TAX INCENTIVES AND FOREIGN DIRECT INVESTMENT (FDI): IMPLICATION FOR EXPORT PROMOTION INNIGERIA, GHANA AND SOUTH AFRICA, POST IFRS ADOPTION.

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Abstract

Tax incentives were offered with the aim of attracting investors to invest in a country or to invest in a specific sector of a country's economy by reducing the burden of taxation. IFRS amongst other objectives is expected to aid in FDI inflow into the adopting country's economy by enhancing accountability, transparency and comparability of financial reports. FDI is expected to bring about economic growth through technological transfer, access to foreign capital, managerial skill and other spill-over effects. The extent, the above targets have been achieved remains contentious as scholars had varied results from their research. The study therefore, evaluated the contribution of tax incentives towards FDI inflow into Nigeria, Ghana and South Africa as well as the effect of such FDI inflows on those countries' exports after their adoption of IFRS for the period 1999-2015. Ex-post- facto research design was adopted for the study. Secondary data were collected and analyzed using descriptive and inferential statistics. Findings revealed a positive association between tax incentives and FDI and that FDI had no significant effect on the exports of Nigeria, Ghana and South Africa. There was also, no significant difference in the effect of FDI on exports of all the countries of study in their pre and post-IFRS adoption periods. This implies that the more corporate tax rate is reduced, as well as increase in other tax incentives, the more FDI inflow into those countries and when significant level of FDI inflow have been achieved, the effect on export would become significant. One of the recommendations is that governments of the three countries of study should improve and sustain more tax incentives as that would help in the attraction of the much needed FDI in export oriented industries to enhance economic growth and development.

Keywords: Tax Incentives, Foreign Direct Investment, Export, IFRS, Nigeria, Ghana and South Africa

1.1Introduction

In the past decades, many nations especially developing nations have been making frantic efforts directed toward attraction of FDI. Apriori expectation is that FDI would contribute positively to economic growth of host nation. This; FDI is expected to accomplish through productive gain, technological transfer, managerial skill and know-how in the domestic market, introduction of new processes, employee training, international production networks and access to markets (Caves in Adeleke, Olowe and Fassein, 2014). These expected inherent gains in FDI inflows have led to competition for FDI destination among various countries especially developing nations.

To achieve the above objectives, various measures have been put in place by many nations so as to be adjudged as being business friendly, as such, good FDI destination. Notable among these measures includes: libralization of the economy, provision of guarantee on repatriation of profit, tax incentives and provision of critical infrastructure in a designated area termed industrial layout. Tax incentives provide relief to firms and place them in a vantage position thus facilitating their performance and remain in business. It reduces tax burden on the firms concerned.Tax relief takes the form of personal allowance, investment allowance, loss relief, roll-over relief, pioneer relief and exploration relief. Others includes, reduced tax rate on profit, tax holiday, capital allowance or accounting rule that allow accelerated depreciation, reduced tariffs on imported equipments, components, and raw materials or increased tariffs to protect the domestic market from import substituting investment projects(United Nations Conference on Trade and Development [UNCTAD], 2000).

UNCTAD (2000) observed that the role of tax incentives in promoting FDI has been a subject of study by scholars but its advantages and disadvantages have never been clearly established. This implies that there were conflicting results of the effect of tax incentives on FDI inflows. The differences in their findings might be due to other factors that come to play while determining FDI destination such as; access to raw material, political stability and skilled labour.

Special concession of this nature is usually associated with some conditionalties. In Nigeria, government often introduces tax incentives as an instrument to woo and induce local and foreign investment into areas of manufacturing of goods, export processing, oil/gas exploration and utilization and provision of utilities (Institute of Chartered Accountants of Nigeria[ICAN] study pack, 2009).

Ugwu and Okoye (2018) observed that accounting for the activities of these FDI–ledinvestments were met with some challenges due to differences in currencies and accounting reporting systems of different countries involved. Due to the above, International Financial Reporting Standard (IFRS) was introduced.In 1973 International Accounting Standard Committee (IASC) was set up, which issue International Accounting Standard (IAS). The above later metamorphosed to IFRS which issues IFRSs that set out recognition, measurement, presentation and disclosure requirements in dealing with transactions and events required in general purpose financial statement (IFRS Explained, 2012).IFRS adoption promotes uniformity and transparency of reporting and harmonization of standards thus promoting international understanding of accounting reports and comparability of annual reports. Thesewere expected to improve cross boarder investments (FDI) as clear understanding of reports bring about informed investment decisions hence reducing investment risks. IFRS reduces information asymmetry across border to a large extent as it bring about uniformity in financial reporting, thus enhancing comparability of firms.

 The study, therefore, examined the contribution of tax incentives in attracting FDI in export orientedindustries and evaluation of the effect of such FDI inflows on exports of the countries ofstudy namely: Nigeria, Ghana and South Africa, in their pre and post IFRS adoption periods.

1.2 Statement of Problem

Developing nations usually clamour for investments to help them in their industrialization derive for growth and development. This has not been achieved. Tax incentives; which tend to attract efficiency seeking FDI motivated by lower production costs and other incentives in developing countries;often suffer from poor design, lack of transparency and complex/cumbersome administration. Tax incentives are also associated with certain costs such as: fiscal/revenue losses, administrative costs, tax evasion and economic distortions. Corruption in developing countries compounds the problem, thus, eroding the expect benefit from tax incentives.

Often, these costs are incurred without appreciable improvement in FDI inflows. However, Malovic (2015) stressed that other macro economic 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 work force and social responsibility issues are considered while considering FDI destination.

Furthermore, financial information asymmetries have been viewed as one of the major impediments to FDI. Information asymmetries largely mirror historical, geographical, political, language and institutional barriers that exist among countrieswhich affect economic agents that operate within their borders (Akpomi & Nnadi, 2017). This is what IFRS intend to solve. The extent to which IFRS has solved those problems and increase cross-border investment remains issues without general consensus.

Many works focused on the effect of FDI on economic growth as seen in the study of Ghana by Insah (2013), South Africa by Adrino (2012) and Nigeria by Kabir (2012); while others were engrossed with determinants of FDI inflow into a country as in the studies of Kazeem (2014) and Wafuru and Nurudeen (2010). Ugwu and Okoye (2018) investigated the effect of FDI on economic growth in post IFRS adoption period in Nigeria, Ghana and South Africa, using GDP and external reserve as independent variables, but did not look into the tax incentives and FDI as well as the effect of FDI on exports of the three countries, post IFRS adoption.

In the light of the above,the study wants to examine the contribution of tax incentives towards FDI inflows in Nigeria, Ghana and South Africa. It moves further to evaluate the effect of such FDI inflows on export in those countries in their post IFRS adoption period.

1.3 Objectives of the study

The main objective of the study is to ascertain the contribution of tax incentives to FDI inflows into Nigeria, Ghana and South Africa and to evaluate the effect of such inflow on exports of those countries. In specific terms the study want to

1. Ascertain the contribution of tax incentives to FDI inflows in Nigeria, Ghana and South Africa.
2. Establish the effect of FDI on exports, in pre and post-IFRS adoptionperiods in Nigeria, Ghana and South Africa.

1.4 Research Questions
In pursuance of the above objectives, the following research questions were formulated
1. What is the contribution of tax incentives to FDI inflows in Nigeria, Ghana and South Africa?
2. What effect has FDI on exports, in pre and post-IFRS adoption periods in Nigeria, Ghana and South Africa?

1.5 Research Hypotheses
The following hypotheses were formulated in line with objectives of the study
1. Tax incentives have no significant contribution to FDI inflows into Nigeria, Ghana and South Africa.
2. There is no significant difference in the effect of FDI on exports, in pre and post-IFRS adoption periods, of Nigeria, Ghana and South Africa.

1.7 Scope of the Study
The study encompasses the contribution of tax incentives on FDI inflows and the effect of such FDI inflow on exports of Nigeria, Ghana and South Africa for the period 1999-2015. While Nigeria and Ghana had enthroned democratic government in 1999 and 1992 respectively, South Africa came out of apartheid in 1994; thus all the countries of study were in un-interrupted democratic rule. In 2012, 2007 and 2005, Nigeria, Ghana and South Africa respectively adopted IFRS. The pre IFRS adoption period starts from 1999 to a year before adoption of IFRS by each of the countries of study whereas; from the year of adoption of IFRS by each country to 2015 is the post IFRS adoption period.

2.0 REVIEW OF RELATED LITERATURE
Concept of Tax Incentives, FDI and Export
Klemm (2010:315) defines tax incentives as 'measures that provide for a more favourable tax treatment of certain activities or sectors compared to what is granted to the general industry'. This implies that tax incentives may be associated with a temporary reduction in tax revenue while the government focuses on expected benefit which is expected to be more than the loss so sustained. Worthy of note is that mostattention in tax incentive is on corporate tax rate without comprehensive review of tax incentives generally, which; x-rays the total incentive package available to investors. Developing countries usually use a combination of targeted tax incentives and general incentives which can be present in income tax law or any other law. However, one should realize that 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, kidnapping and the likes abound.

Organisation for Economic Co-operation and Development (OECD), (2008) defines FDI as incorporated or unincorporated enterprise in which a single foreign investor either owns 10 per cent or more of the ordinary shares or voting power of an enterpriseor owns less than 10 per cent of the ordinary shares or voting power of an enterprise, yet maintains an effective voice in management. In simple terms, FDI occurs when there is investment in a business entity by investors from another nation; cross border investment. A number of factors are being considered while determining FDI destination, one of which is tax incentives.

Goods produced in one country may be sold wholly or partly into another country. To the country selling the goods, it is export while to the buying nation, it is import. Oyatoye, Arogundade, Adebisi and Oluwakayode (2011) described export as the quantities and values of goods that move out of the country. It is a form of international trade where by goods produced in one country is shipped to another country for future sale or trade with such sales adding to the producing nation's gross output (Jayakumar et al, 2014). It follows that export depends on spending decision made by foreign customer or oversea firms that purchase domestic goods and services. Exports could be determined by influence outside the home economy while imports depend on spending dimensions from domestic residence. This is autonomous or exogenous spending, from the point of view of determination of domestic GDP (Lipsey & Chrystal, 2011).

Tax Incentives in Ghana, Nigeria and South Africa
According to survey by United Nations Conference on Trade and Development (UNCTAD) (2000) on tax incentives and FDI, Ghana had export incentives and free trade zones. Non-traditional export companies are taxed at a reduced rate of 8 percent. Non –traditional exports are those exports other than cocoa, coffee bean, timber and logs, electricity, unprocessed gold or any other mineral in its natural state. Ghana's free trade zone developers and enterprises that are granted licenses under the free trade act are exempted from payment of income tax on profit for the first 10 years from date of commencement of operation and the rate is limited to 8 percent thereafter. Enterprises 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. There were also other regional and sectoral incentives in Ghana. UNCTAD also listed tax incentive legislation highlight in Ghana as follows:
  a. Income tax decree SMCD 5 as amended;
  b. Free zone act 1995, Art 504;
  c. Income tax (Amendment) Act 1998, art 551

In Nigeria, the UNCTAD (2000) revealed regional and sectoral incentives. Explicit in them were that accelerated capital allowances and rural investment allowances for regional incentives and tax holiday for pioneer industries, investment tax credit on the cost of fixed assets and concessionary profits tax for companies engaged in exploration of petroleum. For export incentives and free trade zones, Nigeria has tax exemptions for export products (zero rated). Cost of building plants and machineries of manufacturing company are granted in full tax relief. Profits of a company that are 100 percent export-oriented are tax exempted for the first three years. Plants and machinery imported for use in Export Processing Zones (EPZ) is subjected to the VAT drawback scheme. Furthermore, profit of a company in respect of goods exported to buy raw materials, plants equipment and spare parts are tax exempted. Also, duties on imports of goods for export business are allowed as credits under a duty drawback scheme. Again, research and development are tax deductible and the expenses can also be capitalized. The following are tax incentives and legislative highlights in Nigeria.
  a. Company Income Tax Act, CAP 60 LFN, 1990;
  b. Capital Gain Tax Act, CAP 42 LFN,1990;
  c. Industrial Development (Income Tax Relief) Act, CAP 279 LFN;
  d. Petroleum Profit Tax Act, Cap 354 LFN;

e. Value Added Tax Decree 104,1993;
f. Personal Income Tax Decree 102 , 1993; and
g. Deep offshore and Inland basin Production Sharing Contract Decree No. 9, 1999

In the same vein, according to UNCTAD (2000), South Africa,tax incentives and FDI has sectoral incentives; tax holiday of 2 years, of maximum of 6 years, to be used within the first 10 years, starting from the years the company begins to earn a taxable income and without abreak even if the company makes a loss. She also offer accelerated depreciation for some sectors like farming and manufacturing. In her export, incentives and free trade zones, rebates from various customs and excise duties for exports are available. For goods and services for export, Value Added Tax (VAT) rate is zero. Tax incentives legislation highlights of South Africa is found in Income Tax Act, sections 12, 13 and 37H.

2.1.6 FDI and Export Relationship

FDI inflow may stimulate export from domestic sector through industrial linkages or spill-over effects creating demand stimulus for domestic enterprise and promotes exports. It is expected to affect export supply side of the host nation as it may enhance export oriented productivity that further improves export. Exports could contribute to growth by enhancing labour mobilization and capital accumulation (Jayakumar et al 2014). Similar views were shared by Harding and Javorick (2011) who were of the opinion that FDI may induce technological catch-up in developing countries and stimulate export growth in medium skilled sector. They added that despite the fact that products from Multinational Enterprises might be of higher quality, export upgrading occurs as local 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 local producers of final goods and services and allow them to upgrade. The high quality products so developed and produced are consumed locally and exported as well.

2.2 Theoretical Review:

Internalization Theory

This theory was developed from the works of Buckley and Casson (1976) who propounded that there is the tendency in the economic system to generate sophisticated information and to transfer such information internationally in the form of FDI. Cross border internalization of market creates Multinational Companies(MNCs) noting that knowledge and expertise is the important factor in imperfect market. MNCs organize their internal activities to gain comparative advantage which subsequently are utilized to gain control of market. Following market imperfection, MNCs choose FDI investment location bases on potential comparative advantage they possess which enables them control risks while retaining control and market share (Kim, 2011). Internalization theory assumed possession of oligopolistic power in host country by FDI-led companies (Cockcroft & Riddle, 1991). The above assumption is in agreement with imperfect market theory postulated by Hymer (1976) which focuses on structural imperfections, that is, deviation from purely market determined prices brought about by presence of monopolistic or oligopolistic market features.

The research is anchored on this as investors all over the world always search for where they have comparative advantage over their competitors. The crux of business is profit making. Tax incentives and adoption of IFRS create a condition that promote profit making as they reduce business risks and costs as well as promote accountability.

2.3 Empirical Review:
2.3.1 Tax Incentives and FDI

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 modeling to determine 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, Riro 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 data analysis. It was discovered that there exist strong positive relationship between reduced company income tax incentives and FDI.

Futhermore, 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 to attract FDI flows and deciding the location of investments outside the native corporation.

Inthe same vein, Olaleye (2016) evaluated the effect of tax incentives of FDI in listed Nigerian firms . Independent variables were company income tax incentives, capital allowance incentives, value added tax incentives, capital gain tax incentives, double taxation treaty incentives while the dependent variable was FDI. Descriptive research design was adopted for the study. It used both primary and secondary data. Descriptive and inferential (Regression) statistics were used for the analysis of 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 analysed the impact of tax policy and incentives on FDI and economic growth. Questionnaire was used in data collection while the data were analysed 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 cointegration 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 favour of other countries especially in efficiency seeking FDI noting that tax incentives have not contributed significantly due to divergent opinion on the use between to government agencies (The Congress of South Africa Trade Unions[COSATU] in favour 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.

2.3.2 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 and export boom amongst others. In the same vein, Prasanna (2010) explored the effect of FDI on export performance of India for the period of 16 years (1991-92 to 2006-07). Two cases were studied. The dependent variable in the first and second cases was taken as total manufactured exports and high- technology manufactured exports respectively. Independent variables were taken as FDI inflows and manufacturing value added. OLS method of data analysis was employed for the analysis. The result gives evidence that there was increase in the ratio of total manufactured exports to real GDP of India. FDI inflow to India had led to significant increase in total and high-technology manufactured exports suggesting that FDI inflows have improved India's export performance.

Jayakumar, et al (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. Similarly, 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. This implies that exports granger cause FDI.

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 (n.d) 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 cointegration 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 et al (2008), Barua (2013), Jayakumar et al (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), longr-un unidirectional causality from export to FDI was found by Etale and Etale (2016). However, bidirectional causality was found by Goswami and Saikia (2012).

From the above, majority found positive relationship between FDI and exports but there was no uniformity in the direction of causality. None of the works reviewed examined the effect of FDI on export post IFRS adoption. This calls for further studies.

3. 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 and South Africa from 1999-2015.

Data were collected from Index Mundi (2015), United Nations Statistics, national account main aggregate data base (2015) and United Nations Conference on Trade and Development (UNCTAD), World Investment Report (2016).

The study adopted mixed methods in data analysis. Descriptive survey approach was adopted in the test of the first hypothesis while Least Square Statistics was adopted for the test of the second hypothesis.

3.1 Model Specification
For hypothesis two, to ascertain the effect of FDI on export (EXP) of Nigeria, Ghana and South Africathe following model was developed:

$$EXP = f(FDI) \tag{1}$$

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, introduction of some extraneous variables like trade openness and inflation was done. Since the work

intended to determine whether the effect of FDI on Exports differ between the pre and post IFRS adoption, Dummy Variable Model has been adopted for the study as all the observations are pooled in one regression model. This reduces small sample bias, increases the degree of freedom and improves the relative precision of the estimated parameter.

The model as below was used to estimate effect of EXPfor Nigeria, Ghana and South Africa

$$EXP = f(FDI, INF, TOP, Dummy) \quad (2)$$

Where EXP = export, INF= Inflation, TOP= Trade Openness
To make the above model estimable, it can be transformed as shown below

$$\log exp_{it} = \delta_{0i} + \delta_{1i}D_{it} + \delta_{2i}\log fdi_{it} + \delta_{3i}(Dummy_{it} * fdi_{it}) + \delta_{4i}\inf_{it} + \delta_{5i}top_{it} + \mu_{it} \quad (3)$$

Where, (i=1,2,3) and hence represent Nigeria, Ghana and South Africa respectively and t from 1999-2015. Equation 3 was put in log form to scale down the data and reduce heteroscedasticity (Gujarati and Porter, 2009)

4.Data Presentation and Analysis

Macro-economic variable data of the three countries of study were presented in table, graph and Bar-Chart

Table 4.1. Data of FDI inflow of Nigeria, Ghana and South Africa (SA) in US$B

Year	NIG	Ghana	SA
1999	1177.708	243.7	1503.238
2000	1309.665	114.9	887.3416
2001	1277.421	89.3	6783.921
2002	2040.182	58.9	181.3635
2003	2171.39	110.02	733.666
2004	2127.086	139.27	798.0259
2005***	4978.26	144.97	6646.927
2006	4897.81	636.01	311.4501
2007**	6086.73	855.4	6538.062
2008	8248.64	1220.42	9209.172
2009	8649.53	2897.1	7502.062
2010	6098.96	2527.36	3635.596
2011	8914.89	3237.39	4242.866
2012*	7127.39	3293.43	4558.847
2013	5608.45	3226.33	8300.104
2014	4693.83	3356.99	5770.638
2015	3064.17	3192.3	1772.41

Source: World Investment Report, 2016.
N/B *, **and ***Years of adoption of IFRS by Nigeria, Ghana and South Africa respectively.

Table 4.2 Data of the Export of Nigeria, Ghana and South Africa in US$

YEAR	NIG	Ghana	SA
1999	26,181,365,395	3,375,508,479	54,458,834,590
2000	29,651,184,906	6,802,343,925	58,986,359,990
2001	22,647,709,191	4,396,240,202	60,397,840,736
2002	25,281,045,463	4,099,538,645	60,995,253,257
2003	33,209,487,424	4,321,395,809	61,062,000,998
2004	32,892,430,295	3,645,220,626	62,792,150,141
2005***	36,962,717,357	3,933,030,499	68,171,979,378
2006	62,975,462,513	5,114,061,553	73,259,392,894
2007**	48,767,073,575	6,043,169,800	78,994,370,006
2008	62,795,074,213	7,054,960,771	80,218,649,982
2009	43,515,830,304	7,592,570,761	66,562,370,797
2010	66,818,353,571	9,460,613,831	71,699,660,022
2011	84,052,621,586	12,311,825,115	74,814,293,202
2012*	81,035,996,602	15,987,689,524	74,896,902,695
2013	63,421,593,140	17,337,641,465	78,331,214,553
2014	73,336,117,587	15,790,270,753	80,375,936,268
2015	50,078,975,300	10,500,000,000	93,700,000,000

Source: United Nations stat. Div;National Accounts Main Aggregate Data Base
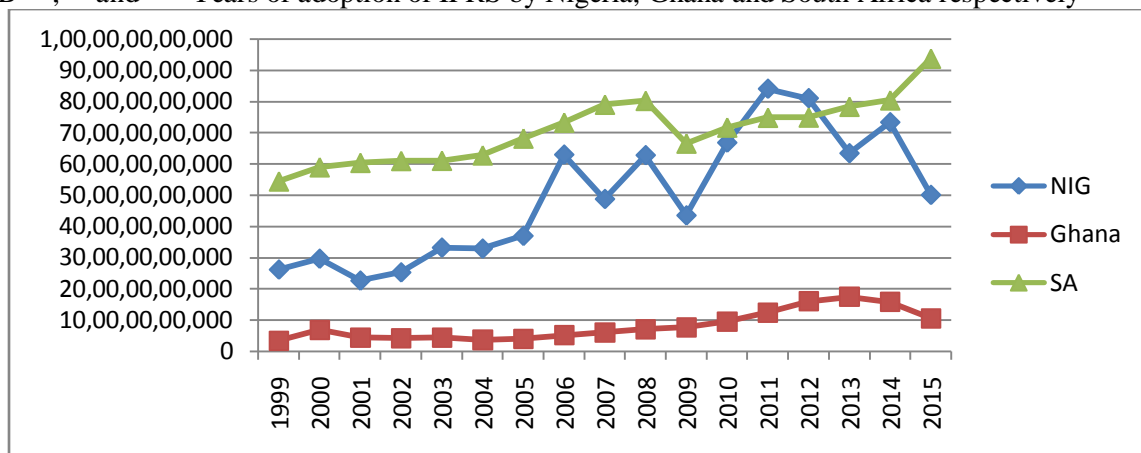N/B   *, **and ***Years of adoption of IFRS by Nigeria, Ghana and South Africa respectively

Figure 4.1.graph showing trend of Export of Nigeria, Ghana and South Africa in US$

The pictorial presentation of exports of the three countries was shown in figure 4.1.7. It depicts a general increase in the countries' exports in the periods under review (pre and post-IFRS adoption periods) except Nigeria that had downwards turn in the post-IFRS adoption era. In specific terms, South Africa's export appears to be generally higher followed by Nigeria and Ghana. Ghana's curve seems to have a smooth and steady increase than other countries of study. All thecountries of study except South Africa experienced adownward trend between 2014 and 2015.
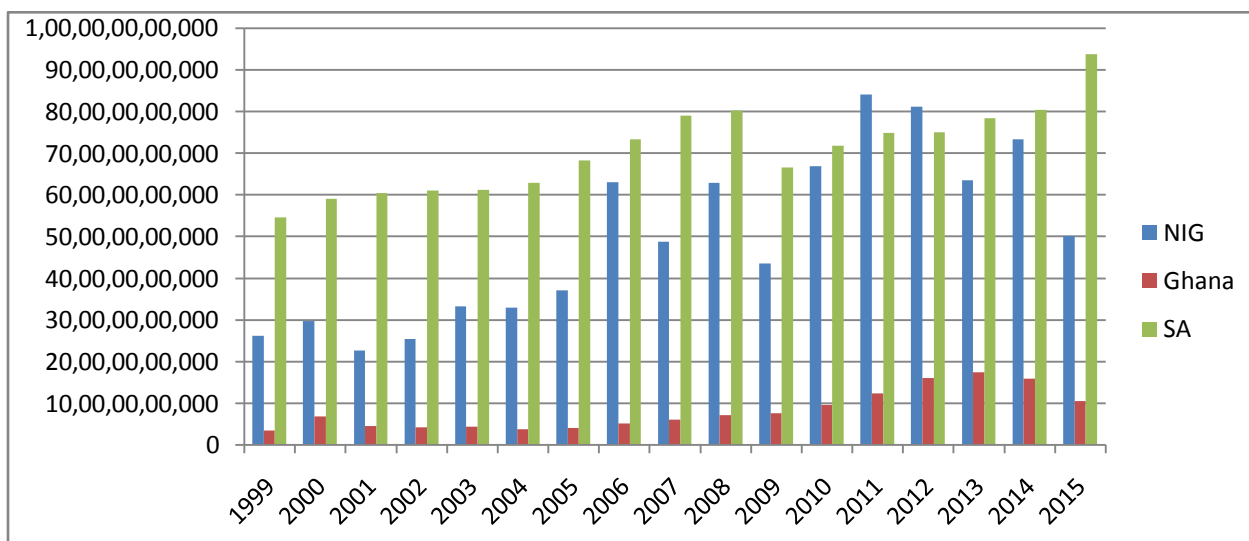
Figure 4.2 Bar-chart showing trend of Export of Nigeria, Ghana and South Africa in US$
Bar-chart of figure 4.1.8 showed the fluctuating nature of Nigeria's currency (Naira) over the dollar for the periods of review (pre and post-IFRS adoption periods). Similar undulating contour was exhibited by South Africa's currency but not to the degree of Nigeria's currency. Cadis' bars almost replicate the curve shown by it in the graph of figure 4.1.7.

Table 4.3 Data of the inflation and Trade Openness of Nigeria, Ghana and South Africa

Inflation				Trade Openness		
YEAR	NIG	Ghana	SA	NIG	Ghana	SA
1999	12.5	12.8	5.5	0.327221763	0.711746051	0.483539696
2000	6.5	22.8	5.3	0.351385251	1.18890629	0.496620168
2001	14.9	25	5.8	0.3229407	0.713539094	0.4903655
2002	14.2	14.5	9.9	0.291620768	0.608547043	0.48672616
2003	13.8	26.7	5.9	0.369540883	0.654537445	0.490234036
2004	16.5	13	4.5	0.286608361	0.614289066	0.509984567
2005***	13.5	15.1	4	0.320836379	0.614862545	0.531491154
2006	10.5	10.9	5	0.477871325	0.68697424	0.568151626
2007**	5.4	10.7	6.5	0.450759365	0.791519307	0.585824572
2008	11.6	16.5	11.5	0.466560018	0.880504915	0.580295098
2009	11.5	19.3	7.2	0.372311563	0.800692745	0.487030537
2010	13.9	10.9	4.5	0.457755307	0.909565049	0.516862417
2011	10.8	8.7	5	0.4880374	1.115206588	0.539207144
2012*	12.2	9.2	5.7	0.404266009	1.219074214	0.545376797
2013	8.7	11	5.8	0.334834937	1.19364799	0.549679218
2014	8.06	15.5	6.12	0.354598829	1.029725929	0.546054298
2015	9.02	17.2	4.51	0.203622761	0.647309536	0.553136027

Source: United Nations stat. Div;National Accounts Main Aggregate Data Base and Index Mundi
  N/B   *, **and ***Years of adoption of IFRS by Nigeria, Ghana and South Africa respectively.

4.2 Data Analysis
Dummy Variable Regression was adopted for data analysis.This is appropriate as it brings out the structural brake as a result of introduction of IFRS bearing in mind the small size of the data which renders other method like Chow Test inappropriate due small sample bias.

4.2.1. Descriptive Analysis of Export Data
Data for the analysis were obtained from table4.2.
Table 4.4. Descriptive Analysis of Export Data of Nigeria, Ghana and South Africa from 1999-2015 (US$B)

	Pre-IFRS Adoption						Post-IFRS Adoption					
	N	Min	Max	Sum	Mean	Std. D	N	Min	Max	Sum	Mean	Std. D
Nig	13	22.60	84.10	575.80	44.29	19.32	4	50.10	81.00	267.80	66.95	13.34
Gha	8	3.40	6.80	35.60	4.45	1.08	9	6.00	17.30	102.10	11.34	4.22
SA	6	54.50	62.80	358.80	59.80	2.87	11	66.60	93.70	841.10	76.46	7.35

Source: Researcher's Computation, 2018.
N/B, IFRS adoption: Nigeria 2012, Ghana 2007 and South Africa, 2005.

From table 4.4, prior to the adoption of IFRS, Nigeria had a total export of $575.80b, with a minimum export value of $22.6b and a maximum value of $84.10b. The mean was $44.29b while the standard deviation was 19.32. After IFRS adoption, her exports for the period were $267.80 with a mean of $66.95 and standard deviation of 13.34. The minimum and maximum exports in the period were $50.10b and $ 81b respectively.

Ghana in her pre-IFRS adoption period had a total export of $35.60b, with $3.4b and $6.80b as her minimum and maximum export values respectively. However, post-IFRS adoption revealed an export sum of $102.10b with an average of $11.34. Her minimum and maximum export values were $6b and $17.30b respectively.

Similarly, South Africa's Exports in the pre adoption of IFRS period amounted to $358.80b. She had an average export of $59.80b, with minimum and maximum export values of $54.5b and $62.80b respectively and standard deviation of 2.87. After adoption of IFRS, she had a total export value of $841.10 with an average of $76.46. The minimum and maximum export values were $66.60b and $93.70b respectively with a standard deviation of 7.35. From the above, South Africa's exports though more stable in the pre-IFRS adoption period had on the average more exports in the post adoption period.

4.2.2 Unit Root Test
According to Gujarati (2004), non-stationary time series data when subjected to Ordinary Least Square Regression Analysis produces spurious result, hence the need for Unit Root Test.

Table 4.5 Unit root test on the variables

Source: Researcher's Computation using Eviews 9. P values are in parenthesis
"**" and "***"Represent that the variable is integrated at 5% and 1% respectively

In table 4.5, all the variables in the three 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).

4.2.3   Cointegration Test
Table 4.6 Unit root test on the error term

Equations	Nigeria	Ghana	South Africa
	ADF at level for error term	ADF at level for error term	ADF at level for error term
LOGEXPT EQUATION	-3.4380*** (0.0020)	-2.7545** (0.0092)	-0.4457 (0.5053)

Source: Researcher's Computation using Eviews 9. P values are in parenthesis
"**" and "***"Represent that the variable is integrated at 5% and 1% respectively

Variable	Nigeria		Ghana		South Africa	
	ADF at Level	ADF 1st DIFF	ADF at Level	ADF 1st DIFF	ADF at Level	ADF 1st DIFF
Logfdi	-1.6392 (0.4362)	-3.5179** (0.0227)	-0.8149 (0.7853)	-4.1255** (0.0161)	-1.9091 (0.3196)	-4.5463*** (0.0044)
Logtop	-1.4685 (0.5230)	-3.8509** (0.0122)	-2.5969 (0.1182)	-3.7019** (0.0073)	-1.9269 (0.3127)	-3.6638** (0.0173)
Inf	-2.1439 (0.2321)	-5.9945*** (0.0003)	2.9580 (0.0607)	-3.6185** (0.00229)	-2.8178 (0.0827)	-4.0153*** (0.0090)
Logexpt	-1.6274 (0.4466)	-5.3399*** (0.0008)	-0.5497 (0.8548)	-4.2645*** (0.0057)	-0.7177 (0.8148)	-3.4617** (0.0251)

This was conducted to ascertain whether the variable have equilibrium relationship or not. From table 4.6, Nigeria and Ghana had equilibrium relationship (cointegrated) at 1 percent and 5 percent respectively (P value < 0.05). The null hypothesis for no cointegration was rejected for the variable in the two countries. For South Africa, export do not have equilibrium relationship hence no cointegration was not rejected as the p value > 0.05

4.2.4 Error Correction Estimates Result

Table 4.7 Error Correction Estimates the impact of FDI on Export (EXPT) of Nigeria, Ghana and South Africa.

Countries	Nigeria		Ghana		South Africa	
Variable	Coefficients	P-value	Coefficients	P-value	Coefficients	P-value
Constant	0.16895	0.2763	0.052212	0.0958	0.016702	0.4318
Dlogfdi	0.41069	0.4341	0.024633	0.5829	-0.000498	0.9667
Dinf	-0.02342	0.2869	0.003697	0.2262	0.000310	0.9568
Dlogtop	-0.15065	0.6938	0.930157	0.0000	1.105574	0.0006
Dummy	-0.26457	0.2215	0.020596	0.6105	0.011438	0.6483
Dummy*dlnfdi	-0.36142	0.6070	0.033463	0.7250	0.001651	0.9164
Error(-1)	-0.8060	0.0738	-0.419875	0.0454	NA	NA
R^2=0.846068 Adjusted R^2== 0.743446 F-Stat=; 8.244547Prob(F-stat.)=0.003010			R^2=0.960419 Adjusted R^2==0.934031 F-Stat=36.39674 Prob(F-stat.)= 0.000008		R^2=0.733934. Adjusted R^2=0.600901 F-Stat= 5.516941; Prob(F-stat.)=0.010748	

Source: Researcher's computation, 2018.

In table 4.7, FDI is positively related to export in Nigeria and Ghana with coefficient of 0.41069 and 0.024633 respectively but negatively related to export in South Africa with coefficient of -0.000498. However, it did appear that FDI does not have significantly effect on export in all the countries studied (p-value of0.0.4341, 0.5829 and 0.9667 for Nigeria, Ghana and South Africa respectively). Inflation also was negatively related to export in Nigeria (coefficient. of -0.02342) but positively related to export in Ghana and South Africa (0.003697 and 0.000310 respectively). 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 except for Nigeria and except for Nigeria significantly impacts on it too in all the countries studied. The result shows that degree of openness has highest explanatory power in South Africa where there exist almost one-to-one relationship between openness and export. The proportion of change in export as explained by openness is higher in Ghana relative to Nigeria.

The coefficient of interactive dummy (dummy multiplied by FDI) is not significant in any of the countries (p-values of0.6070, 0.7250 and 0.9164> 0.05). This means that for all the countries, the effect of FDI on export remained the same in both the pre-IFRS and post-IFRS.

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. However, in South Africa no co-integrating relationship exist in the export equation as already described in the table 4.6
The adjusted R^2 were 0.7434, 0.9340 and 0.6009 for Nigeria, Ghana and South Africa respectively. This implies that 74, 93 and 60 percent changes in exports of Nigeria, Ghana and South Africa respectively were as a result of the effect of the explanatory variables while the balance 26, 7 and 40 percent for Nigeria, Ghana and South-Africa respectively were 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 0.0031,0.000008 and 0.01075 for Nigeria, Ghana and South Africa as all were < 0.05.

For Nigeria Ghana and South Africa, the p-values for the coefficients of multiplicative dummy were0.6070, 0.7250and 0.9164 and weresignificantly 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 the pre and post-IFRS adoption periods in Nigeria, Ghana and South Africa.

4.3 Discussion of Findings

Discussions of findings were done in relation to the objectives of the study.

Objective 1 To ascertain the contribution of tax incentives to FDI inflows in Nigeria, Ghana and South Africa

From the empirical review, it was concluded that tax incentives usually have positive relationship with FDI. 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 condition could be due the fact African countries 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.

Objective 2 To establish the effect of FDI on exports, in pre and post-IFRS adoptionperiods in Nigeria, Ghana and South Africa
The results of the analysis of data revealed that FDI had no significant effect on the exports of Nigeria, Ghana and South Africa. It is worthy of note that while the effect of FDI on export of South Africa was negative and insignificant, that of Nigeria and Ghana positive. Their p-values were 0.4341, 0.5829 and 0.9667 for Nigeria, Ghana and South Africa respectively. All their p-values were found to be greater than 0.05 at 5 percent significance level. There was no significant difference in the effect of FDI on exports of all the countries of study in their pre and post-IFRS adoption periods.

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 that 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 et al (2014), and

Barua (2013) and in Nigeria by Enimola (2011), and Olayiwola and Okodua (2013) and in Ghana by Abor et al (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 demand were export-oriented. FDI improves exports by industrial linkages, spill-over effects and stimulating demand for domestic enterprises (Jayakumar et al 2014). Product upgrading may occur such that those goods may become of standard quality for exports as well(Harding &Javorick, 2011).

The non variation in the pre and post IFRS adoption era could be attributed to insignificant change in the stream of FDI inflow following IFRS adoption. This is in agreement with the finding of Ugwu(2017).

5.1 Summary of Findings
The following were revealed from the study:
1. Tax incentives have positive effect on FDI inflow in Nigeria, Ghana and South Africa.

2. FDI had no significant effect on the exports of Nigeria, Ghana and South Africa. FDI on South Africa's export was negative and insignificant, that of Ghana and Nigeria were positive but insignificant. Their p-values were 0.4341, 0.5829 and 0.9667 for Nigeria, Ghana and South Africa respectively (all their p-values > 0.05 at 5 percent level of significance). There was no significant difference in the effect of FDI on exports of all the countries of study in their pre and post-IFRS adoption periods. Nigeria, Ghana and South Africa, had the p-values for the coefficients of multiplicative dummy were 0.6070, 0.7250and 0.9164 respectively which were significantly > 0.05.

5.2 Conclusion

From the findings, the research concludes that tax incentive policies of the countries of study which were targeted towards FDI attraction were steps in the right direction. Tax incentives if properly managed and sustained would help in attraction of investment. There is also no significant variation in FDI inflow into export oriented industries in the pre and post IFRS adoption periods of the three countries, namely: Nigeria, Ghana and South Africa.

5.3 Recommendations

1. Government of the three countries of study should add more and sustain tax incentivepolicies as they help in the attraction of the much needed FDIin export oriented industries which would enhance economic growth and development.
2. 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 companies by these countries is thus advocated. South Africa should approach FDI with utmost caution and ensure that it is export oriented.

5.4 Implications of the Findings

The conclusion that tax incentives would leads to increase in FDI inflow into the countries of study implies that the more corporate tax rate is reduced as well as increase in other tax incentives the more FDI inflow into those countries. When significant level of FDI inflow have been achieved, the effect on export would become significant.

It was equally established that FDI had no significant effect on the exports of Nigeria, Ghana and South Africa with FDI of South Africa having negative and insignificant effect on her exports that, of Ghana and Nigeria had positive but insignificant. This signals that the contribution of FDI to changes in export of those countries could be seen as being immaterial. Their p-values were 0.4341, 0.5829 and 0.9667 for Nigeria, Ghana and South Africa respectively (all their p-values > 0.05 at 0.05 level of significance).

5.5   Contributions to Knowledge

It is to the knowledge of the researcher the first study to link the effect of tax incentives on FDI and sought to ascertain the effect of such FDI on exports or three countries (Nigeria, Ghana and South Africa) after their adoption of IFRS, using descriptive and dummy variable techniques as tools of analyses.

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