Agricultural Tax Incentives and Economic Growth in Sub Sahara Africa: A Study of Nigeria Economy (2015 – 2024)

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Introduction

Before the Nigerian Independence in 1960 and the oil boom that followed, the economy was basically dependent on Agriculture, employing a greater percentage of the population's workforce and contributing the greatest share of national GDP (NEEDS 2004). But from the late 1970s, when oil became prominent there was a paradigm shift from Agricultural sector to oil sub sector. Sequel to this, the economy was open to the international communities and so much importation discouraged agricultural production in a grander measure. In the early 1980s, there was a dwindling revenue from the global oil market which adversely affected oil prices, making it difficult for the government to fully finance its fiscal obligations and as a result of this, some economic measures were undertaken to bring the economy back to a sustainable economic track. One of such popular economic measures is the tax reforms, so as to overcome the low output of goods and services, rising price of goods and high unemployment. The essence of tax incentives is to reduce the cost of production and stimulate output growth leading to the demand for domestic resources – (labour and raw materials). Agricultural Tax incentive can be defined as a deduction, exclusion or exemption from tax liability that is offered as an enticement to agricultural business investors so as to encourage investment in production of sustainable food, job creation and production of raw material for cottage industries.

Methodology

The study adopted Ex Post Facto Research Design and time-series data was used. The importance of expo facto research is that its realistic approach to solving business and social science problems which involves gathering records of past events, analyzing the records and using the outcomes of the analysis to predict future event (Agbadudu, 2002). Relevant secondary data for this study were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistics (NBS) and the Federal Inland Revenue Service (FIRS) between 2015 and 2024. The study shows that government tax incentive policy on agricultural businesses is positively and significantly related to gross domestic products (GDP); and that there is degree of co-variability between capital allowance and gross domestic product in Nigeria.

Results and discussion

The result of this study reveals the effect of agricultural tax incentives on investment growth in agricultural business based on analysis with Nigerian data. Capital allowance, interest rate and exchange rate satisfied the a priori sign while investment allowance and inflation did not satisfy the a priori sign. The value of the Coefficient of Determination is 0.93 approximately, showing that the independent variables included in the model explained 93% of the changes in the investment growth of Nigeria within the study period. The explanatory power of the independent variables is high. The above result showed the relationship between tax incentive and investment growth which translate to improved economic growth in Nigeria as measured by GDP. Company income tax allowance appeared with the correct sign while investment allowance did not. Interestingly, both variables, company income tax and investment allowance are statistically significant. Alan and Peter (2004), in particular, contend that incentives will lead to business investment and thus new jobs.

Conclusion

This study examined the impact of fiscal policy on agricultural tax incentives on economic growth in Nigeria from 2015 to 2024. From the nominal point of view, impact of tax incentives on agricultural business and growth in GDP is on the rise and government spending on agriculture is on the increase while empirical evidence revealed inadequate performance of the sector. It is in line with this argument that this study was carried out in order to investigate the extent to which tax incentives on agriculture business has brought so many fortunes to the Nigeria economy in terms of provision of job opportunities, sustainable food, production of more raw material for cottage industries which has influenced agricultural output in Nigeria. Subsequently, future fiscal policies on agricultural development should be streamlined and implemented coherently. Other specific recommendations are: Government customs and excise duties on agricultural exports should be stream-lined and more incentives should be given to rural farmers since they covered the larger population in agricultural sector; government should increase her budgetary allocation to the agricultural sector in a consistent manner because of its importance to the national economy, hoping that with proper monitoring of fund, it would contribute more significantly to the economy of the country; Government agencies saddled with tax administration should ensure strict compliance with tax incentive policies and fiscal reforms from time to time

especially as it affects agriculture and Creation of enabling environment for agricultural business frontier through encouragement of local consumption of raw material and restful political climate.
Keywords: Tax Reforms, Gross Domestic Product (GDP), Economic Growth, Tax Incentives, Agriculture