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THE IMPACT OF TAX INCENTIVES ON FOREIGN DIRECT INVESTMENT (FDI) AND EXPORT PROMOTION (NIGERIA AND GHANA, 1999-2020)

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Abstract

The aim of the study was to determine the effect of tax incentives on foreign direct investment (FDI) and exports promotion in Nigeria and Ghana from 1999-2020. The study examined the plethora of challenges faced by developing countries which include lack of investment in capital goods and infrastructure. Studies have shown that FDI had necessitated an immense drive to overcome those challenges. The study adopted ex-post facto research design, as secondary data were used for data analysis. The hypotheses were tested using E – view 9 and P-values integrated at 0.05 level of significance. The findings revealed that tax incentives have significant relationship with FDI inflows in Nigeria and Ghana. Also, those FDI inflows have significant effect on export promotion of Nigeria and Ghana. The study recommended that government of Nigeria and Ghana should sustain tax incentive policies in order to attract FDI in export oriented industries and also, the two countries should implement policies and create functional export processing zones and friendly environment to attract more FDI for economic growth of the countries.

Keywords: Tax incentive, Foreign Direct Investment, Export Promotion, Nigeria, Ghana.

Introduction

Virtually countries in the world recognize that Foreign Direct Investment (FDI) can play an important role in social and economic growth and development of a nation. Generally speaking, Foreign Direct Investment (FDI) could be seen as the engine wheel to alleviate the less developed countries (LDCs) from the shackles of poverty, industrialization, and overall general well beings. Even though the FDI flows to the LDCs are generally small in absolute terms, they can nonetheless constitute a significant proportion of the overall capital formation in LDCs countries.

The respective government policies gave priority to the influx of foreign direct investment to their countries, owing to the recognition that they constitute the fountain head of vitality for the diversification of the economy and national development.

Prior to Nigerian independence, the business environment was mainly dominated by the colonial and other European Multinational Firms, such as united trading company (UTC), United African Company (UAC), G.B. Olivant, Unilever Plc, Leventis, Patterson Zechonics (PZ) and so on. These enterprises basically engaged in exporting into Nigeria finished goods from their parent companies abroad. They have vast business experience and strong capital base, and dominated the Nigerian economy. The then government encouraged them to become sustainable by giving incentives like favourable tariffs and tax holiday.

In recent time, the federal government headed by Rtd. General Mohamadu Buhari has demonstrated in practical terms to empower the micro, small and medium enterprises (MSMES) by setting up social investment programmes, micro-finance banks, Anchor borrowers' scheme, market money, traders' money and creating ease of doing business environment.

A myriad of challenges emerging from economic and socio-political issues are faced by developing countries of the world. Nigeria and Ghana are not exception. A plethora of literature has established lack of investment in capital goods and infrastructure as a bane in industrial development of the developing nations. Researchers have asserted that Foreign Direct Investment (FDI) have necessitated an immense drive to achieving a sustainable economic growth and development of nations through international production networks and access to market (export promotion).

Tax incentives provide relief to firms and place them in a merit position thus enhancing their fortune and sustenance in business. Tax incentives tend to attract efficiency prone FDI, motivated by lower cost of production and so on to remain in an investment friendly nation.

Developing countries often suffer from poor design, lack of transparency and complex tax administration and double taxation, hence FDI are demotivated and often de-invest their investment interest.

Malovic (2015) found that macroeconomic indicator such as political stability, state of the banking sector, infrastructure, rule of law, business law, condition of the local capital, market, qualifications of the workforce and social responsibility factors are considered while putting up FDI destination.

Akpomi and Nnadi (2017) considered financial information asymmetries in terms of historical, geographical, political, language are economic agents that operate within various borders. A plethora of research focused on FDI and its effect on economic growth (Insah, 2013; Kabir, 2012; Adrino, 2012).

Studies on determinants of FDI inflows (Kazeem, 2014; Wafuru and Nurudeen, 2010; Ugwu and Okoye, 2018). The study tends to look into tax incentives as it affects FDI and the exports of Nigeria and Ghana.

Objectives of the Study

The aim of the study is to determine the effect of tax incentives on FDI and exports promotion in Nigeria and Ghana.

The specific objectives of the study are to:

i. Ascertain the effect of tax incentives on FDI inflows in Nigeria and Ghana.
ii. Determine the effect of FDI on exports of Nigeria and Ghana.

Research Questions

In line with the above objectives, the following research questions were formulated:

i. To what extent will tax incentives contribute to FDI inflows in Nigeria and Ghana?
ii. To what extent will FDI influence export promotion of Nigeria and Ghana?

Research Hypotheses

i. Tax incentives have no significant relationship with FDI inflows in Nigeria and Ghana.
ii. FDI inflows have no significant effect on export promotion of Nigeria and Ghana.

Scope of the Study

The content scope encompasses the effect of tax incentives on FDI inflows and the impact on exports promotion of Nigeria and Ghana.

The geographical scope encompasses, FDI and export promotion in Nigeria and Ghana from (1999-2020).

Review of Extant Literature

The relevant literature on the impact of tax incentives on FDI inflows and exports promotion is highlighted.

Tax Incentives

Philip (1995) defines tax incentives as a deliberate reduction or total elimination of tax liability granted by government in order to encourage particular economic units to act more productive for the benefit of the country. The reduction in tax liability which a tax incentive constitutes can be realized through reduction in tax rate, reduction in tax based tax deferment or outright tax exemption (Kiabel and Nwikpasi, 2019).

Klemn (2010) asserts that tax incentive is a measure that provide for a more beneficial tax engagement of certain activities compared to what is granted to the general industry.

According to Ugwu (2017) developing countries often use a combination of targeted tax incentives and general incentives which can be present in company income tax law or any other laws. Hence granting tax incentives is not enough to compensate for poor investment climate in Africa where such other factors like political instability, racism, ethnicity, religious intolerance kidnaping and so on are experienced on daily basis.

Tax Incentives, FDI, and Export Promotion

Adebisi and Oluwakyode (2011) see export as the quantities and values of goods and services that move out of a country.

Jayakumar, Kannan and Anbalagan (2014) state that export is a form of foreign trade whereby goods or services undertaken in one country is shipped to another country for monetary exchange which add to the producing nation's Gross National Output (GNP).

Lipsey and Chrystal (2011) contend that export depends on spending decision made by foreign customer or oversea firms that purchase domestic products. Tax incentives to export-oriented enterprises

1. The profits of export-oriented enterprises shall be exempted from tax for three consecutive assessment years provided that:

The undertaking is 100% export oriented.

i. The undertaking is not formed from an existing business.
ii. The undertaking engages in exporting products in the relevant years and this must constitute at least 75% of its turnover for the year.
iii. The plants and equipment are not transferred to the undertaking from other entities where they were used for other purpose.

iv. The enterprise must repatriate at least 75% of the export earnings to Nigeria and places this in the domiciliary account with a bank in Nigeria.

2. Companies engaged in wholly export business with turnover of ₦1m and below in the year of assessment are to pay a low rate of tax of 20% for the first five years
3. Dividends paid by wholly export-oriented business are exempted from tax.
4. Interest earned by banks on loans granted to export enterprise are exempted from tax (Kiabel and Nwikpasi, 2019).

Tax Incentives (Nigeria)

Export processing zone (EPZ) was created for manufacturing to be undertaken under conditions that exempt companies operating within the zone from all federal, state and government taxes, levies and rates. Also importation into an export processing zone shall be duty free.

UNCTAD (2000) revealed regional and sectorial incentives to enterprises in Nigeria, such as accelerated capital allowances and rural investment allowances for regional incentives and tax holiday for pioneer industries, investment tax credit on the cost of plant and machinery plant and machinery imported for use in (EPZ) is subjected to VAT drawback scheme. Duties on imports of goods for export business are allowed as credits under a duty drawback scheme. Research and development are tax deductible and the expenses can also be capitalized.

The above tax incentives and more are highlighted in Nigeria by the following tax acts:

i. Companies Income Tax Act (CITA, 2007)
ii. Petroleum Profit Tax Act (PPTA, 2004)
iii. Capital Gain Tax Act (CGTA, 2004)
iv. Industrial Development (Income Tax Relief) Act, 2004

Tax Incentives (Ghana)

A survey by UNCTAD (2000) on tax incentives and FDI, revealed that Ghana had export incentives and free trade zones. Non-traditional exports which exclude exports on cocoa, coffee bean, timber and logs, electricity, unprocessed gold or any other mineral in its natural state, such companies are taxed at a reduced rate of 8%. Companies in the free zones are exempted from payment of direct and indirect duties and levies on all items used in the manufacture of goods for export from the zones. Ghana's free trade zone pioneer enterprises are exempted form payment of income tax on profit for the first 10 years from date of commencement of operation and a tax rate of 8% thereafter.

The highlights of tax incentives legislation in Ghana can be seen in the following Acts.

i. Income tax decree SMCD5 as amended
ii. Free zone act 1995, Act 504
iii. Income tax (Amendment) Act 1998, Act 551

Empirical Review

George and Bariyima (2015) evaluated the influence of tax incentives in the decision of an investor to locate FDI in Nigeria. The work employs a model of multiple regressions using static error correction modelling the time series properties of tax incentives captured by annual tax revenue as a percentage of Gross Domestic Product (GDP) and FDI. The result revealed a negative response of FDI to tax incentives.

Olaleye, Riri and Memba (2016) studied the effect of reduced company income tax on FDI in listed manufacturing companies in Nigeria. Descriptive research design was adopted for the study. 352 respondents from 32 companies were used in the study. Data were collected using questionnaire while descriptive (frequency, mean and standard deviation) and inferential (correlation and regression) statistics were adopted for analysis of data.it was found that tax incentives and FDI.

Furthermore, Amuka and Ezeudeka (2017) investigated whether tax incentive policy brought any significant change in the pattern of flow of direct investment to the non-oil sector. Multiple regression model was adopted for analysis of data. It was found that tax incentives policy change the flow of FDI into non-oil sector.

Nuta and Nuta, (2012) descriptively examined the effectiveness of tax incentives on FDIs. They concluded that tax factors have the capacity to influence the macroeconomic environment attract FDI flows and deciding the location of investments outside the native corporation.

In the same vein, Olaleye (2016) evaluated the effect of tax incentives of FDI in listed Nigeria firms. Independent variables was FDI. Descriptive research design was adopted for the study. It used both primary and secondary data. The findings in the study revealed that tax incentives have significant positive effect on foreign direct investment in listed Nigerian manufacturing companies.

Effiok, Tapang and Eton (2013) in their study analyzed the impact of tax policy and incentives on FDI and economic growth. Questionnaire was used in data collection while the data were analyzed using ordinary Least Square Technique. The study revealed that tax rate had significant relationship with FDI Obeng (2014) studied the effect of corporate tax reduction on sector specific direct investment in Ghana; specifically into mining, manufacturing and service sectors, using Johansen co-integration technique. The study found that corporate tax influences FDI inflow into those sectors.

Kransdorff (2010) examined tax incentives and FDI in South Africa. He concluded that south Africa has been overlook by investors in favor of other countries especially in efficiency seeking FDI nothing that tax incentives have nit contributed significantly due to divergent opinion on the use between to government agencies (the congress of south Africa trade unions (COSATU) in favor and south Africa chamber of business (SACOB) arguing against).

Few works were available but all the works reviewed showed a positive relationship between tax incentives and FDI except that of George and Bariyima (2015) which showed the contrary. From the mention studies, the study concludes that tax incentives usually have positive association with FDI.

FDI and Exports

Zhang (N.d) reviewed the FDI-Export linkages in china using the country's industrial data. Data from 186 industries in 1995 were used. Variables were exports FDI stock, total domestic capital formation, wage rate, average firm size and industrial dummies as one in labour intensive industries and zero for capital intensive industries respectively. It was discovered that FDI had positive impact on china's economic growth boom amongst others.

Jayakumar, Kannan and Anbalagan (2014) sought to elucidate the impact of FDI on exports and imports of India. They carried out a descriptive study of the linkages of FDI, exports and imports. The study provided adequate and statistically significant evidence of positive linkage between FDI and export, import. However, variations in exports cannot be attributable to FDI alone.

Goswami and Saikia (2012) carried out investigation into the relationship between FDI and manufacture exports in India during the period 1991-92 to 2010-11. Vector Error Correction Model (VECM) was applied in data analysis. Bi-directional causality between FDI and exports was discovered.

Falk and Hake (2008) sought to find out the link between FDI outflows and exports using a panel of industries and seven European Union countries for the period 1973-2004. Panel causality test and GMM estimator were adopted for data analysis. The system GMM results used 947 observations and 15 industries. It was found that exports have a strong positive effect on the outward FDI stock.

Barua (2013) examined the benefits associated with inflow of FDI for India in the form of export promotion and GDP growth for the period 2000-2012. The first section of the paper dealt with economic study of India in terms of FDI inflows on sectoral basis, growth of GDP and its export performance over the period under review. OLS was used for data analysis. It revealed that FDI is an important factor for increase in export in the country as it has positive influence on exports. In the growth model, FDI and Exports had positive relationship with GDP.

In a similar study, Etale and Etale (2016) conducted a study on the relationship between exports, FDI and economic growth in Malaysia from 1980-2013. Dependent variable was GDP while exports and FDI were the independent variables. Data were subjected to OLS analysis, ADF unit root test, Johansen-Juselius cointegration test and VECM test using E-Views 7 computer software. Results suggested a negative relationship between GDP and exports. GDP per capita had positive relationship with FDI. In short-run, there is a significant causal effect from export and FDI on GDP signifying immediate impact of any economic shock on GDP and FDI inflows. At long-run, there is causal relationship from export and FDI to GDP and a unidirectional relationship from exports to FDI.

Harding and Javorick (2011) carried out a descriptive study to find out whether FDI can help developing countries export Quality. They sought to ascertain whether FDI can boost exports of medium-skilled sectors and lead to export upgrading within the sector. Equally examined were how to identify the effects of FDI on export quality and export sophistication. Findings were that FDI may induce technological catch-up in developing countries and stimulate export growth in medium skilled sector. Notwithstanding that products from Multinational enterprises might be of superior quality, export upgrading occurs as domestic firms in the same industry may 'learn by observing' what multinational produce. Productivity spillover to supplying firms and the high quality input resulting from FDI spillovers may benefit domestic producers of final goods and services and permit them to upgrade. On the effect of FDI on export quality, it was established that investment promotion increases FDI and the result of the products pre and post revealed higher unit value of exports. Also indicated was no statistically significant correlation between targeted sectors and any of the export sophistication measures. It was concluded that FDI contributes to upgrading of exports in developing countries.

Olayiwola and Okodua (2013) examined the effect of FDI on non-oil exports and economic growth of Nigeria. Data were analyzed using the following analytical procedures adopted in the study: empirical model, the concept of granger causality within a co-integration framework, VECM and exogeneity, impulse response function, as well as variance decompositions and relative exogeneity. The variables were GDP, FDI and" non-oil exports from 1980-2007. The study examined the export-led growth hypothesis to evidence

from Nigeria. Empirical evidence from the available data failed to support export-led growth hypothesis in Nigeria. Causality analysis and variance decomposition supports unidirectional causality runs from FDI to non-oil exports.

Enimola (2011) focused on the link between FDI and exports growth in Nigeria using time series data spanning from 1970-2008. Analysis was done using OLS, with other diagnostic tests like ADF, PP tests. Granger causality test was also done. Findings includes: a unidirectional causality running from FDI to exports, real exchange rate to export, trade balance to export and bidirectional causality from external market indicators to exports.

Abor, Adjasi and Hayford (2008) examined the export decisions and export performance within Ghanaian manufacturing sector on a panel plants from 1991-2002. Probit model was used for analysis. Findings indicated that there existed a positive relationship between FDI and export performance signifying the relevance of FDI in export decisions of Ghanaian firms.

Most works reviewed found a positive relationship between FDI and export (like Zhang, n.d, Abor, Adjasi and Hayford (2008), Barua (2013), Jayakumar, Kannan and Anbalagan (2014), Harding and Javorick (2011) and Prasanna (2010b). While unidirectional causality from FDI to export was discovered by Enimola (2011) and Olayiwola and Okodua (n.d), long-run unidirectional causality from export to FDI was found by Etale and Etale (2016). However, bidirectional causality was found by Goswami and Saikia (2012).

Methodology

The research adopted Ex-post Facto research design for the study as secondary data were used. The work x-rayed the extent to which tax incentives had helped in attraction of FDI and went further to analyze the effect of such FDI inflows on exports of Nigeria, Ghana from 1999-2020.

Data were collected from Index Mundi (2015), United Nations Statistics, national account main aggregate Data Base (2020) and United Nations Conference on Trade and Development (UNCTAD) World Investment Report (2021).

Model Specification

EXP=*f*(FDI) - (1)

The equation 1 expression of Exports as a function of FDI is a mathematical expression. To make the above estimable, since there are many factors which can affect exports, such as trade openness and inflation and so on.

The model as below was used to estimate effect of EXPfor Nigeria and Ghana *EXP = f(FDI, INF, TOP, Dummy)* ,2)

Where

EXP = export, INF= Inflation, TOP= Trade Openness

To make the above model estimable, it can be transformed as shown below

$\text{logexp}_{it} = \delta_{0i} + \delta_{1i} D_{it} + \delta_{2i}\, logfdi_{it} + \delta_{3i}\,(Dummy_{it} * fdi_{it}) + \delta_{4i} inf_{it} + \delta_{5i} top_{it} + \mu_{it}$ (3)

Where,

(i=l,2) and hence represent Nigeria, Ghana respectively and t.from 1999-2020. Equation 3 was put in log form to scale down the data and reduce heteroscedasticity (Gujarati and Porter, 2009)

Data Presentation and Analysis

Macro-economic variable data of the two countries of study were presented in

Table 1: Data of FDI inflow of Nigeria and Ghana

Year	Nigeria	Ghana
1999	1177.708	243.7
2000	1309.665	114.9
2001	1277.421	89.3
2002	2040.182	58.9
2003	2171.39	110.02
2004	2127.086	139.27
2005	4978.26	144.97
2006	4897.81	636.01
2007	6086.73	855.4
2008	8248.64	1220.42
2009	8649.53	2897.1
2010	6098.96	2527.36
2011	8914.89	3237.39
2012	7127.39	3293.43
2013	5608.45	3226.33
2014	4693.83	3356.99
2015	3064.17	3192.3
2016	3116.15	3261.81
2017	3712.50	3890.35
2018	1811.90	4023.71
2019	4102.80	4311.75
2020	4500.40	4712.35

Source: World Investment Report, 2021.

Table 2: Data of the Export of Nigeria, Ghana

YEAR	Nigeria	Ghana
1999	26,181,365,395	3,375,508,479
2000	29,651,184,906	6,802,343,925
2001	22,647,709,191	4,396,240,202
2002	25,281,045,463	4,099,538,645
2003	33,209,487,424	4,321,395,809
2004	32,892,430,295	3,645,220,626
2005	36,962,717,357	3,933,030,499
2006	62,975,462,513	5,114,061,553
2007	48,767,073,575	6,043,169,800
2008	62,795,074,213	7,054,960,771
2009	43,515,830,304	7,592,570,761
2010.	66,818,353,571	9,460,613,831
2011	84,052,621,586	12,311,825,115
2012	81,035,996,602	15,987,689,524
2013	63,421,593,140	17,337,641,465
2014	73,336,117,587	15,790,270,753
2015	50,078,975,300	10,500,000,000

2016	33,066,811,323	11,680,160,600
2017	54,711,583,200	13,408,140,235
2018	25,611,009,450	13,501,130,211
2019	29,411,211,400	15,601,900,112
2020	31,211,400,200	31,400,811,133

Source: United Nations stat. Div: National Accounts Main Aggregate Data Base (2021).

Unit root test on the variables

Source: Researcher's Computation using E-views 9. P values are in parenthesis that the variable is integrated at 0.05 level of significant.

In the table above, all the variables in the two countries have unit root with probability value above 0.05. They were integrated at their first difference, thus the null hypotheses that there is unit root at their level form were accepted whereas the reverse holds at first difference (P value < 0.05).

Cointegration Test

Table 3: Unit root test on the error term

	Nigeria	**Ghana**
Equations	ADF at level for error term	ADF at level for error term
LOGEXPT EQUATION	-3.4380*** (0.0020)	-2.7545** (0.0092)

Source: Researcher's Computation using E-views 9. P values are in parenthesis that the variable is integrated at 5%.

	Nigeria		**Ghana**	
Variable	ADF at Level	ADF 1st Diff	ADF at Level	ADF 1st Diff
Logfdi	-1.6392 (04362)	-3.5179** (0.0227)	-0.8149 (0.7853)	-4.1255 (0.0161)
Logtop	-1.4685 (0.5230)	-3.8509 (0.0122)	-2.5969 (0.1182)	-3.7019 (0.0073)
Inf	-2.1439 (0.2321)	-5.9945*** (0.0003)	2.9580 (0.0607)	-3.6185** (0.00229)
Logexpt	-1.6274 (0.4466)	-5.3399*** (0.0008)	-0.5497 (0.8548)	-4.2645*** (0.0057)

This was conducted to ascertain whether the variable have equilibrium relationship or not. Nigeria and Ghana had equilibrium relationship (cointegrated) at 1 percent and 5 percent respectively (P value<0.05). The null hypothesis for no coinegration was rejected for the variable in the two countries.

Error Correction Estimates Result

Table 4: Error Correction Estimates the impact of FDI on Export (EXPT) of Nigeria and Ghana

Countries	**Nigeria**		**Ghana**	
Variable	Coefficients	P-value	Coefficients	P-value
Constant	0.16895	0.2763	0.052212	0.0958

Dlogfdi	0.41069	0.4341	0.024633	0.5829
Dinf	-0.02342	0.2869	0.003697	0.2262
Dlogtop	-0.15065	0.6938	0.930157	0.0000
Dummy	-0.26457	0.2215	0.020596	0.6105
Dummy*dlnfdi	-0.36142	0.6070	0.033463	0.7250
Error(-l)	-0.8060	0.0738	-0.419875	0.0454
R^2 = 0.846068 Adjusted R^2 = 0.743446 F-Stat = 8.244547 Prob(F-stat.) = 0.003010			R^2 = 0.960419 Adjusted R^2 = 0.934031 F-Stat=36.39674 Prob(F-stat.) = 0.000008	

Source: Researcher's computation, 2021.

In table 4, FDI is positively related to export in Nigeria and Ghana with coefficient of 0.41069 and 0.024633 respectively. However, it did appear that FDI does not have significantly effect on export in all the countries studied (p-value of 0.4341 and 0.5829 for Nigeria and Ghana respectively). Inflation also was negatively related to export in Nigeria (coefficient of -0.02342) but positively related to export in Ghana (0.003697). In the same vein, inflation does not significantly affect export in all the countries studied. Degree of openness appears to be positively related to export.

In terms to the adjustment to equilibrium, Nigeria shows higher level of adjustment of about 80 percent while the level of adjustment in Ghana is about 42 per cent.

The adjusted R^2 were 0.7434 and 0.9340 for Nigeria and Ghana respectively. This implies that 74 and 93 percent changes in exports of Nigeria and Ghana respectively were as a result of the effect of the explanatory variables while the balance 26 and 7 percent for Nigeria and Ghana respectively was due to other variables not capture in the model.

The joint effect of the explanatory variables as contained in the F-statistics were significant in all the countries of with probability values of 0.0031 and 0.000008 for Nigeria and Ghana as all were < 0.05.

Nigeria and Ghana the p-values for the coefficients of multiplicative dummy were 0.6070 and 0.7250 and were significantly above 0.05 at 5 percent level of significance. This implies that the study did not reject the null hypothesis that the effect of foreign direct investment on export did not significantly differ between Nigeria and Ghana.

Discussion of Findings

From our study, it was found that tax incentives have significant relationship with FDI inflows in Nigeria and Ghana. Also, those FDI inflows have significant effect on export promotion of Nigeria and Ghana. This is in line with the apriori expectation since all other consideration being equal, higher tax rate reduces after -tax return. The above conclusion were in agreement with findings of Olayele, Riro and Memba (2016), Amuka and Ezeudeka (2012). Effiok, Tapang and Eton (2013) and Krandroff (2010). The above outcomes could be due to the fact that Nigeria and Ghana have similar investment climate. As a result, when there is a tie in the conditions that determine FDI inflow, tax rate become the decisive option. However, it has been argued that the importance of fundamental factors like economic conditions and political climate is underlined by the fact that most serious investors are often unaware of the full range of tax incentives on offer when they invest and that they often do not consider alternative location (Jacques & Neda, 2001). The import of

the above assertion is that other factors that influence FDI destination are considered first before tax incentives come to play.

The insignificant nature of the effect of FDI on exports were in contrast to the apriori expectation in which it is expected that FDI would lead to increase in exports of goods and services for recipient nations. The insignificant effect of FDI on exports of nations could be accounted for by poor volume of FDI inflows to those nations relative to exports or those FDI inflows were not targeted towards export-oriented goods and services. The finding was at variance with result of the works in India by Prasanna (2010), Jayakumar, Kannan and Anbalagan (2014), and Barua (2013) and in Nigeria by Enimola (2011), and Olayiwola and Okodua (2013) and in Ghana by Abor, Adjasi and Hayford (2008) who found positive effect of FDI on exports of those countries. The effect of FDI may be positive in most countries because most FDI were targeted on goods and services of which some of their demands were export-oriented. FDI improves exports by industrial linkages, spill-over effects and stimulating demand for domestic enterprises (Jayakumar, Kannan and Anbalagan 2014). Product upgrading may occur such that those goods may become of standard quality for exports as well (Harding & Javorick, 2011).

Conclusion

From the findings, the research concludes that tax incentive policies have positive and significant relationship with FDI. That Foreign Direct Investment (FDI) has significant effect on exports of Nigeria and Ghana. Tax incentives if properly managed and sustained would help in attraction of investment.

Recommendations

- Government of Nigeria and Ghana should add more and sustain tax incentive policies as they help in the attraction of the much needed FDI in export oriented industries which would enhance economic growth and development.
- Governments of Nigeria and Ghana should implement policies aimed at improving FDI inflows into export-oriented sectors. Establishment of more export processing zones for FDI-led firms will lead to FDI friendly for economic growth of the countries.

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