Investigating the Impact of Tax Incentives and Infrastructural Support on Entrepreneurship Attraction and Development in Nigeria

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Abstract

This paper assesses the impact of tax incentives and infrastructural development on entrepreneurship in Nigeria. To achieve the set objective, primary data was used through administered questionnaire. The collected data was empirically analyzed using descriptive analysis and the Kendall's tau_b"t" non-parametric statistics correlation coefficient given that the study is about the strength of the relationship between tax incentives and entrepreneurial development on one hand and infrastructural support for entrepreneurship development on the other hand. A sample of two hundred and twenty seven (227) respondents drawn from entrepreneurs in the agriculture, telecommunication, service and manufacturing sectors were used to conduct the study. The outcomes of the study show that there is negative and no significant relationship between tax incentives (pioneer status, export incentives and general incentives) and entrepreneurship in Nigeria and that there is positive and no significant relationship between infrastructural development and entrepreneurship in Nigeria. It was recommended based on the research outcomes that there is urgent need for government to provide adequate infrastructural development in Nigeria; and tax incentives to entrepreneurs should be robust and meaningful. Furthermore, the current tax incentive schemes must be seen to be beneficial to entrepreneurs as well as support economic growth of the country

Keywords: *tax incentives, infrastructural support, entrepreneurship, pioneer status, export incentive*

1. Introduction

Tax incentives and exemptions are global fiscal measures used by many countries of the world for various reasons depending on their level of economic growth and development as well as anticipated political objective which the government aimed at achieving to fulfill her political manifestoes and its part of the social contract. Tax incentives generally are reliefs and exemptions granted by government to individuals or companies to encourage and attract them to invest in a particular sector of the economy (Osirim, *et al;* 2024). UNCTAD defines tax incentives as any incentives that reduce the tax burden of any party in order to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime and may include, reduced tax rates on profits, incomes, tax holidays, accounting rules that allow accelerated depreciation and loss carry forward for tax purposes, and reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market.

Generally, tax incentives are provisions in the tax legislation that grants any person or activity favorable conditions that deviate from the normal tax statutes. Dotun (1996) sees tax incentives as measures adopted by the government to deliberately manipulate the tax system to the advantage of potential taxpayers. These incentives might trigger tax leakages and revenue loss in the system. Tax expenditures refer to revenue losses that a government incurs by providing tax exemptions, deductions or allowances, tax credits, preferential tax rates or deferral of tax payments legally to any party in the economy (Gruber, 2005). As fiscal policy tools for macro-economic development, tax and tax incentives are measures that provide for a more favourable tax treatment of certain activities or sectors compared to what is granted to general industry. Tax incentives are created by government to encourage a stable macro-economic development, but this has failed (Klemm, 2009). Randle (2000) argued that the failure of tax incentives is due to poor state of infrastructural development. There are evidences supporting the assertion that tax incentives work only when certain pre-conditions including infrastructures are put in place and there is a correct design for such incentives. However, the benefits are doubtful if their costs are taken into account. (klemm, 2009; Bazo 2008).

Countries offering tax incentives may benefit through non economic gains from industrialization, creation of jobs, transfer of technology and training and an increase in tax revenues if the entities will exist in the long run and pay taxes (Gray, 1987). Some researchers have also concluded that investment decisions are fairly sensitive to tax incentives and therefore they suggest that the tax policy is a powerful tool in determining investments flow (Gruber, 2005). These benefits are meant to contribute to higher economic and employment growth rates and reduce poverty levels. According t Bazo (2009), tax policies including tax incentives are expected to be beneficial from a tax stand point, but sometimes they are not, though they favour the nation’s economy through the creation of jobs, environmental investment, construction, infrastructure and creating an overall improvement in the economy which may reduce poverty.

The main problem and argument of this study is whether or not tax incentives are the right approach to solve the issue of poverty, unemployment and entrepreneurial deficiency especially where there is no model for evaluating the impact of tax incentives on investments. Systematic and focused guidance to execute tax incentives to achieve the intended economic objectives is lacking and most of the tax policy directions executed overtime in Nigeria are based on trial and error (Bazo, 2008) and political considerations. Therefore, a research aimed at investigating the impacts of tax incentives and infrastructures on entrepreneurial attraction and development in Nigeria is most needed and this study fills such missing gap of non-conclusive evidence of the effect of tax incentives and infrastructure on entrepreneurship attraction.

1.2 Objectives of the Study

The main objective of the study is to investigate the effect of tax incentives and infrastructural development on entrepreneurship attraction in Nigeria. Four specific objectives were identified to achieve the broad objective.

i. To investigate the extent to which export tax incentives could affect entrepreneurship attraction and development in Nigeria.

ii. To investigate the extent to which pioneer status to businesses could affect entrepreneurship attraction and development in Nigeria.

iii. To investigate the extent to which general tax incentives could affect entrepreneurship attraction and development in Nigeria.

iv. To investigate the extent to which provision of infrastructure could affect entrepreneurship attraction and development in Nigeria.

2.1 Conceptual Review

Tax Incentives and Entrepreneurship

Government imposes taxes on the public to raise sufficient funds to finance its obligations and campaign promises to the people. However, in order to achieve certain sustainable and growth economic objectives, tax and other levies are waived in some economic areas to individuals or businesses in what is known as tax incentives and exemptions. Tax incentives are special exclusions or deductions from income tax or other taxes offered by government to taxpayers to attract them to engage in specified activities. As a social development tool, tax incentives could boost the capacity utilization of corporate entities leading to the creation of more jobs, social equilibrium and stability (Osirim , *et al*; 2024). Tax incentives are a tax system of concession and it is meant to reduce the burden on business enterprises and promote entrepreneurship (Gurtner & Christensen, 2008). Entrepreneurship attraction and development do not come cheap as they involve pioneering efforts which is very difficult to navigate due to unforeseen circumstances and economic uncertainties. This is one of the key reasons for the introduction of tax incentives by government to encourage investors and entrepreneurs to boost production (Onwubiko , 2008, Garba, 2010).

Tax incentives are one of the approaches the Nigerian government has used for entrepreneurship attraction and development. As asserted by Okauru (2009), tax incentives are one of the approaches to encourage small scale development in Nigeria. These assertions corroborate the position of Osirim, *et al* (2024) which is of the view that tax incentives are expected to encourage and increase the growth of small and medium size business as well as to motivate and encourage business to make financial contributions and invest in activities the government considers socially and economically important. For Klem (2009), tax incentives are all measures that provide for a more favourable tax treatment of certain activities or sectors compared to what is granted to general industry. Under this description, a general reduction in the rate of tax or a general concession in form of generous depreciation scheme to all businesses would not fit into the description of tax incentives

While tax incentives may be appealing to entrepreneurs and investors, it comes with a cost to the government. It might result in a huge loss of revenue to the government if it is not well focused and analyzed. It could also be a source of tax avoidance/evasion for some entrepreneurs/investors; and it could complicates the regular business tax legislations (Osirim, *et al*; 2024). In as much as the government would starve itself of the revenue that it would have collected from tax if tax incentives and exemptions were not extended to entrepreneurs, the logic of the sacrifice is that the momentary loss in revenue would yield higher, social, economic and political gains in the long term through improved productivity, creation of employment and lower prices for goods and services (Stanley, Surrey & McDaniel, 1985). Tax incentives available to entrepreneurs and investors in Nigeria include pioneer status, tax incentives to exporters, general tax incentives in form of capital allowance, loss reliefs, lower tax rates for medium sized businesses, tax exemptions for small businesses among others.

Infrastructures and Entrepreneurship

Shaw (2004) defined entrepreneurship as an attitude, and a way of thinking and learning. It is a way of perceiving and exploring opportunity wherever it may be found. It is thus an innovative mentality rather than business administration. Sustainable economic development is about meeting the basic needs of the citizenry with dignity, growth and development. It is a conscious effort to help a community to appreciate its potentials and use it with the aid of the provision of technical, infrastructure and an enabling environment for development (Inyang & Simon, 2012). It is arguable that entrepreneurship attraction and investments are low in Nigeria due to lack of quality infrastructure like electricity. It is argued that improvement in power, transportation among others would transform the entrepreneurial space in Nigeria.

2.2 Theoretical Review

Neoclassical Theory – The Solow Growth Model

This study is anchored on the neo-classical theory commonly referred to as The Solow Growth Model. This theory**b** after Robert (Bob) Solow and Trevor Swan was said to be a great improvement on Harrod-Domar model on economic growth and development. The model states that economic growth is derived from an increase in capital and labour inputs, ideas and new technology. He observed that a sustained rise in capital investment through entrepreneurial development increases the growth rate only to a certain level then the growth rates start declining because of the law of diminishing returns; that is, as the ratio of capital to labor increases, the marginal product of additional units of capital decreases and hence the economy will adjust back to a steady state growth path, with real GDP growing at the same rate as the growth of the workforce plus a factor to reflect improving productivity (Begg *et al*, 2005). A steady state of growth refers to a situation where output, capital and labor are all growing at the same rate, so output per worker and capital per worker are constant. Neo-classical theorists state that to raise the rate of economic growth, an increase in the labor supply and a higher level of productivity of labor and capital are fundamental and differences in the levels of technological advancements between countries explain the variations in growth rates observed in the world today. Technological advancements not only increases incomes due to increased production but also transform lives through new product and process inventions (Lipsey & Chrystal, 2007).

2.3 Empirical Review

Various studies have been conducted and concluded by scholars both in the developed and less developed countries on tax incentives and their influence on investments, entrepreneurship and economic growth. Studies performed in Africa suggest that most countries are competing against each other in giving more attractive tax incentives and exemptions in form of free trade zones, tax holidays and other incentives as is the case in Nigeria so as to attract more foreign direct investments and other benefits to their countries but whether or not they are meeting the intended aim is another issue entirely.

A study by Babatunde (2014) on significance of tax incentives and infrastructural development on entrepreneurship in Nigeria showed that tax incentives do not have significant effect on entrepreneurship development in Nigeria and the relationship is negative. It also shows that infrastructure does not support entrepreneurship development in Nigeria. Saidu (2014) adopts content analysis and chi square approach in investigating the level of significance between tax incentives, economic growth and industrial development. Findings indicate that tax incentives improve economic growth and industrial development. The study carried out by Abdul, *et al;* (2018) on tax incentives and entrepreneurship shows that tax incentives has a significant and positive effect on entrepreneurship in Nigeria. The study thus recommends that incentives should be granted to improve entrepreneurship activities but in granting such incentives the principles of taxation should not be disregarded.

Sule, *et al*; 920220 investigated the impact of tax incentives on industrial development in Nigeria between 1985-2020 employing secondary data sourced from the Central Bank of Nigeria, the Federal Inland Revenue Services and the National Bureau for Statistics. The multiple regression result produced showed that companies income tax has a negative impact on industrial development while the lag of industrial output, value added tax and gross domestic product have a positive impact on the industrial output during the period covered. The study recommends that certain taxes should be waived for firms at the early stage of their take off and available tax incentives should be legalized and made known to all.

Tasie and Akinyomi (2018) investigated the effect of tax incentives on the performance of small-scale enterprises using descriptive analysis technique via the administration of questionnaire. Chi-square was used to test the stated hypotheses and the research outcomes indicate that tax incentives have a significant positive effect on the profitability, staff strength and the growth and development of small and medium size companies. The study recommends a periodic review of tax incentives to reflect prevailing economic circumstances. Raphael, *et al;* (2019) carried out a study on attracting foreign direct investment in Nigeria through effective tax policy incentives using multiple regression analysis. The results indicate that the cost based tax policy had some stronger effect on foreign direct investment compared to profit based tax incentives. The study recommends the adoption of both tax based and non-tax based incentives to attract foreign direct investment and encourage domestic entrepreneurs to grow.

Alexander and Van Parys (2009) in their study considered two empirical questions about tax incentives :(i) are incentives used as tools of tax competition and (ii) how effective are incentives in attracting investment? To answer the question, they prepared a new data base of tax incentives in over 40 Latin American, Caribbean and African countries for the period 1985-2004 using spatial econometrics techniques for panel data. Evidence indicates a strategic interaction in tax holidays, in addition to a well known competition over company income tax rate. They found no evidence however for competition over investment allowances and tax credits. Using the dynamic panel data econometrics to answer the second question, they found evidence that lower company income tax rates and longer tax holidays are effective in attracting foreign direct investment, but not in boosting gross private fixed capital formation growth.

An investment policy study conducted in Botswana by the OECD (2003) on its investment policy supports the view that tax incentives are not a major foreign direct investment attraction factor. Botswana was one of the poorest countries of the world but after few decades it had one of the fastest economic growth rates in the world and its now an upper middle- income developing economy with its growth progress catalyzed by the discovery of rich and profitable deposits of diamonds in 1967, which initiated a process of structural change that is, from an economy heavily dependent on low productivity in agriculture to an economy dependant on mining and services sectors. Its growth performance is owed to the good management of natural resources and good governance which have created a good and stable political and economic environment. Most of its mineral revenues as well as foreign aid were invested in health, education and infrastructure which created proper foundations for long-term growth and also a strong saving culture was established for any excesses and this has ensured a long-term macroeconomic environment conducive to a sound investment climate, a rare feat for any developing country. The Financial Assistance Policy was the main incentive that the Botswana government offered to investors which provided financial grants to encourage investment and employment in non-traditional sectors. Initially the scheme focused on manufacturing and non-traditional agriculture, but expanded over the years to include tourism, small-scale mining and related service businesses. This program was however, abolished in the year 2000, following a highly critical evaluation of its rationale, effectiveness and administration. It was established that fewer than 40% of medium and large-scale projects receiving grants were either 100 per cent foreign-owned or joint ventures and that the scheme was too generous and was bound to attract unscrupulous investors who could not be identified through evaluation procedures. Evaluation of the incentive scheme found little evidence that the FAP grants were a crucial factor in attracting foreign investors although one investor found the scheme to be very helpful in providing working capital during a period of rapid growth (UNCTAD, 2003)

The OECD (2007), research on Tax Incentives and FDI performance in the MENA region showed that there are various incentives offered in MENA countries but those incentives were not very effective in attracting investment but rather, investors preferred transparency, simplicity, stability and certainty in taxation policies. The ability of tax incentives to attract foreign investment is relatively low compared to the possible negative effects. There are more efficient and effective alternative ways to increase investments and achieve economic growth rather than focusing on tax incentives like increase spending on human capital in a country (Beardshaw *et al*, 2001). The CIAT task force on Tax and Development suggested that tax incentives erode the revenue base for developing countries reducing significantly the resources available for public investment on infrastructure, education and security, factors that are considered to be key drivers in making decisions on the location of investments. The report established that developing countries are responding to pressure from investors and other competing nations in giving tax incentives and the result is often a “race to the bottom,” in which countries in a region are made collectively worse off, possibly to the benefit of investors, findings also supported by Irish, 1978.

In its research on Tax incentives for Investments in MENA and Non-MENA countries, The OECD (2007), established that generous tax incentives cannot compensate for a poor business environment. Where in particular, there is a lack of good infrastructure such as transport, unreliable and expensive electricity supply and poor education, economic growth is bound to be very slow and most tax incentives offered will mainly erode the tax base, resulting in low tax revenues rather than increase the flow of investments to a country. Mauritius, Costa Rica, Ireland and Malaysia were examples of countries which were able to attract investments without giving tax breaks and instead focused on ensuring stable economic and political conditions, a well educated labor force, good infrastructure, open trade for exporters, dependable rule of law, and effective investment promotion systems to attract investors. This also has been supported strongly by policy reviews done in countries which have been able to change their investment strategies and spur economic growth a good example being Botswana.

A recent study conducted by the Action aid group (2013) in Zambia on The human cost of a British sugar giant avoiding taxes in Southern Africa proved that Zambia was a mirror of a problem present across Africa and beyond where countries, both rich and poor, are struggling to tax globally mobile profits and capital and giving special tax breaks to investors, and as a result they are losing tax revenues that might otherwise be available for the fight against poverty. The government has however, initiated policies to limit its revenue losses by reducing extreme generous capital allowances, particularly in the mining sector which is a first step in its review of tax breaks and incentives granted to big companies across all sectors. Considering the poverty levels in Zambia, the revenues could go a long way in enabling the country meet some of its development goals.

The use of tax incentives will continue in most developing because many countries feel that failure to offer them will have an adverse effect on FDI flows because the same incentives are also widely available in other developing countries and also because tax incentives appear to offer the simplest feasible way of attracting foreign investments irrespective of the cost implications (Irish, 1978). If countries are to eradicate poverty and hunger, then they will need to do so by increasing their own public finances mainly through increased tax revenues. Poverty cannot be eradicated if developing countries are unable to raise adequate revenues to provide for the needs of their own citizens and drive economic growth in their own countries (Action aid, 2013).

3.1 Methodology

Given the descriptive nature of this study which is focused on entrepreneurs in Port Harcourt metropolis involving perception of a large population of participants, survey design is adopted for the study. The population of the study comprises all small scale entrepreneurial industries in Port Harcourt metropolis. There are around 1,200 registered SMEs in Port Harcourt and the adopted sample size was 300. The sample size was determined using the Slovin's formula which was also adopted by Unam (2012) and Babatunde ((2014) in a similar study: $n= N/\{ 1 + N (e)^2\}$

N = Population = 1,200
e = margin error of 5%
$n = N/\{ 1 + N (e)^2\}$
$n = 1,200/\{1 + 1,200 (0.005) 2\}$

n = 1200/1 + 1,200 (0.0025)
n = 1,200/ 1 + 3
n = 1,200/4
n = 300

The population of the study was selected based on the around 1,200 registered SMEs in Port Harcourt and 2,634 SMEs in Rivers State registered with the Rivers State Ministry of Commerce and Industry in 2019.

3.3 Research instrument
For the purpose of this study, a questionnaire in five-point Likert scale stated and interpreted with points of agreement as Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1) was adopted. The questionnaire was designed in such a way as to provide vital answers for the research questions and hypotheses testing. Twelve (12) statements of assertion and open-ended questions which made up the research instrument was subjected to content validation with co-lecturers to ensure that the content of the instrument measures the variables investigated in the study.

Table 1: Sampling of Entrepreneurs in Five Business Clusters of Port Harcourt Metropolis

Description	**Trans – Amadi**	**Onne/ Eleme**	**Elelenwo/ Rumuomasi/Woji**	**Borikiri/Diobu**	**Rumukrushi/Rumuola**	**Total**
Population	95	80	75	50	35	335
Sample & copies of administered questionnaire	88	74	64	44	30	300
Copies of questionnaire returned	60	62	58	38	25	243
Copies of questionnaire rejected	4	2	6	1	3	16
Copies of questionnaire analyzed	56	60	52	37	22	227

Source: Field Survey 2023

Table 2: Job Sectors of Respondents

	Frequency	Percentage	Cumulative Percentage
Formal Sector	52	22.91	22.91
Informal sector	175	77.09	100
Total	227	100	

Source: Field survey 2023

Copies of the questionnaire were distributed to three hundred (300) respondents. Two hundred and forty three (243) copies were retrieved and two hundred and twenty seven (227) were adequately analyzed. By job sector of respondents, the informal sectors had the highest number of copies of the questionnaire, 175 representing 77.09% of the total questionnaire analyzed.

3.4 Hypotheses Formulation

Four hypotheses stated in null form were formulated to match the four specific objectives of the study earlier stated.

Hypothesis 1 (Ho_1): An Export tax incentive does not have a significant relationship with entrepreneurship development in Nigeria.

Hypothesis 2 (Ho_2): Pioneer status to businesses does not have a significant relationship with entrepreneurship development in Nigeria.

Hypothesis 3 (Ho_3): General tax incentives do not have a significant relationship with entrepreneurship development in Nigeria.

Hypothesis 4 (Ho_4): Infrastructural support does not have a significant relationship with entrepreneurship development in Nigeria.

Decision Rule: The test of hypotheses was performed at a 95% confidence interval and the decision rule is as stated:
Where p-value < 0.05 = reject the null hypotheses
Where p-value > 0.05 = accept the null hypotheses

Table 3: Correlations between entrepreneurship, tax incentives and infrastructural development

			ENTREPRE-NEURSHIP	EXPORT TAX INCENTIVES	PIONEER STATUS	GEN. TAX INCENTIVES	INFRAC. DEV.
Kendall's tau_b	ENTREPRE-NEURSHIP	Correlation Coefficient	1.000	-0.030	-0.026	-0.035	0.036
		Sig. (2-tailed)	-	0.512	0.601	0.528	0.564
		N	180	180	180	180	180
	EXP. 'TIVES	Correlation Coefficient	-0.030	1.000	-0.057	-0.044	-0.055
		Sig. (2-tailed)	0.512	-	0.246	0.232	0.213
		N	180	180	180	180	180
	PIONEER 'TIVES	Correlation Coefficient	-0.026	-0.057	1.000	-0.041	-0.038
		Sig. (2-tailed)	0.601	0.246	-	0.232	0.232
		N	180	180	180	180	180
	GEN. TAX 'TIVES	Correlation Coefficient	-0.035	-0.044	-0.041	1.000	-0.047
		Sig. (2-tailed)	0.528	0.232	0.232	-	0.310
		N	180	180	180	180	

	INFRAC. DEV.	Correlation Coefficient	0.036	-0.055	-0.038	-0.047		1.000
		Sig. (2-tailed)	0.564	0.213	0.213	0.310	-	
		N	180	180	180	180		180

Source: Field Survey 2023

4.1 Test of Hypotheses and Discussion of Findings

Hypothesis 1: The result of the tests of hypothesis in Table 4.1 shows that there exists a negative and non-significant relationship between exports tax incentives and entrepreneurial development in Nigeria at a correlation of -0.030 at 0.512 > 0.05 level of significance. Therefore, this study accepts the null hypothesis and conclude s that there is no significant relationship between export tax incentives and entrepreneurial development in Nigeria..

Hypothesis 2: The outcomes of the test hypothesis in Table 4.1 shows that there exists negative and insignificant relationship between pioneer status incentives and entrepreneurial development in Nigeria at a correlation of 0.026 at 0.601 > 0.05 level of significance. Therefore, this study accepts the null hypothesis and concludes that there is no significant relationship between pioneer status incentives and entrepreneurial development in Nigeria.

Hypothesis 3: The result of the tests of hypothesis in Table 4.1 predicts the existence of a negative and insignificant relationship between general tax incentives and entrepreneurial development in Nigeria at a correlation of -0.035 at 0.528 > 0.05 level of significance; leading to the acceptance of the null hypothesis. The study thus concludes that there is no significant relationship between general tax incentives and entrepreneurial development in Nigeria.

Hypothesis 4: The result of the tests of hypothesis in Table 4.1 evidences a positive but insignificant relationship between infrastructures and entrepreneurial development in Nigeria at a correlation of 0.036 at 0.564 > 0.05 level of significance leading to the acceptance of the null hypothesis. The study thus concludes that there is no significant relationship between infrastructure and entrepreneurial development in Nigeria.

4.2 Discussion of Findings

First, majority of the respondents were of the opinion that SMEs operators (businesses engaged in repairs of vehicles and engines, restaurants, tailoring and beauty/hair dressing, etc) do not have increased access to basic socio-economic amenities to encourage entrepreneurial development. Secondly, the results of the hypotheses (1-3) are not unexpected and they are not standing in isolation as they corroborate the findings in Klem (2009); Valenduc (2009); Gutner and Christensen (2008); Gupta and Hofmann (2003) and Babatude,(2014). Besides, the finding in hypothesis 4 agrees with that of Adejimola and olufunmilayo (2009); Bazo (2008) and Babatunde (2014). These results evidenced that tax incentives in the form of export incentives, pioneer status incentives and general tax incentives have to be re-evaluated by the Nigerian policy makers as the objectives intended in granting these incentives to entrepreneurs and businesses are yet to be achieved. The outcomes call for a concern as it points out clearly that the National Tax Policy and other economic development reforms have not really produced the expected benefits especially as pertaining entrepreneurship attraction and development. The study clearly shows that entrepreneurship attraction and development require infrastructures benefits and development in Nigeria and this is lacking. One of the possible causes of poor entrepreneurship development and unemployment in Nigeria is that tax incentives initiatives in Nigeria addresses only the output end of capacity development and not the input end. According to Adejimola and Olufunmilayo (2009) and Bazo (2008), to address the input of capacity building, a complementary approach in form of infrastructures and self-employment may be required. The study thus summarizes and concludes that tax incentives do not have significant influence on entrepreneurship attraction and motivation in Nigeria and the relationship is negative. Evidence also indicates that infrastructures do not significantly support entrepreneurship attraction and development in Nigeria. However, the relationship is positive. These findings to a large extent support that of the OECD (2007) which established that generous tax incentives cannot compensate for a poor business environment. Where in particular, there is a lack of good infrastructure such as transport, unreliable and expensive electricity supply and poor education, economic growth is bound to be very slow and most tax incentives offered will mainly erode the tax base, resulting in low tax revenues rather than increase the flow of investments to a country.

5.1 Recommendations

Based on the findings and the conclusion drawn, it is recommended that:

1. Government should have a rethink and develop a tax incentives policy that meets the peoples' expectations especially the expectations of Small and Medium Scale enterprises. This becomes necessary as the study outcomes indicate that pioneer status, export and other general tax incentives have not really improve entrepreneurship in Nigeria.

2. There should be a relentless campaign and orientation and support from government and government agencies towards the youths, the unemployed and the would-be entrepreneur on the need for self dependence in entrepreneurship towards wealth creation and poverty reduction.

3. Funding of infrastructure to boost attraction into entrepreneurship is another aspect that government should also look into. As responses from respondents indicate that there is no adequate infrastructure to support entrepreneurship development in Nigeria.

4. Instead of government and government agencies to grant tax incentives to business arbitrarily, they should be more focused on ensuring stable economic and political conditions, an improved human capital development, a well educated labor force, good infrastructural development, open trade for exporters, ease of doing business, dependable rule of law, and effective investment promotion systems to boost entrepreneurial development.

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