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Company Income Tax and Investment Decisions: A Behavioural Approach

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Abstract: *This study examined the effect of Company Income Tax [CIT] on investment decisions of companies liable under the CIT Act in Nigeria. Questionnaire was designed to collect data from 180 companies in the South West Zone. Findings revealed that CIT has influence on the rate of return on investment, and investment evaluation criteria. Tax incentives motivate investment and on the overall, tax was considered to be very important when compared with other factors affecting investment decisions. Part of the recommendations was that tax policy should aim at fostering economic growth: investment in new capital encourages implementation of new production techniques and introduction of new products.*
Key words: *Behavioural Approach,,Company Income Tax, Investment Decisions Tax incentives, Tax policy.*

I. Introduction

In the investment decision making process of a firm, one cannot neglect government tax policy. Investment policy includes other aspects such as public expenditure, and the existing judicial framework imposed through the decision of public authorities as crystallized by fiscal legislation in force at a given time. According to Martin [2009:137], the changes of economic environment have added a greater relevance for tax policy in the decision making process of the enterprise. Government economic policy can be achieved majorly through tax policy. Tax incentives are instrument for effective domestic investments and Foreign Direct Investment [FDI]. Such incentives should be carefully planned so that fiscal incentives would not entail the risk of distortionary effects. Firms may take advantage of tax avoidance [strategies or professional tax plan to exploit loop holes in both tax laws and tax administration to reduce tax liability] and tax evasion [an illegal act of intentionally reducing accrued taxes or completely skipping the payment of such taxes by under – reporting income, overstating expenditures, deductions or exceptions] and there may be "equity and fairness" war among possible firms within the investment incentive paradox. There are well documented differences in the taxation of capital assets [King and Fullerton, 1984; Mackie, 2002]. There had been efforts by policy makers to impose more uniform corporate tax policies, economic policy target had been over – riding. Capital consists of many types of equipment and structure. An investment by agro – based industry in capital machinery with little or no tax in Nigeria or with high rate of capital allowance, is a differential from some other industries procuring the same capital machinery but with high tax attraction, zero tax credit and low capital allowance rate because these are investment outside the feasible targeted tax incentives schemes. Only a reduction in the statutory corporation rate[presently at 30 percent], can apply uniformly to all investment types. Even with this relief, some priority industries enjoy tax holidays. Therefore the overall effect of tax incentives is asset specific, depending on the characteristics of the physical asset and also to a lesser extent, the industry in which the asset is placed [Shah, 2005].

This study is focused on the effect of CIT on corporate investment decisions. The universal set of the study population will be drawn from companies paying company income tax. This study registers a clue from previous studies on this discourse.

It seems empirically arguable that CIT on investment is more pronounced with significant impact. The CIT may affect investments to t he extent that the expected returns will be less than the cost of capital [Chennels; 1996:4771;Shreiber, Spengerand & Lammersen, 2002:4]. In the study of Martin [2009:136,142] on EU tax policy, he stated that "The most important factor which can influence the enterprise investment decisions….. a tax policy"and that"the method of calculating profit tax…. as the European Union has a great impact on investment decisions." About the same time was the study of Djankov, Ganser, Mcliesh, Ramalho and Shleifer[2009] that conducted an enquiry for 85 countries and established a significant negative impact of the effect of profit tax rates on investments and entrepreneurial activities. In his report, Kotlikoff [2011] confirms how corporate income tax dissatisfaction has encouraged U.S companies to invest overseas and also discourages foreigner to invest in the United States. Recently also, Ahiabor and Amoah [2013:62] reported that corporate tax exerts significant and negative long run influence on gross fixed capital formation in Ghana". Granting tax incentives will stimulate investment.

1.1 Statement of the Problem

The importance of Small and Medium Scale Enterprises SMEs] cannot be over – emphasized in dynamically synergizing things fallen apart in the economy of the country. Excessive CIT rate would discourage investment which is the pivot of growth in small and medium scale enterprise. Overcoming the major investment decision challenges is one of the problems. High tax rate had been inhibiting investment growth in SMEs, and in turn inhibit the complementary role of SMEs in feeding the larger industries and reducing the outrageous rate of unemployment in Nigeria. This study therefore wishes to investigate the effects of CIT on investment decisions of SMEs in Nigeria.

1.2 Objectives of the Study

The study is designed to evaluate the effect of CIT on investment decisions in SMEs. Specially, the study aims at:

1.2.1 Finding out the effect of CIT on the rate of return, the appropriate rate accepted and the investment decision criteria

1.2.2 Tax relevance in investment decision, and its importance, taking other factors into consideration

II. Review of Related Literature

The term investment can have more than one meaning In economics it is the purchase of a physical asset such as a firm's acquisition of a plant, equipment or inventory or individual's purchase of a new home. To the lay person, the word denotes buying stock or bonds [or maybe even a house], but it probably does not mean purchasing a plant, equipment, or inventory. Mayo [2000] explains investment as the purchase of an asset for the purpose of storing value [and hopefully increasing that value of time], if in the aggregate there is only a transfer of ownership from one seller to the other. Investment is a necessity for the development of a nation,Ahiabor and Amoah[2013] quoting Hommats [2010], ,continued that "in alluding to how necessary investment is, indicated that investment drives development".

Investment, apart from assisting in producing needs for man's survival, can also be used as a tool for transmitting technical change and product innovation [Ahiabor and Amoah,:2013:57]. They confirmed that it is equally important for policy makers in developing countries to be able to assess how investment responds to changes in government policy, not only in designing long – term strategies but also in implementing short term stabilization programmes.

2.1 Investment Decisions

Investment decision is a determination made by directors and/or management as to how, when, where and how much capital will be spent on investment opportunities. The decision often follows research to determine costs and return for each option. Investment decision making is an important part of strategic decision making in every enterprise because new investment projects essentially, affect future economic results and the enterprise's prosperity. According to Pandey[2003:6], investment decision or capital budgeting, involves the decision of allocation of capital or commitment of fund to long – term assets that would yield benefits in the future.

2.2 Tax and Investment Decisions

The cost of capital is the required rate of return that an investment project must earn, at least, for the project to break even and to be accepted by the firm. The cost of capital depends upon two components: the cost of finance for the project or economic depreciation [Chennels 1996:4771]. The tax system may affect the cost of capital in several ways: it may lower the rate of return of the project; change the cost of different forms of finance and change the cost of different forms of investment. In most countries, capital allowance, a type of tax incentive, is used in lieu of depreciation [wear and tear due to economic usage of assets]. The company income tax is applied on taxable returns. In investment, capital allowance is an allowable tax deduction. For each return on investment the tax effect is:

$T_i = t_i [r_i - k_i]$ where

T_i = the incremental tax payment for each year

t_i = the company income tax rate

r_i =is the incremental returns on investment an

k_i= the capital allowance

Automatically, the amount T_i has reduced the profitability of the project to the extent of t_i. If t_i is substantial, investment may be discouraged because the net present value [NPV] of the investment may be negative. The NPV is the discounted cash flow during asset/investment useful life. For an investment project to

be worth carrying out, it must be expected to earn a rate of return which is at least as high as the cost of capital. As Channels[1996:4771] argued it, the cost of capital is the cost of finance plus the cost of economic depreciation, i.e.p+d–g; where p is cost of finance and d – g is the rate of economic depreciation. The expected gross rate of return, R will be viable if and only if R≥ p+d–g. The significance of tax as a determining factor in investment decision may depend on government financial economic policy. Government may want to use the CIT as a policy tool, in order to encourage some firms and discouraged others.
From the ongoing discourse, it is clear that the mechanics of the tax system would be very important.

Excessive tax rate implication in the U.S., according to Kotlikoff[2011], encourages U.S. companies to invest overseas, and discourages foreigners from investing on the United States. In his conclusion, Kotlikoff summarized that the tax system is regressive and that if the United States cut its corporate income tax rate dramatically, the country would likely experience a huge rise in net domestic investment. The study recommended the elimination of corporate income tax in the country. Tax system/policy has been underscored as a factor to be reckoned with on investment decisions in the studies of Chennels [1996] and Kotlikoff [2011]. The significance of corporation tax has equally been empirically validated by the findings of Ahiabor and Amoah [2013:62] concluding that: "The policy implication is revealed in the evidence that corporation tax exert significant and negative long term influence on Gross Fixed Capital Formation. This shows that measures that seek to stimulate investment in Ghana would have to be accompanied by measures aimed at reducing corporation tax on Ghana to the degree that will trigger more private investments."

There is a large body of literature investigating the effect of taxes on company investment and though most of the results agree that taxes do influence investment decision the size and permanence of these effects are still in dispute.

2.3 The Company Income Tax

Companies Income Tax [CIT] is chargeable on the income of all companies operating in the country except those specifically EXEMPTED under the Act. There is a clear distinction between Nigerian and non – Nigerian companies. A Nigerian company is that company incorporated under the Companies and Allied Matters Act, 1990, [as amended]. The total profit of such companies are assessable to Nigerian tax irrespective of whether or not all the profits have been derived from, brought into, or received in Nigeria. The CIT was introduced in 1961. The original law [Company Income Tax] has been amended many times and is currently codified as the Company Income Tax. Act 1990[CITA] [Odusola: 2006]. The Federal Inland Revenue Services [FIRS] is empowered to administer the tax and is responsible to the Federal Board of Inland Revenue[FBIR]. The amendments were clearly demonstrated by Odusola[2006] on such areas as: excess profit tax elimination in 1991, capital transfer tax scrapped in 1996. The CIT rate which was 45percent up till 1986 fell down to 40 percent between 1987 and 1991 and further subsided to 35 percent between 1992 and 1995. From 1996, the CIT rate of 30 percent was charged to date.

Odusola [2006] also explains the 20 percent tax concession for companies that engaged in agricultural production or mining of solid minerals with a maximum turnover of ₦0.5 million and those on manufacturing or the export promotion sector with a turnover not exceeding ₦1.0million. This concession is limited to the first five years of operations. The rates on capital allowance have been reduced continually to reflect the economic reality of the country. The CIT is chargeable on:

2.3.1 The global profit of Nigerian companies irrespective of whether or not they are brought into or received in Nigeria. Dividend income to a Nigerian company is treated as franked investment income on which no income tax is deducted

2.3.2 The portion of the profits of non – Nigerian companies derived from such companies' operations in Nigeria

2.3.3 Dividends, interests or royalties due to non – Nigeria companies which are assessed at 10 percent [withholding] tax rate on gross amount due and only the net is payable to the respective companies.

The CIT is too edged, depending on being an enemy or a friend. Any government CIT policy which increases the rate and reduce tax and investment incentives would drastically reduce investment. On the other hand tax incentives incite investments growth rate. Apart from the CIT, other taxes such as value added tax, property tax royalty payments, import tariffs affect investment. Tax incentives include tax holidays, grants, capital allowance acceleration, enhanced deductions, and special investment allowance among others.

2.4 Factors Affecting Investment Decisions

Investment decisions could be affected by both endogenous and exogenous factors. Each of these factors can also be classified as qualitative and quantitative. These factors are co – integrated with CIT. The CIT is the major variable and others are controlled variables.

2.4.1. Qualitative and endogenous factors include the organization climate. A good organizational climate breeds investment unlike those which are chaotic and administratively partisan and polarized. Management attitude to risk is germane. A risk seeking manager would invest while risk averse would maggot investment. Political affiliation is an important issue. A favourable political tenure would guarantee the enterprise and place it at an advantage.

2.4.2. Quantitative and endogenous factors range from growth, profitability and reserve to dividend payout ratio and the age of the enterprise. Increase in income has been applauded to be more important in investment decisions than even interest rate. The accelerator theory suggests that investment varies with the rate of change in income. At national level, the aggregate of these incomes is the Gross Domestic Product [GDP]. Increase in dividend payment is inversely related to investment. Therefore increase in dividend payout ratio reduces investment. The age of the enterprise is a determinant in some cases. A stable long standing enterprise is deemed to be able to absorb financial shock and weather unfavorable financial climate including some liquidity pot – holes.

2.4.3. Qualitative and exogenous factors are highly affecting investment. They are unpleasant to investment if any of the factors are negative. Political stability encourages investment while instability discourages it and even destroys existing fixed investment. The Boko Haram issue is nothing but political instability in Nigeria. This singular factor has caused a drop in our Foreign Direct Investment [FDI] of $8.8B in 2011 to $7B in 2012 [Duru, 2013]. The insurgence of these Islamic sects in the northern part of Nigeria has crippled the economy of the affected states in the bud. Symptoms of political instability are uncontrollable security threats internal and external; occurring in a frequency capable of causing national horror. A democratic discontinuity is the heat of political instability resulting in war which is one of the many dividends of the phenomena. Another factor is technological advancement, especially advanced manufacturing technology. The effect of technology is felt on fixed assets being replaced as a result of obsolescence rather than physical wear and tear.

2.4.4. The other factor is a bundle of quantitative and exogenous. Among these are the statuses of national economy and change in government macro – economic policies. The macro – economic lieutenants to be affected are the inflation rate, interest rate and the exchange rate. They are all inversely related to investment growth. The higher these rates the lesser the level of investments.

2.5 Small and Medium Scale Enterprises

The classification criteria of Small and Medium Enterprises [SME] has been subjected to various sectors of the economy coinage. At international level, classification differs from one country to another. In Nigeria the various parameter for differentiating small from medium enterprises according to Izedonmi[2008:45] includes:

1 The number of employees
2 The volume of sales or turn over
3 The volume of deposits if it is bank
4 The amount of insurance cover if it is an insurance business and
5 The value of assets

Various sectors of the economy in Nigeria have attempted to classified SMEs as in table i below. Such sectors include the Federal Ministry of Industry [FMI], the CBN, the National Economic Recovery Fund [NERFUND] and others.

More than one criterion had been used in classifying the companies sampled under this study into small and medium companies. While small scale companies are easily identified, criteria overlap on the identification between medium and large scale companies. Whatever the case may be, medium scale or large scale dichotomy is absolute rather than relative.

Table 1. Summary of the Definitions of SMEs by Various Institutions

Institution	**Asset value**	**[NM]**	**Annual T/Over**	[NM]	**No of Emp.**	Total
FMI	MSE SSE	<200 <50	MSE SSE	- -	MSE SSE	<300 <100
Central Bank	MSE SSE	<150 <1	MSE SSE	<150 <1	MSE SSE	- -
NERFUND	SSE	<10	SSE	-	SSSE	-
NASSI	SSE	<40	SSE	<40	SSE	-
NASME	MSE SSE	<150 <50	MSE SSE	<500 <100	MSE SSE	<100 <50

Source: World Bank, SME Country Mapping 2001 Cited in Izedonine[2008:46]

2.6 Research Questions

This study was designed to answer the following questions so as to achieve the objectives of the study.

2.6.1 How is the rate of return on investment calculated? Is it before or after tax?
2.6.2 What are the criteria used in evaluating investment decision in the company?
2.6.3 Which rate of return on investment is most appropriate for the company?
2.6.4 If a investment is viable because of tax incentives, would the company accept?
2.6.5 what are the major determination of investment in the company?
2.6.6 Would fixed investment have been less if there had been no tax incentives?
2.6.7 Would you consider taxation more important compared with other factors as far as investment is concerned?
2.6.8 If corporation tax were reduced by, say 10 percent, how would the company use the surplus?

III. Methodology

3.1 Research Design

The research design is descriptive survey design. Opinions were analysed to evaluate the effect of one factor on another. In this study, the dependent variable is company investment growth while the independent variable is change in CIT. Descriptive statistic was used to evaluate research questions.

3.2 Population

The study population is the universal set of all the small scale and medium scale enterprises in the south west zone. A small enterprise is a member of the universal if capital employed is less than ₦10M while a medium scale member of the universe has a capital employed between ₦10M to ₦30M be it merchandizing, manufacturing or service.

3.3 Sample and Sampling Techniques

The sample of the study consists of 180 out of the companies that cooperated in completing the questionnaires and were retrieved from them. Also only 180 were usable out of the questionnaires distributed. The companies were randomly sampled at the distribution of questionnaire but one could not guarantee a balance in the type of business and the location. All the companies were limited liability companies subject to CIT Act..The criteria for small and medium scale classification used are in table i above.

3.4 Instrument

A self-structured and validated questionnaire was used to collect data from respondents. There are two sections to the questionnaire. Section A requests the socio – demography characteristics of the respondents and the enterprise. Such characteristics include the type of company – manufacturing, merchandizing or service, location- whether in Ekiti/Ondo, Lagos, Ogun, Osun or Oyo states,the turnover and enterprise capital employed,respondents experience and status in the organization etc.

Section B contains eight research questions eliciting the effects of CIT on enterprise investment decisions.

3.5 Subjects

The subjects were either the manager, financial analysis/director or the company accountant. Out of the 180 respondents, managers were 83[46.10%], financial analysts/directors 21[11.70%] and the accountants were 71[39.40%]. Others were 5[2.80%] who were senior staff in the enterprise but not any of the study targeted respondents.

3.6 Administration of Questionnaires

The questionnaires were administered with the help of Higher National Diploma II accountancy students in Rufus Giwa Polytechnic, Owo Ondo State. Out of the 400 questionnaires distributed, 300 were returned but only 180 copies were usable.The questionnaires were administered to the six states reffered to as South West Zone in Nigeria. There were 27[15%] from Ekiti/Ondo States, 77[42.7%] from Lagos State, 32[17.8%] from Ogun State, 18[10%] from Osun State and 26[14.40%] from Oyo State.

IV. Presentation and Analysis of Data

The data collected for this study were statistically analyzed and presented under this section. Frequencies and percentages were used to evaluate the research questions for the study. Each table contains information on the responses to the research questions. Refer to the respective tables in the appendix.

TABLE 1a and 1b contain classification of the companies according to location and type of company and according to location and size of company respectively.

TABLE 1a shows that 76[42.22%], 70[38.88%] and 34[18.89%] of the companies are manufacturing, commercial [merchandizing] or service [banking] respectively.

In TABLE 1b, 91[50.56%] and 89[49.44%] are small and medium scale enterprises respectively.

4.1 Research Question 1

How is the rate of return on investment calculated, before or after tax?

TABLE 2 shows that 103 out of 180[57.2%] of both the SMES calculate investment rate after tax, representing 52.7% for small industry, and for medium industry, 60.7%. The rate of interest is therefore generally calculated after tax. Tax is therefore a determinant in considering a viable investment.

4.2 Research Question 2

What are the criteria used in evaluating Investment decisions in the company?

TABLE 3 shows that 56.1% of all the companies used discounted cash flow method which normally takes care of time value of money and CIT evaluation on project returns. For small companies it is 58.24% and medium company 53.9%. Generally the companies' investment evaluation criteria are discounted cash flow method that takes care of tax effect on the time value of money.

4.3. Research Question 3

Which of the return on investment rate is most appropriate for the company?

TABLE 4 shows that an investment return rate of 10% to 15% was popular among the companies. About 37.8%5 of all the companies fall within the range of 10% - 15%. For the small companies 41.76% and for the medium companies, 33.71%W opted for 10% - 15%. About 67% and 66% of the small and medium companies respectively are satisfied with a return rate of 15% or less. This decision signals that company's rate is always reduced by the impact of CIT. Hence a reduced rate of 15% or less is generally accepted. The overall responses for small and medium are 66.7 percent.

4.4 Research Question 4

If investment is viable because of tax incentives, would the company accept?

TABLE 5 shows that on the average 53.9% of all the companies responded NO. acloser look at the small companies shows that 65.93% responded YES while 68.54% of medium company responded NO. A small company would accept a project because of tax incentive while a medium company would not.

4.5 Research Question 5

What are the major determinants of investment in the company?

TABLE 6 shows that 55.56% of all the companies accept profitability as the major determinant of investment. For the small company it is 58.24% and for medium company, it is 52.81%. Therefore the major determinant of investment in general is profitability and not tax system.

4.6 Research Question 6

Would fixed investments have been less if there had been no tax incentives?

TABLE 7 shows that 47.78% of all the companies agree that fixed investment would be moderately less if there have been no tax incentives. For small companies, 48.8% support this and 44.9% of medium companies do so. Therefore tax incentives positively affect fixed investment..

4.7 Research Question 7

Would you consider taxation more important compared with other factors as far as investment is concerned?

TABLE 8 shows graduated alternatives from "extremely important" to "very important". If the two alternatives are added together, to settle at "very important" at least, 70.33% of small and 62.92% of medium companies respectively accept that tax is very important compared withother factors. The overall percentage for both small and medium companies is 65.6.

4.8 Research Question 8

If corporation tax were reduced by, say 10 percent, how would the company use the surplus?

TABLE 9 shows that 34.06% of all the small companies would spend a 10% reduction on CIT on current assets, while 55.06% of medium company would invest the surplus on fixed assets. Generally, small companies will spend any surplus on tax reduction on current assets or to reduce liabilities. Medium companies would use the surplus for fixed assets as investment.

4.9 Summary of Findings

1 Both small and medium companies prefer the calculation of interest on investment on after tax returns
2 Both small and medium companies use discounted cash flow method for investment evaluation criteria
3 Both small and medium companies satisfied with a return rate of 15% or less
4 Small company would accept a project because of tax incentives. Medium companies would not
5 Both small and medium companies accept profitability as the major determinant of investment
6 Both small and medium companies support that fixed investment would have been moderately less if there had been no tax incentives
7 Both small and medium companies consider tax as very important compared with other factors in investment decisions
8 Small companies would spend any surplus of reduction in tax rate on current assets or reduce liabilities Medium companies would spend such surplus on fixed assets as investment.

4.10 Discussion of Findings

Each of the research questions had been analysed and a summary presented. For the fact that the calculation of the rate of return on investment is after tax, it is unarguably implied that tax system affects acceptance or rejection of an investment. This same factor was stressed by Channels[1996] that the rate of return, R should be more than or equal to the cost of capital i.e.$\mathbf{R \geq p+d-g}$ where **p** = cost of finance and **d – g** is the rate of economic depreciation. The second finding revealed that discounted cash flow was used by firms. This is to take care of the time value of money in anticipated effect of corporate tax. When tax is in play, most companies would be satisfied with a lower rate of return provided it is not less than the cost of capital. Many financial analysts are in support of this practice. Screiber, Spenger and Lammersen [2002] argued that net present value shows the impact of taxation on the level of ranking of the present values. Likewise Ahiabor and Amoah[2013] submitted that tax rate for income from capital could make investment rate negative so that a project that would have been accepted with lower tax rate would be rejected with tax rate increase. Djachov, Ganser, Meliesh, Ramalho and Shleiferr[2009] established a significant negative impact of the effect of profit tax rates on investments.

Only small companies accept a project because of tax incentives. This support Shah [2005] submission of the impact of Investment Tax Credit [ICT] on qualified buildings or equipment purchased for use. Such investment would generally not have been made without ITC. In their findings, Ohaka and Agudu [2012] established the direct consequence of reduction of corporate tax liability through tax incentives was to promote business performances.

On the other hand medium companies would not accept an investment because of tax incentives. The volatility of tax incentives is exorbitant and pervasive especially on long term projects. Small firms may undertake short term project within which tax policy is stable. For a long term project, tax incentives may lapse midway turning once upon a time viable investment to financial burden.

Profitability was the leading factor determining investment decisions. The more the profit after tax the more the funds available and the more investment provided dividend payout ratio is low. Tax was not considered as influencing as profitability. A very high return on investment would encourage the propensity to invest more.

Tax incentives vary from industry to industry and since this study cut across about three major industrial sectors, there can be varied dispositions on many issues of tax incentives and fixed investments. Both small and medium size companies surrender that tax dis – incentives would reduce fixed investment. This finding gives credence to Martin[2009] who concurred that tax incentives is an instrument for domestic and every foreign direct investment. If tax – incentive is non-existing, gross fixed capital formation at macro-economic level would be less.

The acceptance by both small and medium sized companies that tax is a very important factor in investment decisions compared with some other factor is an addendum to the aforementioned above. Small companies use surplus on tax rate reduction on current assets/reducing current liabilities. The behaviour of the medium firms are different since such savings/surplus as a result of reduction in tax rate was invested in fixed assets. While small companies may battle with liquidity problem, medium companies are expected to demonstrate stability index more than the small companies. Summarily, it could be concluded that CIT rate changes, have important role to play in companies' investment decisions.

V. Conclusion

This study focused on assessing the effect and the importance of company income tax on investment decision of companies. On the average, both small and medium scale enterprises assessment revealed that CIT is a very important factor in investment decisions. Companies were also sharply responsive to changes in tax policy. The study is a behavioural approach which has plausibly exhibited that CIT and it's policy have serious effect on companies investment decisions.

VI. Recommendation

The following recommendation is considered necessary based on the finding from this study:

Government should encourage investment by designing appropriate tax policy which would engineer economic growth and development. It should aim at fostering investment in new capital, encourage implementation of new production techniques and theintroduction of new product

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Appendix

Table 1[a] Classification of Companies According to Location and Type

Type	Lagos	Ogun	Ondo/ekiti	Osun	Oyo	Total	% *
M	22	20	15	12	7	76	42.22
C	36	11	9	4	10	70	38.88
S	19	1	3	2	9	34	18.89
Total	**77**	**32**	**27**	**18**	**26**	**180**	
%	**42.78**	**17.78**	**15**	**10**	**14.44**	**100**	**100**

Table 1[b] Classification of Companies According to Location and Size

Size	Lagos	Ogun	Ondo/ekiti	Osun	Oyo	Total	%
Small	35	11	14	15	16	91	50.56
Medium	42	21	13	3	10	86	49.44
%	**42.78**	**17.78**	**15.0**	**10.0**	**14.44**	**100**	**100**

Table 2 The Rate of Return on Investment, before or after?

	Small		Medium		Total	
	Freq	%	Freq	%	Freq	%
After Tax	48	52.70	54	60.7	103	57.2
Before Tax	41	45.10	35	39.3	76	42.2
No Resp.	1	1.10	-	-	1	5.6
Total	**91**	**100**	**86**	**110**	**180**	**100**

Table 3 Investment Evaluation Criteria Used

	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
DCL	53	58.24	48	53.9	101	56.1
Pay Back	32	35.16	28	31.5	60	33.4
Combined	6	6.60	13	14.6	19	10.6
Total	**91**	**100**	**89**	**100**	**180**	**100**

Table 4The Acceptable Rate of Return on Investment

	Small		Medium		Total	
Return Rate	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
< 10	38	41.76	30	33.71	68	37.8
10 – 15	23	25.27	29	32.58	52	28.9
15 – 20	13	14.29	10	11.24	23	12.8
20 – 25	10	10.99	9	10.11	19	10.6
>25	4	4.40	8	8.99	11	6.1
No Resp.	3	3.30	4	4.50	7	3.9
Total	**91**	**100**	**86**	**110**	**180**	**100**

Table 5 Tax Incentives and Viability of Investment.

	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
No	30	32.97	61	68.54	91	50.55
Yes	60	65.93	22	24.72	82	45.55
No Resp.	1	1.10	6	6.74	1	0.50
Total	**91**	**100**	**89**	**100**	**180**	**100**

Table 6 The Major Determinants of Investment

Options	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Tax System	5	5.49	3	3.37	8	4.44
Sales	11	12.09	1	1.12	12	6.67
Profitability	53	58.54	47	52.81	100	55.56
Cash Flow	18	19.78	25	28.09	43	23.89
Economic Climate	3	3.30	11	12.36	14	7.8
No Resp.	1	1.00	2	2.25	3	1.67
Total	**91**	**100**	**86**	**110**	**180**	**100**

Table 7 Tax Incentives and the Level of Investment

Options	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Seriously Less	20	21.98	15	16.85	35	19.44
Certainly Less	9	9.89	7	7.87	16	8.89
Moderately Less	46	50.55	40	44.94	86	47.78
Little Less	6	6.59	9	10.11	15	8.33
Will have no Effect	10	18.99	18	20.22	28	16.36
No Resp.	3	3.30	4	4.50	7	3.9
Total	**91**	**100**	**86**	**110**	**180**	**100**

Table 8 Comparing Tax with other Factors affecting Investment

Options	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Extremely Important	18	19.78	13	14.61	31	17.2
Very Important	46	50.55	43	48.31	89	49.4
Moderately Important	9	9.89	10	11.24	19	10.56
Little Importance	8	8.79	9	10.11	17	9.44
No Importance	10	10.99	14	15.73	24	13.33
No Resp.	3	3.30	4	4.50	7	3.9
Total	**91**	**100**	**86**	**110**	**180**	**100**

Table 9 How the Surplus from Reduction in Tax Rate would be Used

Options	Small		Medium		Total	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**
Fixed Assets	31	23.08	49	55.06	70	38.89
Current Assets	31	34.06	16	17.98	47	26.11
Reduce Liabilities	29	31.87	20	22.47	49	27.22
Pay Dividend	10	10.99	2	2.22	12	6.67
Others	-	-	2	2.22	2	1.11
Total	**91**	**100**	**86**	**110**	**180**	**100**

***All percentages are approximated to 100 percent.**