



Impact of Tax Exemption on Financial Performance of Consumer Goods Manufacturing Firms in Nigeria

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Abstract

This paper examines the impact of tax exemption on the financial performance of consumer goods manufacturing firms in Nigeria using a panel dataset spanning 2015 to 2024. The population of the study consists of listed consumer goods firms in the Nigerian Exchange Group's website. The study has a sample of seven firms (7). This study employed Panel Autoregressive Distributive Lag (PARDL) model otherwise known as the heterogenous dynamic panel data modeling for the estimations of the parameters. The variables used in the study includes financial performance as the dependent variable measured by return on asset (ROA), while the independent variable is tax exempt and firm's size as moderating variable. The results reveal that there is a positive and statistically significant relationship amid tax exemption and financial performance of consumer goods manufacturing firms in Nigeria over the period of the study in both long run and short run respectively, suggesting that tax exemption enhances the performance of manufacturing firm in Nigeria. The study recommends that Federal Government through NRS should prioritize tax exemption as a strategic instrument for stimulating profitability and shareholder value. This can be done by making a condition that tax exemption proceeds be re-invested back into business and period of exemption should be reduced to a reasonable period to avoid tax erosion.

Keywords: Impact, Tax, Exemption, Performance, Goods, manufacturing, Panel, Autoregressive.

Introduction

A robust manufacturing sector contributes to job creation, economic diversification and a nation's foreign exchange earnings. One of the importance of manufacturing sector is the provision of job to teaming population. Thus, this sector provides employment to youth as sustainable jobs are made available where people are committed to manufacturing activities directly as in production processes and in trading of the products from the companies. More so, manufacturing sector provides for diversification of economic activities. This in no small measure improve the availability of needed goods and services in an economy and provide for sustainable development of the companies as diversification fosters continuity in economic activities. The importance of manufacturing sector could also be seen in improvement in the nation's foreign exchange earnings.

Consumer goods manufacturing sector in Nigeria stands as a vital driver of economic activity contributing substantially to employment generation, revenue accrual and overall economic development. Nigeria being one of the largest economies in Africa is a home of diverse collection of consumer goods manufacturing firms, that include food and beverages, personal care products and households' goods. The lives of individuals are directly influenced by these diversified collections of consumer products, which are influential enterprises. In reality, they are responsible for two-thirds of the global economy's trade volume. They are a dynamic force in the global economy, contributing significantly to the Gross Domestic Product (GDP) of a number of nations, including Nigeria (Uwalomwa et al., 2016).

Consumer goods can be described as those goods meant for the ultimate consumer in such a form that they may be used without further processing (Fern&Brown,1984). Ultimate consumers are those consumers who buy products for personal

or family use or house hold consumption. The term ultimate consumer must also be differentiated from the term industrial buyer. The ultimate consumer buys consumer goods for his personal satisfaction while the industrial buyer purchases industrial goods for use in the business or institutional organization for the purpose of making profit. Consumer goods manufacturing sector in Nigeria happens to be one of the largest sub sectors of the economy that likely contribute to tax revenue in the country. The lives of people solely depend on consumption of foods and related materials like fabrics to make lives better. This links the history of taxation with the activities of human beings towards survival.

Taxation has been in practice even before the advent of colonial masters in Nigeria. Government at all levels needs money to provide for administrative needs, public services and law and order to dwelling citizens. Taxation can be described as fiscal measure used by government to create wealth (Timah & Chukwu, 2021).

Tax payers, therefore, will need an improvement in the Nigerian tax system that will ease in the extent of income deductions in form of taxes thereby reducing tax burden and improving the financial performance of firms. In this regard, government initiated a system of tax administration that provides for reliefs in form of tax incentives to the tax payers. In certain critical sectors of the economy, tax incentives are perceived as a fiscal policy implemented by the government to lure investment both domestically and internationally (Fawowe, 2013). Tax incentives are exemptions or reliefs that are provided to an individual or company in order to alleviate the effects of taxation, thereby encouraging investment and savings (Olayemi and Folajimi, 2021). These incentives are given to both individuals and corporate tax payers.

The much-needed quest for foreign direct investment goes a long way to necessitate concession in tax system. These concessions are in form of tax incentives, such as tax holiday and pioneer status, tax credit, income loss relief, tax exempt, capital allowance and reduced tax rate and more form broad incentives which are considered more direct through the tax system. Specifically Asian countries such as United Arabs Emirates (UAE) and Qatar expand their economic growth through market expansion by way of duty free and other incentives mechanisms. In UAE corporate tax rate at 9% is one of the lowest in region and in the world. This obviously strengthens the UAE's position as a global hub for business investment (Mansour & Zolt,2023). On the other hand, the United Arabs Emirate, free zone offers special incentives and exemptions designed to attract investment and encourage business activity. These zones are considered separate from the mainland of the UAE and provide a range of benefits to businesses operating within them. The free zones exemptions primarily relate to tax exemptions, but they also extend regulations concerning foreign investment, customs duty and VAT. Corporate tax exemption, many UAE free zones offer corporate tax exemption to businesses for a specified period.

The profitability of production companies in Nigeria has experienced a significant decline, which has raised significant concerns (Hansson & Williams, 2018). Business entities are being faced with the issues of taxation on the profits realized, lack of adequate interventions in form of tax incentives, indiscriminate multiple taxes, inadequate interventions on losses recorded by local companies. Additional challenges may also be introduced by the costs associated with the provision of tax incentives, such as revenue costs, resource allocation costs, enforcement and compliance costs, and opportunities for malfeasance. Revenue costs and revenue losses are the two primary sources of tax revenue losses that are typically associated with tax incentives. The project would have been implemented regardless of the investor's receipt of the incentive, resulting in the absence of revenue. The second concern is the revenue loss resulting from investors and activities that improperly claim incentives or transfer income from affiliated taxable firms to those qualifying for a favorable tax treatment. There are expenses associated with resource allocation. If the tax incentives are successful, they will result in supplementary investment in sectors, regions, or countries that would not have occurred otherwise. This presents opportunities for corruption, which can serve as a significant impediment to foreign investment in a State. The existence of a corrupt system does not preclude foreign investors from benefiting from it. In the absence of explicit guidelines for qualification, the probability of tax incentives being abused is significantly elevated. An additional set of obstacles can be attributed to the costs associated with tax incentives, including revenue costs, resource allocation costs, enforcement and compliance costs, and opportunities for malfeasance. Revenue costs; the tax revenue losses resulting from tax incentives typically originate from two sources. Foregone revenue from the project that would have been executed regardless of the investor's receipt of the incentive. Secondly, the loss of revenue from investors and activities that improperly claim incentives or transfer income from affiliated taxable firms to those qualifying for a favorable tax treatment. Costs associated with resource allocation. Additional investment in sectors, regions, or countries that would not have occurred otherwise will be stimulated by the tax incentives if they are successful. Corruption can be a substantial deterrent to foreign investment in a country, and opportunities for corruption may arise. This does not obstruct foreign investors from benefiting from a corrupt system. The potential for tax incentive abuse is significantly increased in the absence of defined guidelines for qualification. The study is guided by the following objective;

To analyze the Impact of Pioneer Status (Tax Exemption) on the Financial Performance of Consumer Goods Manufacturing Firms in Nigeria.

Literature Review

This section is a literature review on the effect of tax exemption on the profitability of consumer products manufacturing enterprises in Nigeria. The section has three components: the first addresses conceptual review, the second covers theoretical framework, and the third covers empirical review

Conceptual Review

The section provides conceptual literature regarding the financial performance of consumer commodities produced by manufacturing firms in Nigeria that are tax-exempt. The primary variable of interest return on asset and tax exempt was conceptualized in the section. The section presents conceptual literature on the impact of tax exempt on financial performance of consumer goods of manufacturing firms in Nigeria. The section conceptualized the major variable of interest return on asset and tax exempt.

a. Return on Asset (ROA)

Return on assets is an indicator that assesses a company's efficiency in using its assets to create profits over a certain timeframe (Choiriyah et al., 2020). ROA is described as a ratio that shows how much an asset plays in creating a net profit (Supriyadi, 2021). It offers a metric for evaluating the total efficacy of asset utilization in generating net operational income. Omesi and Maccarthy (2022) define return on assets as net profit attributable to common shareholders divided by total assets. A greater return on assets (ROA) indicates superior business performance due to an increased return on investment rate. Return on Assets (ROA) reflects management's efficacy in capital deployment, since it is feasible to exhibit efficiency while being inadequately positioned regarding capital utilization. Return on assets is determined by dividing profit after tax (PAT) and interest by total assets. Return on assets is perhaps the most comprehensive indicator of operational success. It is also rather simple to comprehend (Abdi, (2010).

b. Tax Exemption

Tax exemption is the process of excluding specific categories of income from taxation. It represents a reduction or elimination of an obligation that would necessitate a mandatory payment to the tax authorities for transactions, income, or property (Tsegbe et al., 2021). Income that is not subject to taxation at the federal, state, or municipal levels is referred to as tax-exempt income. This program may provide extensive tax relief, lower rates, or taxation on a certain number of things. Income is defined as monetary payments, services, or transfers of property. Commonly granted exemptions include materials used in the production of other commodities and those deemed essential for life. Nangih et al. (2024) define tax exemption as the legally permitted decrease of income or profit that would otherwise be subject to taxation. Tax exemptions are specified in tax regulations or legislation, with particular specifics managed by entities such as the Federal Inland Revenue Service (Nwoke et al., 2024).

Theoretical Framework

This paper is based on Ibn Khaldun's philosophy of taxes. This hypothesis was proposed by Ibn Khaldun in 1345. The taxation philosophy was founded on the need to minimize the tax burdens imposed on those capable of engaging in cultural businesses. Consequently, these individuals will be psychologically inclined to engage in these ventures, since they may be certain of deriving wealth from them. Consequently, the idea promotes reducing the tax burden on businesses and producers to incentivize them by guaranteeing increased earnings for entrepreneurs and enhanced income for the government. The notion posited that a low tax assessment on individuals would enable them to exert more effort in their endeavors. As firms expand, the pleasure derived from cheap taxes contributes to an increase in assessed values.

Review of Empirical Literature

This section examines the relevant empirical research about the influence of tax exemption on the financial performance of consumer products manufacturing enterprises in Nigeria.

Afo et al. (2025) investigated the impact of tax compliance costs and tax incentives on the financial performance of manufacturing businesses via survey research design. Primary data was obtained using a descriptive survey study approach. Primary data was obtained from a sample of two hundred and sixty staff using a structured questionnaire. The research indicates that tax exemptions substantially enhance the financial performance of manufacturing businesses.

Dopemu and Monday (2024) investigated tax incentives and company development within the manufacturing sector, using an ex post facto research approach that included the selection of fifty (50) listed manufacturing enterprises via purposive sample techniques. Data was obtained from yearly financial statements accessible in the Nigerian Exchange Limited fact book and the Federal Inland Revenue Service. The study reveals that capital allowance incentive has a significant positive impact on return on assets of the manufacturing companies.

Edori and Chika (2024) to investigate the financial performance and tax incentives of micro, small, and medium enterprises in Rivers State. The study employed a survey research design, with thirty companies selected as a sample using purposive sampling techniques. Two sets of structured questionnaires were distributed to each company, resulting in a total of sixty (60) respondents, for the study. A descriptive and linear regression analysis was implemented to

analyse the data that was collected. The research demonstrates that the net profit margin is significantly and positively correlated with the capital allowance incentive. It also indicates that loss alleviation has a substantial positive correlation with net profit margin. Nevertheless, the selection of two respondents from each company was not conducted in a scientific manner, and as a result, there may be bias in the sample.

Oludi and Onawu (2022) investigated the practices of tax incentives and the financial performance of consumer products firms in Nigeria using an ex post facto study approach. The study's population consisted of all twenty-one listed consumer goods corporations as of 2022. The sample size was determined to be twenty (20). The research used descriptive statistics to analyze the research questions. The hypotheses were evaluated by multiple regression analysis. The analysis indicates a substantial link between capital allowance and earnings per share. The analysis indicates a substantial association among investment allowance, tax break, and earnings per share. The number of businesses included in the research exceeds the duration of the investigation, and the model specification indicates endogeneity. Therefore, the generalized method of moments (GMM) would have been better suitable for data analysis.

Nmehielle (2022) conducted research on the financial performance of publicly listed consumer products companies in Nigeria and the practices of tax incentives. The research explicitly examines the relationship between return on assets and periodic allowances. The Nigeria Exchange Ltd (NGX) fact book contains annual reports of consumer products companies that were listed from 2011 to 2020. This data was obtained as secondary data. Five publicly listed consumer products companies were identified through convenience sampling. Pearson's product-moment partial correlation and regression analysis were implemented to evaluate the data in the investigation. The research indicates a significant positive correlation between the annual allowance and the return on assets of publicly listed consumer products companies in Nigeria. Nevertheless, the research did not employ the appropriate methodology for data analysis, as the generalized method of moments is the correct approach for time series data analysis.

Methodology

This section presents the research methodology employed for this study. This paper used an ex post facto research design. The research approach was deemed suitable for this study since it focusses on establishing the link between tax incentive practices and financial accomplishment. The paper gathered secondary data from the annual reports of selected consumer products corporations, accessible on the Nigeria Exchange Limited website, covering the period from 2015 to 2024. The pertinent data include tax information and financial performance metrics. The financial performance data was restricted to return on assets information.

The study's population consists of all consumer products manufacturing enterprises in Nigeria as of June 15, 2024, sourced from the Nigeria Stock Exchange Limited website. Data indicates that there are twenty (20) registered consumer products manufacturing companies in Nigeria. Data was obtained from the financial statements of the registered consumer products manufacturing companies in Nigeria and publications of the Federal Inland Revenue Service (FIRS).

The sample size was derived from the whole population based on the criterion that the enterprises must be listed on the Nigerian Exchange Group as of June 2024. Secondly, the businesses must have been listed for the last 10 years, and third, they must have accessible data for the previous decade published on the Nigeria Exchange Group's website. This criterion establishes the sampling strategy for this research as purposive sampling, whereby the sample size is dictated by the specified objectives. The variables used include return on assets and tax exemption. In the research, return on assets is the dependent variable, calculated as gross profit divided by total assets, while the independent variable encompasses tax exemption. Tax exemption was assessed based on the amount omitted from the tax base. The firm's size is included into the model as a moderating variable. This measurement aligns with the empirical studies conducted by Tuduse et al. (2022), Tsegbe et al. (2021), and Myles et al. (2014). The paper modifies the model somewhat to include the primary variable of interest, consistent with the research of Tuduse et al. (2022), Tsegbe et al. (2021), and Myles et al. (2014).

$$ROA_{it} = \beta_0 + \beta_1 TEX_{it} + \beta_2 FSZ_{it} + \mu_{it} \dots \dots \dots 3.1$$

Where: ROA = Return on Asset, TEX = Tax Exempt, β_0 = Constant, β_1 - β_2 = Coefficient of the estimated parameters., i = Number of firms t = Study period, and μ = Error term.

The paper used both descriptive and inferential methods for analysis. Summary statistics, such as the mean, median, standard deviation, skewness, and kurtosis, may provide valuable information. The inferential test statistics used in the research include the Panel Autoregressive Distributed Lag (PARDL) model using Mean Group (MG), Pool Mean Group (PMG), and Dynamic Fixed Effects (DFE) to estimate parameter coefficients. In a similar manner, a multicollinearity test, cross-dependency test, and panel unit root test were conducted to assess the non-stationarity of the panel dataset as a first step, followed by the Hausman test to choose the suitable model for the research. The rationale for using PARDL

lies in its ability to accommodate both small and big sample sizes, since this research encompasses a decade from 2015 to 2024, making it suitable for the PARD estimator.

Results and Discussion of Findings

a. Results

The descriptive statistics analysis results are presented in the first portion, while the inferential statistics analysis results are discussed in the second segment.

b. Results of the Descriptive Statistics Analysis

The descriptive statistical study elucidates the effects of tax exemption on the financial performance of consumer products manufacturing enterprises in Nigeria. The findings are shown in Table 4.1.

Table 4.1: Summary Statistic of the Variables

Variables	Mean	Std. Dev.	Skewness	Kurtosis	J. Bera	Prob.	Obs.
ROA	0.0334	0.1753	-3.1802	19.341	896.91	0.0000	70
LTEX	5.6500	0.8272	-0.1960	2.2666	2.0172	0.3647	70
FSZ	18.327	1.2997	-2.4035	15.106	494.86	0.0000	70

Source: Author's Computation from EViews Version 10.

Table 4.1 displays the descriptive statistics of the variables included in assessing the influence of tax incentives on the financial performance of consumer products manufacturing enterprises in Nigeria over the research period. The financial performance indicator Return on Assets shows mean values, Specifically, the mean ROA (0.0334) indicates that firms, on average, earn approximately 3.3% on their total assets, reflecting relative efficiency in asset utilization.

For tax incentive variable, The Tax-exempt mean of 5.6500 with a normal skewness (-0.1960) and kurtosis (2.2666) indicates a fairly stable distribution, suggesting consistent application among the sampled firms. Firm Size shows a high average value (18.327), indicating that most sampled firms are large entities capable of benefiting substantially from tax incentives due to economies of scale.

The high skewness and kurtosis values for ROA reveals that the data for financial performance indicators are not normally distributed, and this indicates differences in the level of performance. Some perform exceptionally well and others perform poorly. The Jarque-Bera probability value for tax exempt is less than 0.05, confirming non-normality, which is typical in firm-level financial data.

c. Results of the Inferential Statistic Analysis

The research employs inferential statistics including multicollinearity tests, cross-sectional dependency tests, unit root tests, cointegration tests, and PARDL using Pool Mean Group (PMG) and Mean Group (MG) methodologies.

Table 4.2: Correlation Coefficients of the Variables used for the Estimation

Variables	ROA	LCAL	LTEX	FSZ
ROA	1.000			
LTEX	-0.1405	-0.0813	1.0000	
FSZ	0.0212	-0.0343	0.2946	1.0000

Source: Author's Computation SATAT 20

Table 4.2 displays the multicollinearity findings using a correlation matrix on the influence of tax exemption on the financial performance of consumer products manufacturing enterprises in Nigeria. The correlation analysis results indicate an absence of multicollinearity among the parameters, as shown by the non-significant p-values for all variables. These moderate but non-excessive values indicate a low risk of multicollinearity among the explanatory variables. This means that each tax incentive measure (tax credits, capital allowances, and tax exemptions) captures distinct dimensions of fiscal policy without overlapping effects that could distort the regression analysis.

Table 4.3: Results of the Cross-Section Dependence Test

Test	Statistic	Prob.
Breusch-Pagan LM	26.653	0.1826
Pesaran scaled LM	0.8723	0.3830
Pesaran CD	0.9222	0.3564
<i>Tax Incentives and Financial Performance of Consumer Goods Manufacturing Firms (ROE)</i>		
Breusch-Pagan LM	19.849	0.3267
Pesaran scaled LM	7.5376	0.4519
Pesaran CD	0.0470	0.9625

Source: Author's Computation STATA 20

Table 4.3 displays the results of the cross-sectional dependency tests for the three financial performance models: Return on Assets (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE) concerning tax incentives inside consumer products manufacturing enterprises in Nigeria. The Breusch-Pagan LM, Pesaran scaled LM, and Pesaran CD statistics demonstrate probability values beyond 0.05 in all models (ROA: 0.1826–0.3830–0.3564), suggesting that the null hypothesis of cross-sectional independence remains unrefuted. Consequently, authenticate the application of PARDL using pooled mean group and mean group estimators.

Table 4.4: Panel Unit Root Tests

Variables	Levin, Lin and Chu Test		Im, Pesaran and Shin Test	
	Level	First Diff.	Level	First Diff.
ROA	-3.78687	-8.70418***	0.20775	-1.33154
LTEX	-107.960***	-854.292	-70.8335***	-125.081
FSZ	-4.08087***	-13.8318	0.20084	-2.71011***

Note: *** and **significant at 1% and 5% respectively.

Source: Computed by the author using EViews version 10.

Table 4.4 illustrates the results of the Panel Unit Root Tests conducted using the Levin, Lin & Chu (LLC) and Im, Pesaran & Shin (IPS) methodologies to evaluate the stationarity of the variables used in the evaluation of the impact of tax exemption on the financial performance of consumer goods manufacturing firms in Nigeria. The aim of this test is to confirm the temporal stability of the variables and their suitability for regression analysis, thereby preventing spurious correlations. As a result, the integration of variables of order zero and one, I (0) and I (1), is confirmed by the combination of level and first-difference stationarity. This suggests that the regression findings are not distorted by non-stationarity.

Table 4.5: Pedroni Panel Cointegration Test

<i>Tax Incentives and Financial Performance of Consumer Goods Manufacturing Firms (ROA)</i>		
Test	Statistics	P-value
<i>Within-Dimension</i>		
Panel v-Statistic	-3.4900	0.9998
Panel rho-Statistic	2.7372	0.9969
Panel PP-Statistic	-16.717	0.0000
Panel ADF-Statistic	-2.3772	0.0087
<i>Between-Dimension</i>		
Group rho-Statistic	3.8293	0.9999
Group PP-Statistic	-16.261	0.0000
Group ADF-Statistic	-4.4160	0.0000

Table 4.5 illustrates the results of the Pedroni Panel Cointegration Test, which was implemented to determine the existence of a long-term equilibrium relationship between the financial performance of consumer goods manufacturing firms in Nigeria and tax incentives (Capital Allowance and Tax Exemption), as indicated by Return on Assets (ROA). The Pedroni test provides data for both within-dimension (panel statistics) and between-dimension (group statistics), thereby facilitating a thorough evaluation of cointegration among cross-sections. The results of the ROA model suggest that both within-dimension and between-dimension data offer evidence of cointegration. The Group PP-statistic, Group ADF-statistic, Panel PP-statistic, and Panel ADF-statistic are all statistically significant at the 1% level. This implies that

the tested companies exhibit a long-term equilibrium connection between corporate profitability and tax exemption, as assessed by ROA.

Table 4.6: Results of the Panel ARDL

Short Run				
Dependent Variable: ROA				
	Pool Mean Group (PMG)		Mean Group (MG)	
Ind. Varbl.	Coefficient	P-value	Coefficient	P-value
D(LTEX)	0.0024	0.1271	0.0035	0.004
D(FSZ)	0.2952	0.4235	0.7872	0.151
ECM	-0.0444	0.0000	-0.0941	0.004
Long Run				
LTEX	0.0594	0.0012	0.1273	0.086
zFSZ	0.5137	0.3856	-6.0287	0.618
Hausman Test = 7.53 (0.1103)				

Source: Author's Computation, STATA 17, Note: (***), (**), (*) significant at 1%, 5% and 10%

The panel ARDL's results are presented in Table 4.6, which evaluates the impact of tax incentives on Return on Assets using the Pool Mean Group (PMG) and mean group (MG). Nevertheless, the Hausman test was implemented to determine the superiority of the two estimators (MG and PMG). The Hausmann test results indicated that the pool Mean Group is the most suitable model for this investigation. This is due to the fact that the coefficient P-Value is not statistically significant. Consequently, the alternative hypothesis is denied and the null hypothesis is accepted.

Table 4.7: Results of the Adopted Model (Return on Asset)

Dependent variable: Financial performance measured by Return on Asset				
Short run Results				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECM (-1)	-0.0444	0.0070	-6.3670	0.0000***
D(LTEX)	0.0024	0.0016	1.5294	0.1271
D(FSZ)	0.2952	0.3685	0.8013	0.4235
Long run Results				
LTEX	0.0594	0.0182	3.2608	0.0012***
FSZ	0.5137	0.5913	0.8687	0.3856

Source: Authors' Computation from EViews Version 10.

The results of the Mean Group (MGE) and Pooled Mean Group (PMGE) estimators are summarized in Table 4.7. The Hausman test is implemented in order to determine the most appropriate estimator. The MGE is considered more appropriate if the probability value associated with the chi-square statistic of the Hausman test is less than 0.05 (5%), according to the decision formula. Otherwise, the PMGE is preferred. The probability value of 0.1103, which surpasses the 0.05 threshold, is indicated by the Hausman test results in Table 4.6. This result implies that the PMGE is the more efficient, consistent, and appropriate estimator. As a consequence, the results of this investigation are exclusively interpreted using the Pooled Mean Group regression. The short-run estimates presented in Table 4.7 reveal that the error correction term (ECM) is negative and statistically significant at the 1% level, with a coefficient of -0.0444 . This confirms the existence of a stable long-run equilibrium relationship between tax incentives and financial performance, as measured by Return on Assets. The degree of the ECM suggests that approximately 4.4% of any short-run disequilibrium is corrected in each period, thereby validating the appropriateness of the cointegration framework adopted in the study. In contrast, the short-run coefficients of tax credit, capital allowances, tax exemptions, and firm size are statistically insignificant, indicating that these variables do not exert immediate effects on the financial performance of consumer goods manufacturing firms in Nigeria. This implies that the benefits of tax incentives may not translate into short-term improvements in profitability but rather manifest over a longer horizon.

The long-term results offer more substantive insights into the relationship between firm performance and tax incentives. Tax exemptions exhibit a highly significant and positive effect (0.0594 , $p = 0.0012$), indicating that they are essential for improving the long-term financial performance of consumer goods firms. This discovery underscores the significance of tax exemptions as a policy instrument for enhancing the competitiveness and profitability of the Nigerian manufacturing sector.

Discussion of Findings

The results of this investigation are described in this section. It comprises the findings of the investigation and those from affiliated investigations. According to the investigation, the exemption of consumer goods manufacturing companies from taxation substantially improves their financial performance in Nigeria. Table 4.6, Table 4.7, and Table 4.9 illustrate these discoveries, respectively. Tsegbe et al (2019) and Afo et al (2025) have demonstrated that tax exemptions have a considerable positive effect on the financial performance of consumer products manufacturing firms in Nigeria. This result is consistent with their findings.

Conclusion and Recommendation

The study concludes that tax exempt is efficiently administered and been utilized by the firms. Based on the above conclusion, the paper recommends as follows:

The Federal Government through Nigeria Revenue Service (NRS) should leverage tax exemptions as a strategic instrument for stimulating profitability and shareholder value. This is achieved by making a condition that tax exempt proceeds be re-invested back into business and period of tax exemptions should be reduced to a reasonable period nonrenewable to avoid tax erosion. The improvement of profitability will mean direct increase in tax revenue for the government as more profit would be subjected to taxation.

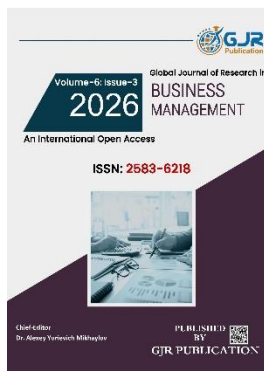
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