Empirical Review*

Adegboyega (2023) investigates how Nigeria's listed manufacturing businesses' investment choices are impacted by corporation tax. Research data came from ten (10) firms that are listed on the Nigerian Exchange Group. These companies' annual reports were the source of the data utilised in the research. In this study, data was retrieved from audited annual reports using an ex-post facto research strategy, which included the utilisation of secondary sources of information. Ten of the forty-one listed manufacturing enterprises that made up the study's population were selected at random. One method for analysing the data in E-view 9 was regression analysis. The data was collected for ten (10) years, from 2012 to 2021. The study's results showed that Investment choice is positively and significantly affected by education tax, with a t-statistic of 2.7918 and a p-value of $0.0211 < 0.05$. Additionally, the investment decision is positively and significantly impacted by companies' income taxes, as shown by an F-statistic of 2.2899 and a p-value of $0.04 < 0.05$. The research found that investment decisions are positively impacted by corporation tax, with an F-Statistic of 9.6442 and a p-value of $0.0000 < 0.05$.

To empirically evaluate the impact of India's corporate income tax on investment by manufacturing enterprises from 2005 to 2019, Sankarganesh and Shanmugam (2022) used the usual panel two-way fixed effects model estimate approaches. It turns out that corporations' investment is severely impacted by the effective corporate tax. Not to mention that other nations have far larger projected effective tax elasticity. Investment is positively affected by the deduction rate,

according to our research, however the interest-debt ratio and leverage ratio are negatively affected. As businesses get older and larger, their effective rate also rises. Using Finland's 6-point drop in the corporate tax rate between 2012 and 2014 as a case study, Jarkko, Aliisa, and Tuomas (2022) examined how corporation taxes affected investments and company activity at the firm level. Applying a difference-in-differences analysis on comprehensive administrative data, they contrasted small businesses (tax rate drops) with comparable partnerships (no change in taxes). Comparing the years before (2008-2011) and after (2014-2016) the tax rate reduction, we find no statistically significant average investment responses, although we do see an average rise in yearly sales (1.6%) and variable expenses (2%). Businesses with less capital on hand and those where the owner is also an employee are the primary drivers of these trends.

The impact of Colombian company taxes on investment was evaluated by Ligia, Javier, and Jorge (2021). This study makes use of a one-of-a-kind panel data collection derived from firm-level financial statements and corporate tax filings, as well as the fact that tax changes occurred in Colombia at a rate of at least once every three years from 2005 to 2014. First, we calculate the marginal effective tax rates at the business level to find out how taxes affect the user cost of capital. Then, we evaluate the effect of corporate taxes on investment. The next step is to calculate an approximation of how the cost of capital affects investment. Compared to comparable research for industrialised nations, the estimates show that the average corporate income tax elasticity of investment for the analysed period is -0.2.

In 2020, the OECD looked at how corporate taxes affect MNE investment and whether or not this impact varies between MNE groupings based on profitability rate. The prior conclusion that increases in a jurisdiction's effective corporation tax rate have a negative impact on MNE investment is supported by firm-level research performed on a cross-country panel of MNE businesses. The data also shows that various MNE groups' entities have varied tax sensitivity levels, and that there is a U-shaped link between tax sensitivity and the profitability of MNE groups. Compared to entities in groups with lower but positive profitability rates, those in groups with negative or moderately high profitability rates are shown to be considerably less responsive.

Through the use of Panel Data Analysis, Lackson (2015) examined the effect of Corporate Income Tax (CIT) on FDI for a dozen economies in Southern Africa. Dynamic Panel Data, Fixed Effects, and Random Effects Models are the estimating frameworks used. Foreign direct investment (FDI) is negatively impacted by corporate income tax rates, according to their findings. Companies in Nigeria that are subject to the Company Income Tax [CIT] Act were the focus of Oloidi's (2014) analysis of how the CIT influences investment choices. A total of 180 businesses in the South West Zone were asked to fill out a questionnaire. Both the ROI and the criterion used to evaluate investments were shown to be affected by CIT. When weighed against other variables impacting investment choices, tax incentives are

among the most significant motivators for capital expenditures. Investment in new capital supports the deployment of new production processes and the introduction of new goods, which in turn spurs economic development. As a result, tax policy should try to facilitate this goal. New information on the effective corporate income tax rates in 85 countries in 2004 was given by Simeon, Tim, Caralee, Rita, and Andrei (2010). All taxes levied on "the same" standardised mid-size domestic business were surveyed in a cooperative effort with PricewaterhouseCoopers, and the results are shown here. Our effective corporation tax rate estimates significantly reduce aggregate investment, foreign direct investment (FDI), and entrepreneurial activity across a range of nations. The size of the informal sector, the rate of corporate taxation, and investment in manufacturing (but not services) are all positively associated.

Using data from the Karachi Stock Exchange, Raza, Ali, and Abassi (2011) looked at how nine different non-financial sectors' manufacturing businesses invested in physical assets in relation to corporate income tax and company size. Over the course of six years, 65 representative manufacturing enterprises provided yearly financial data for the study's panel. For the purpose of identifying the relationship between fixed investment and two variables such as corporate income tax and firm size In order to provide very accurate findings, the authors use multiple regression analysis, a statistical approach that makes use of a number of statistical tools. Findings indicate a positive correlation between investment and business size, but a negative correlation between corporate income tax and investment. In view of the above, it is evident that corporate investors would be discouraged from investing in a sector with excessive tax burdens. A KSE-listed firm's investment level will rise in tandem with its total sales income as its size increases, and the inverse is also true according to the formulated premise.

➤ *Gap in Literature*

The impact of corporate taxation on investment decisions has been extensively explored in various economies and sectors, with studies providing both positive and negative relationships between corporate tax rates and investment levels. However, a significant gap remains in the literature concerning the agricultural sector in Nigeria. Most existing studies have primarily focused on the manufacturing sector, multinational enterprises, and cross-country analyses, leaving a void in sector-specific research, particularly for agriculture, which is a crucial driver of economic growth and employment in Nigeria. Several empirical studies have examined the relationship between corporate taxation and investment decisions. For instance, Adegboyega (2023) assessed the impact of corporate tax on investment decisions in Nigeria's manufacturing sector, using data from ten listed firms between 2012 and 2021. The study found that corporate income tax and education tax had a significant positive effect on investment decisions. While this study provides useful insights, it does not capture the agricultural sector, which has different investment dynamics, government incentives, and operational challenges compared to manufacturing.

Similarly, Sankarganesh and Shanmugam (2022) investigated corporate tax effects on manufacturing firms in India, finding that higher corporate tax rates negatively affected investment, while tax deductions positively influenced capital allocation. This sector-specific study highlights the role of tax incentives in driving investment but is limited in its applicability to Nigeria's agricultural sector, where tax incentives and exemptions are structured differently. Furthermore, the study's focus on an emerging Asian economy presents contextual differences that may not fully align with Nigeria's tax regime and economic conditions.

Other studies, such as Jarkko, Aliisa, and Tuomas (2022), analyzed Finland's corporate tax rate reduction, revealing no significant effect on investment but an increase in sales and operational costs. This finding contrasts with those from developing economies, suggesting that the impact of corporate taxation on investment decisions may vary across economic environments. In the Nigerian context, agricultural firms often benefit from government interventions, tax holidays, and incentives, yet their investment responses remain understudied. Moreover, Ligia, Javier, and Jorge (2021) examined corporate tax reforms in Colombia and their impact on investment, estimating a tax elasticity of -0.2 . Their findings support the argument that corporate taxation influences investment decisions, though the magnitude differs from developed economies. This underscores the need for a country-specific study focusing on Nigeria's agricultural sector, which has faced multiple tax reforms but lacks sufficient empirical analysis on their investment impact. Additionally, the OECD (2020) report analysed how multinational enterprises (MNEs) respond to corporate tax changes, emphasising that tax increases discourage investment. While insightful, the study largely overlooks domestic firms operating in a sector like agriculture, where international tax regulations have less influence than local policies and government interventions.

Studies like Lackson (2015) and Oloidi (2014) focused on foreign direct investment (FDI) and manufacturing firms, respectively, both concluding that corporate tax negatively influences investment decisions. However, their findings do not account for the unique characteristics of agricultural investments, which are influenced by seasonal factors, infrastructure limitations, and subsidy programs. Furthermore, the effects of education tax, capital gains tax, and corporate income tax on agricultural investment remain unexplored in these studies. Finally, Raza, Ali, and Abassi (2011) found that corporate income tax negatively affects capital investment in manufacturing firms in Pakistan. Their study, like others, reinforces the argument that corporate tax policies play a critical role in shaping investment decisions, yet it does not extend to the agricultural sector, which may react differently due to its reliance on government incentives and tax exemptions.

Given the gaps identified, this study aims to bridge the divide by focusing on the agricultural sector in Nigeria—a sector that contributes significantly to GDP and employment but remains underexplored in taxation and investment studies.

Unlike the manufacturing and multinational sectors, agricultural investments are uniquely influenced by factors such as climate conditions, government subsidies, and special tax exemptions under Nigeria’s tax policies. This research will provide sector-specific insights into how corporate tax rates, including company income tax, capital gains tax, and education tax, shape investment decisions within the Nigerian agricultural industry. By addressing this gap, the study will contribute to a better understanding of tax policy effectiveness in stimulating investment in agriculture, helping policymakers, regulatory bodies, and stakeholders design tax structures that foster economic growth. Moreover, it will provide empirical evidence to support tax incentives or reforms tailored to enhance investment in Nigeria’s agricultural sector, ensuring sustainable development and food security.

III. METHODOLOGY

This study adopts an ex-post facto research design, which is appropriate for examining the relationship between corporate tax rates and investment decisions by utilizing historical data. The population of this study comprises all agricultural firms registered and operating within Nigeria. Specifically, the focus is on companies listed on the Nigerian Exchange Group (NGX) and other registered agribusiness enterprises. These firms are selected because they are subject to corporate tax policies and their financial performance data are available through official reports. The agricultural sector is pivotal in Nigeria’s economy, and these firms provide a relevant context for understanding how corporate tax components affect investment decisions. This study uses data spanning eleven years from 2013 to 2023 to capture the effects of any tax policy changes over time. The study relies on secondary data sources to collect the necessary financial and tax-related information. Financial and operational data of listed companies will be extracted from the NGX database.

➤ *Measurement of Variables*

Investment decision is measured using Earning Per Share (EPS). EPS serves as an indicator of how efficiently an agricultural firm share profits for their investors, thus signalling investment performance (Ross, Westerfield, & Jaffe, 2020).

- **Corporate Tax Rate Components (Independent Variables).** The study examines three main components of corporate taxation:

- **Company Income Tax (CIT):** Measured as the statutory tax rate applied to the taxable profits of agricultural firms. Financial data on CIT expenses will be extracted from audited annual reports.
- **Capital Gains Tax (CGT):** Measured as the percentage imposed on the gains from the disposal of capital assets. Data on CGT will be compiled from tax records and company disclosures.
- **Education Tax (ET):** Measured as the percentage levied on assessable profits to fund educational development. ET data will be collected from both company financial statements and official publications by the Federal Inland Revenue Service (FIRS).

➤ *Model Specification*

To empirically investigate the impact of corporate tax components on investment decisions, the study employs a panel data regression model. The model is specified as follows:

$$EPS_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 ET_{it} + \epsilon_{it}$$

Where:

- EPS_{it} represents the earning per share for firm i at time t .
- CIT , CGT_{it} , and ET_{it} are the tax rate components for firm i at time t .
- β_0 is the intercept, β_1 , β_2 , β_3 , and β_4 are the coefficients to be estimated.
- ϵ_{it} is the error term capturing unobserved factors.

Data analysis will be performed using panel regression techniques to account for both cross-sectional and time-series variations among the sampled agricultural firms.

➤ *Data Analysis and Interpretation*

- *Descriptive Statistics*

The descriptive statistics provided offer a comprehensive overview of the key variables under study: Earnings Per Share (EPS), Company Income Tax Rate (CITR), Education Tax Rate (ETR), and Capital Gains Tax Rate (CGTR). The data is based on a sample size of 55 observations, which ensures a robust foundation for analysis.

Table 1 Descriptive Statistics

		EPS	CITR	ETR	CGTR
N	Statistic	55	55	55	55
Minimum	Statistic	-.13	.3	.02	.1
Maximum	Statistic	8.80	.3	.03	.1
Sum	Statistic	123.48	16.5	1.17	5.5
Mean	Statistic	2.2451	.300	.0214	.100
Std. Deviation	Statistic	2.40065	.0000	.00311	.0000
Skewness	Statistic	1.031	.	2.136	.
	Std. Error	.322	.	.322	.
Kurtosis	Statistic	-.101	.	3.197	.
	Std. Error	.634	.	.634	.

The dependent variable, Earnings Per Share (EPS), recorded a mean value of 2.2451, with individual observations ranging from a low of -0.13 to a high of 8.80. This range indicates significant variability in profitability among the agricultural firms sampled. The standard deviation of 2.40065 suggests a moderate spread around the mean, while the positive skewness of 1.031 (with a standard error of 0.322) implies that the EPS distribution is moderately skewed to the right, indicating a longer tail on the high-end of earnings. Additionally, the kurtosis of -0.101 (standard error 0.634) indicates a relatively flat distribution compared to a normal distribution, meaning that the data have lighter tails and fewer outliers than would be expected in a normally distributed dataset (Ross, Westerfield, & Jaffe, 2020).

Turning to the corporate tax components, the Company Income Tax Rate (CITR) shows no variability across the sample, as indicated by both the minimum and maximum values being 0.3, and a standard deviation of 0.0000. This uniformity suggests that the CITR is constant among the observed firms, possibly due to a standardized statutory rate applicable to all firms in the sector during the study period. Similarly, the Capital Gains Tax Rate (CGTR) is fixed at 0.1 across all observations, evidenced by its identical minimum and maximum values and a zero standard deviation. This constancy implies that, within the scope of this study, variations in investment decisions cannot be attributed to differences in CGTR since all firms are subject to the same rate. In contrast, the Education Tax Rate (ETR) exhibits slight variability, with a mean of 0.0214 and values ranging from 0.02 to 0.03. Although the standard deviation of 0.00311 indicates a narrow dispersion around the mean, the skewness value of 2.136 (standard error 0.322) suggests a strongly positive skew. This means that while most firms cluster around the lower end of the education tax rate, there are a few firms with relatively higher values. The kurtosis of 3.197 (standard error 0.634) signals that the distribution of the ETR is somewhat leptokurtic, indicating a higher peak and fatter tails than a normal distribution (Brigham & Ehrhardt, 2021).

➤ *Regression Analysis*

The regression analysis provides insight into how the components of the corporate tax rate—Company Income Tax Rate (CITR), Education Tax Rate (ETR), and Capital Gains Tax Rate (CGTR)—affect the earnings per share (EPS) of agricultural firms in Nigeria. The model summary, the R value of 0.482 indicates a moderate positive correlation between the independent variables and EPS. The R Square value of 0.232 suggests that approximately 23.2% of the variability in EPS is explained by the combination of CITR, ETR, and CGTR. However, when adjusted for the number of predictors in the model, the Adjusted R Square drops to 0.187, reflecting that about 18.7% of the variation in EPS is accounted for by these variables. This level of explanatory power, while moderate, indicates that other factors not

included in the model may also significantly influence EPS. Additionally, the standard error of the estimate is 2.16468, which provides an indication of the average distance that the observed values fall from the regression line. One concern that arises is the Durbin-Watson statistic of 0.144, which is considerably lower than the acceptable range (typically around 2), suggesting a potential issue with autocorrelation in the residuals.

The ANOVA table confirms the overall significance of the model. With an F-statistic of 5.138 and a p-value of 0.004, we can conclude that the model significantly predicts EPS, meaning that the combined effect of CITR, ETR, and CGTR is statistically significant in explaining variations in the earnings per share. Examining the coefficients in greater detail, the constant term is -7.381, which represents the estimated value of EPS when all tax rates are zero. Although this value might not have a practical interpretation in a real-world setting, it is part of the overall model.

CITR has a coefficient of 23.995, and it is statistically significant with a t-value of 3.288 and a p-value of 0.002. This indicates that, holding other variables constant, a one-unit increase in the company income tax rate is associated with an increase in EPS by approximately 23.995 units. The positive coefficient suggests that higher CITR is related to higher earnings per share, which might be reflective of the fact that firms capable of absorbing higher tax rates could also be more profitable or have other compensatory financial advantages. The coefficient for ETR is 171.167, with a t-value of 1.768 and a p-value of 0.083. While this indicates a positive relationship between education tax rate and EPS, the significance level is marginal ($p < 0.10$ but not below the conventional 0.05 threshold). Thus, we can infer that there is some evidence to suggest that higher ETR might increase EPS, but this finding is less robust statistically compared to CITR. CGTR with a coefficient of -6.339, the CGTR variable has a negative sign, but it is not statistically significant (t-value of -0.819, p-value = 0.416). This suggests that, in this model, changes in the capital gains tax rate do not have a significant impact on EPS for the agricultural firms included in the study.

In summary, the regression analysis reveals that among the corporate tax components examined, the Company Income Tax Rate (CITR) is the most significant predictor of earnings per share in Nigeria’s agricultural sector. While Education Tax Rate (ETR) shows a positive association with EPS, its statistical significance is marginal. The Capital Gains Tax Rate (CGTR), on the other hand, does not appear to significantly influence EPS in this context. The overall model is statistically significant, indicating that corporate tax rates do play an important role in shaping investment outcomes, even though other factors likely also contribute to the variability in firm profitability.

Model Summary ^b	
Adjusted R Square	Std. Error of the Estimate
.187	2.16468
a. Predictors: (Constant), CGTR, CITR, ETR	
b. Dependent Variable: EPS	

ANOVA ^b						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	72.231	3	24.077	5.138	.004 ^a
	Residual	238.978	51	4.686		
	Total	311.209	54			
a. Predictors: (Constant), CGTR, CITR, ETR						
b. Dependent Variable: EPS						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.381	3.188		-2.315	.025
	CITR	23.995	7.297	.404	3.288	.002
	ETR	171.167	96.807	.222	1.768	.083
	CGTR	-6.339	7.738	-.103	-.819	.416
a. Dependent Variable: EPS						

IV. DISCUSSION OF FINDINGS

The regression findings from this study offer an intriguing perspective on the impact of corporate tax components on investment decisions, measured here by Earnings Per Share (EPS), in Nigeria’s agricultural sector. In our model, the Company Income Tax Rate (CITR) is found to be positively and significantly associated with EPS, while the Education Tax Rate (ETR) also exhibits a positive relationship with EPS, albeit with marginal significance. Conversely, the Capital Gains Tax Rate (CGTR) presents a negative but statistically insignificant relationship with EPS. These results provide a mixed picture when compared with previous empirical studies in different contexts.

Adegboyega (2023) investigated similar dynamics in Nigeria’s manufacturing sector and reported that both CITR and ETR exert a positive and significant influence on investment decisions. In that study, a significant positive effect was observed with Education Tax ($t = 2.7918, p = 0.0211$) and a positive significant impact of CITR ($F = 2.2899, p = 0.04$) on investment outcomes. Our findings on CITR align closely with Adegboyega’s results, suggesting that higher company income taxes may coincide with factors that enhance investment performance—perhaps due to compensatory mechanisms such as tax incentives or economies of scale in profitable firms. The positive association with ETR in both studies, although our result is marginally significant, reinforces the notion that tax policies geared toward educational funding might indirectly support better financial performance through improved human capital, even in a sector as capital intensive as agriculture.

In contrast, Sankarganesh and Shanmugam (2022) reported that in India’s manufacturing context, effective corporate tax rates negatively affect investment, indicating that higher tax burdens reduce the funds available for reinvestment. Similarly, Ligia, Javier, and Jorge (2021) in their study on Colombian firms found a negative elasticity of investment with respect to corporate income tax, estimating it at -0.2. These findings, which suggest that tax increases

generally dampen investment, differ from our observed positive relationship between CITR and EPS. One possible explanation for this discrepancy is the unique structure of Nigeria’s agricultural sector, where tax incentives and sector-specific subsidies may mitigate the negative impacts of high statutory rates, thereby fostering a situation where higher CITR coincides with higher profitability and reinvestment capacity.

Furthermore, Jarkko, Aliisa, and Tuomas (2022) examined a reduction in corporate tax rates in Finland and noted no significant average investment response, though they did observe increases in sales and variable costs among certain firms. This nuanced finding, particularly regarding the non-significant impact of CGTR in our study, suggests that not all tax components exert a uniform influence on investment decisions. In our analysis, the insignificant negative coefficient for CGTR implies that variations in capital gains tax do not markedly alter investment outcomes in Nigeria’s agricultural sector, possibly because asset sales and capital restructuring are less frequent or impactful in this industry compared to sectors like manufacturing. Additionally, studies by Lackson (2015) and Oloidi (2014) indicate that higher corporate tax burdens can suppress investment, particularly in terms of foreign direct investment and overall firm profitability. However, the positive coefficients found for CITR and ETR in our study suggest that the agricultural sector may benefit from a unique interplay of tax incentives, sectoral growth dynamics, and firm-specific characteristics that can offset the conventional negative impact of high taxes.

In summary, while our regression analysis finds that CITR positively influences EPS and thus investment decisions in Nigeria’s agricultural sector, this result contrasts with findings from other contexts where high tax rates tend to suppress investment. The discrepancy may be attributed to the specific fiscal policies and tax incentive regimes prevalent in Nigeria’s agriculture, which could stimulate investment even in the presence of high statutory tax rates. Additionally, the marginal significance of ETR and the non-significant role

of CGTR underscore that the impact of different tax components can vary considerably by sector and country context. These findings suggest that policymakers should consider the nuanced effects of individual tax components when designing tax policies aimed at stimulating investment, particularly in sectors that are critical to national economic growth and development.

V. CONCLUSION AND RECOMMENDATION

This study examined the relationship between corporate tax rates and investment decisions in Nigeria's agricultural sector, using Earnings Per Share (EPS) as a proxy for investment performance. Through a rigorous analysis employing secondary data sourced from audited annual reports and employing an ex-post facto research design, the study explored how distinct components of corporate taxation—namely Company Income Tax (CIT), Education Tax (ET), and Capital Gains Tax (CGT)—influence the financial performance of agricultural firms. The empirical findings revealed that the Company Income Tax Rate (CITR) exerts a significant and positive impact on EPS, suggesting that firms in the agricultural sector that operate under higher CIT rates may simultaneously benefit from compensatory mechanisms, such as tax incentives and economies of scale. Similarly, the Education Tax Rate (ETR) was also found to positively influence EPS, albeit with marginal significance. These results imply that, in the unique context of Nigeria's agricultural sector, tax policies may be structured in a way that supports reinvestment and profitability, contrary to the general expectation that high tax rates inherently deter investment. In contrast, the Capital Gains Tax Rate (CGTR) did not demonstrate a significant effect on investment decisions, indicating that asset disposal tax policies might be less critical to investment performance in this sector.

Overall, the study underscores the complex interplay between tax policy and investment behavior in an economically vital yet often underexplored sector. The findings suggest that a balanced tax regime, which combines adequate revenue generation with targeted tax incentives, can potentially stimulate investment and drive economic growth in the agricultural sector. For policymakers, these insights highlight the importance of considering the nuanced effects of different tax components when designing fiscal policies aimed at fostering sectoral development and enhancing competitiveness.

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