

# Petroleum Profit Tax and Foreign Direct Investment in Nigeria

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## Abstract

**Purpose:** The main objective of this study was to assess the impact of Petroleum Profits Tax on Foreign Direct Investment in Nigeria.

**Methodology:** The design selected for this study was ex-post. Data used for the analysis was obtained from the Central Bank Statistical Bulletin and the Federal Inland Revenue Service Annual Reports. To achieve this objective, a model based on empirical and theoretical studies was formulated. In this model, foreign direct investment inflows into Nigeria were used as the dependent variable and Petroleum Profits Tax was used as the independent variable in the model. The study used the Fully Modified Least Squares (FMOLS) model for data analysis.

**Results:** The findings from this study indicate that the Petroleum Profits Tax has a significant negative impact on foreign direct investment in Nigeria with the P-value of the study being 0.0078. From the conclusion the researcher concluded that the tax has a significant negative impact on foreign direct investment in Nigeria. Based on the above, the researcher recommended that the government and relevant monetary authorities review the tax policy by reducing tax rates and providing tax incentives and tax relief to companies operating in the downstream sector in Nigeria to encourage further investment in Nigeria.

**Originality:** This study is overall original and novel and the above-mentioned author is the sole author of this paper.

**Keywords:** Taxation, Central Bank of Nigeria, FMOLS, Foreign Direct Investment, Petroleum Profits Tax, Tax Relief.

## Introduction

### Background to the Study

One of the true sources of revenue for a country's government is taxes. Taxes provide a means for governments to obtain revenue for their expenditures. For governments to collect taxes, they must create a supportive environment in terms of providing security and infrastructure that allows businesses to thrive. To the extent that taxes generate revenue for the government, they must follow certain principles so that taxpayers can pay without feeling resentment or burden [1]. Ability to pay must be taken

into consideration. It is important to note that a government's tax policy can affect the number and type of investors in a country, which can affect revenue generation and the overall performance of the economy and deter potential foreign investors. An optimal tax policy can attract and encourage foreign direct investment in the country. Taxes are not only a means of government revenue but can also be used to regulate the economy and redistribute income by imposing higher taxes on high income earners and lower taxes on low-income earners [2]. Taxes are mandatory contributions from the state to its citizens. An efficient and ef-

fective tax system can ensure basic needs and services within the country, attract foreign direct investment, achieve economic growth, achieve a fair distribution of income and wealth, and maintain a balance in the economy [3].

Nigeria today has a number of factors that prevent adequate inflow of foreign direct investment. These include insurgency, kidnapping, corruption, tax rates, tariffs, weak public institutions, poor external image, etc. On the other hand, while foreign direct investment provides capital, new technology, marketing, and management, it can also reduce domestic savings, entrepreneurship, and investment rates, which in turn inhibits competition through exclusive product agreements with host governments and prevents the country from capturing much of the value that benefits the host economy. According to, Nigeria has been stimulating economic growth by using tax revenues from various tax policies aimed at attracting foreign investors in the form of foreign capital and technology transfer. To generate revenue, the Nigerian government imposes taxes such as corporate tax, petroleum profits tax, customs duties, and excise duties. The questions are about the taxation system in Nigeria. How do these taxes affect the perception of foreign companies investing in Nigeria? The objective of this study is to find out whether this tax policy will lead to an increase or decrease in foreign direct investment in Nigeria.

### Research Questions

The following are the research questions for this study:

- i. What is the relationship between the petroleum profits tax and the amount of foreign direct investment in Nigeria?

### Research Hypothesis

The following null form hypotheses will serve to guide the study: H01: Profit tax on petroleum has no significant relationship with the amount of foreign direct investment in Nigeria.

### Concept Review

#### Taxation

It is simply a tax levied by a state on the income, assets, capital gains, goods and services, and property of individuals and businesses. Taxation involves coercion; taxpayers have to pay taxes whether they want to or not. Once a tax is collected, individuals have no right to choose whether to pay it or not, except of course by illegal means such as tax evasion [4]. As a fiscal policy tool, taxes play four economic roles in the development of a nation and a state: (i) They help in redistributing resources from private needs to public needs. (ii) Taxes are very often used as part of a general policy tool for governance. (iii) Taxes can be used to promote economic growth. In most developing countries where personal savings are low, taxes are able to finance the investment required. (iv) Taxes can be, and often are, used as a tool to promote social justice through the redistribution of wealth and income. Through various tax and subsidy systems, countries can promote a more equal society.

#### Importance of Taxation

The benefits (effectiveness and efficiency) of taxes can be measured using several parameters, such as the revenue generation potential and their impact on consumption and saving behavior in the economy. Different types of taxes may be subject to this measurement, although the entire tax system cannot be measured

comprehensively. Taxes play an important role in an ideal economy, for example as a tool to generate revenue to cover expenditure. It is used to generate government revenue for the state to cover expenditure and provide services and infrastructure such as schools, hospitals, roads, and also to provide social benefits to individuals in case of unemployment, sickness, etc. Stabilization Instrument. It is used as a stabilization tool, similar to inflation, and to stimulate economic growth. For example: (a) If a country or state experiences inflation, it can deal with the situation by increasing direct taxes on personal income and personal business profits. This will reduce business investment while also reducing the demand for consumer goods. (b) If the economy of a country or state experiences a recession, the general level of taxes in the economy can be reduced. A means of income and wealth distribution. Here, the imposition of progressive taxes reduces income inequality somewhat and, in some cases, this may be the main reason for imposing taxes. A tool of regulation. Taxation helps to regulate the consumption and production of certain goods in a country or state. (Suppose a government wants to limit the consumption of certain types of imported goods. The government can impose high import duties on these items to increase their prices, which may result in a decrease in the demand for those items. As a means of payment, the government uses taxes to pay salaries for teachers, aid workers, and medical personnel in hospitals and other areas, to combat poverty, to build social facilities such as hospitals and schools, and to provide irrigation for agricultural development. These are used for defense, to provide ammunition for the armed forces, police, and military personnel, and to build barracks and their uniforms. As a mobilization tool [5]. taxes help mobilize resources for paying retirement benefits, settling public debts and loans, and ultimately maintaining the welfare of the state's citizens.

#### Principles of Taxation

According since the early days of human civilization, taxation has always been a topic of debate between taxpayers and governments. The concept of taxation has given rise to many controversies and serious political struggles over a long period of time. Due to its importance, various economic theories have been proposed to administer an effective and clear tax system. Thus, taxation is generally categorized into three main theories namely, Ability to Pay Principle, Utility Principle and Equal Share Principle. However, in this paper, we will only briefly discuss these theories.

#### Ability to Pay Principle

As the name clearly indicates, this means that taxes should be levied according to an individual's ability to pay based on their income. It is a well-known fact that public spending should be expected from the haves and not the have-nots. This principal dates back to the 16th century. This principle was systematically expanded by the 17th-century Swiss philosopher, then by the French political economist Jean-Baptiste Say, and finally by the British economist. This is the basis of progressive taxation, since as the tax rate increases, so does the amount taxed. This ability-to-pay principle is arguably the fairest tax system and is idely implemented in developed countries. The most common and widely accepted justification of ability-to-pay is based on the sacrifice of one party for the other. The payment of a tax is considered an expropriation of the taxpayer, since the taxpayer leaves the state with an amount that could have been used

for other personal purposes. Conversely, in this concept, there is no uniform way to measure justice for victims, depending on whether it is an absolute, marginal or proportional assessment.

### Principle of Utility or Utility Approach

Under this theory of taxation, individuals may be required to pay taxes in proportion to the benefits they receive from the services provided by the government. This should be based on the premise that there is an exchange relationship between the taxpayer and the state. The state benefits the taxpayer by providing various services and other so-called social goods. Furthermore, this theory professes and asserts that equality or fairness in taxation emphasizes on requiring individuals to pay a portion of taxes in proportion to the benefits they receive in return for the services provided by the state. Although this theory considers an exchange relationship between the taxpayer and the state, many difficulties have been identified in the application of the theory. The biggest problem facing the utility principle or benefit approach is how to quantify and measure the benefits that taxpayers receive (use) from services provided by the government. For example, the question arises as to what scale should be used to measure taxpayers' benefits for social infrastructure such as national security, education, and maintenance of law and order provided by the government. Furthermore, the overhead costs incurred by the government to provide services and benefits are indivisible, and apportionment of the costs is not possible.

This may simply indicate that people are always motivated to pay taxes to the state to maintain the prosperity of the community. However, this theory can be practically applied only in situations where the benefits can be easily and clearly understood by the beneficiaries. This can be applied, for example, to road taxes levied on car owners. The principles of the welfare approach can also be applied to employees enrolled in social security programs. Therefore, this principle can only provide a limited solution to problems of justice and fairness in the field of taxation.

### Principle of Equal Distribution

According to this principle, tax liability should be distributed among different people so that the cost of the benefit for each individual who pays the tax is equal. This method aims to reduce overall population loss. It means that if many people pay enough taxes, their marginal utility loss should be equal, since the total utility loss of society is minimal. Thus, the principle of equal distribution considers the issue of dividing the tax liability from the perspective of the total benefit of society. The causal principle of social philosophy states that the total loss caused by taxes to the people should be minimal. Thus, the principle of equal distribution advocates a highly progressive tax structure. This principle of taxation was proposed by scholars such as Edgeworth, Musgrave, and Pigout, who consider it to be the crucial principle of taxation. Edgeworth, the proponent of this principle, states that the first principle of taxation is the minimum levy: the lower the cumulative tax, the better the distribution of tax liability within the community.

### Petroleum Profit Tax

Petroleum Profit Tax (PPT) and Foreign Direct Investment (FDI) are central components of Nigeria's oil and gas industry, playing a key role in the country's economic growth and shaping global energy integration [6]. Petroleum Profit Tax (PPT) is a tax levied on profits from petroleum operations in Nigeria. PPT

is governed by the Petroleum Profit Tax Act and is an important source of revenue for the Nigerian government. Tax rates vary depending on the type of activity and contract. Revenues generated by PPT flow into national development initiatives, infrastructure projects and social programs. Foreign direct investment (FDI) in Nigeria's oil sector involves investment by international companies in exploration, production and refining activities. FDI brings advanced technology, expertise and capital to the industry, stimulating growth and development. Nigeria's vast oil reserves and strategic position in the global energy market make it an attractive destination for foreign direct investment in the oil sector. The relationship between PPT and FDI is complex. A stable and transparent PPT regime can increase investor confidence and attract FDI [7].

However, according to, an unfavorable tax structure may deter foreign investors. Finding the right balance between generating revenue through PPT and creating a conducive environment for foreign direct investment is important for the sustainable growth of the industry. The administration of PPT and foreign direct investment in Nigeria has been met with mixed successes and challenges [8]. The government is seeking to improve the transparency and efficiency of tax administration through reforms. Efforts to facilitate ease of doing business and promote local content have also proven noteworthy in attracting foreign direct investment. Challenges such as oil price volatility, regulatory uncertainty, and security concerns have impacted foreign direct investment in the oil sector [9]. Moreover, it is a balancing act to maintain the competitiveness of PPT policies while maximizing returns. Oil Benefits According to Essoh (2011), a well-structured PPT system contributes to government revenues while foreign direct investment can bring in technology and capital for the growth of the sector. Finding the right balance between these two elements is key to ensuring the prosperity and sustainability of Nigeria's oil industry.

### Foreign Direct Investment

Investment is the acquisition of assets with the purpose of generating future income or increasing value [10]. Investments made abroad are said to be "foreign". Such investments may be direct or indirect. Direct investment is a type of foreign investment in which the investor has significant influence over the management of the foreign investment destination. Thus, foreign direct investment (FDI) is defined as the acquisition of financial and/or physical assets across borders by a foreign individual or government over which the investor has a degree of control. These foreign direct investors may be individuals, corporations, or governments (Odiase, 2006). Foreign direct investment refers to investment in the form of an individual or company establishing a business or acquiring business assets in a country other than the investor's country of origin [11]. Foreign investments are mainly from transition and developing countries, with the expectation that these investments will add value to the country through economic growth, technology transfer, capital formation, and improved human capital development that can be achieved through education, training, and improved management skills [12]. Similarly, the Financial Times Lexicon defines FDI as an investment that gives a controlling ownership of an enterprise based in a country other than the investor's country (lexicon.ft.com). These definitions imply that FDI is defined by foreign controlling ownership, which includes the external in-

flow of financial, human, and real resources into a country from outside [13]. clarifies that foreign direct investment occurs when a foreign investor acquires at least 10% of the shares and voting rights of a foreign enterprise. This point brings into focus the issue of ownership control. A minimum of 10% stake is considered mandatory, giving the foreign investor permanent management rights over the investment. The importance of FDI is a key economic issue as through FDI capital, technology, and other managerial know-how can be obtained from abroad. It is true that FDI is motivated by various reasons. These reasons could include higher average profits, markets and resources, development of new resources, or tax benefits [14, 15]. Countries are in constant competition for foreign direct investment, and the level of investment depends on tax policies such as corporate tax cuts, tax credits, accelerated depreciation, investment tax credits, low tax on export earnings, and other income incentives [16].

### Theoretical Framework

This section describes the theory underlying this study.

#### Theory of Tax Competition

The theory underlying this study is the theory of tax competition. Proposed by this theory argues that governments intentionally reduce economic burdens to encourage the inflow of valuable resources and reduce the outflow of productive resources [17]. Thus, suggested that tax competition theory could be used to understand government efforts to reduce economic burdens in order to attract more foreign investment, such as skilled human capital and financial investment [18]. Tax competition theory refers to the concept that countries strategically reduce tax rates to attract foreign business and investment, with the aim of promoting economic growth and competitiveness. This practice often involves a race to the bottom as countries try to outdo each other with more favorable tax environments. The theory is based on the idea that lower taxes will encourage foreign direct investment (FDI), which can lead to job creation, technology transfer, and economic development. As a developing country, Nigeria has been actively participating in the tax race to attract FDI. The Nigerian government has undertaken various strategies to encourage foreign companies to invest in the country. Nigeria hopes to become more attractive to foreign investors through tax incentives such as reduced corporate tax rates, tax exemptions, and tax holidays. These measures are intended to stimulate economic growth, create jobs, and encourage the transfer of technological know-how. However, the effectiveness of tax competition and its impact on foreign direct investment in Nigeria is debatable. While lowering tax rates may indeed attract foreign investors, the sustainability of such a strategy is questionable. Heavy reliance on tax incentives may lead to reduced government revenues, affecting public services and infrastructure development. Moreover, the benefits of foreign direct investment may not necessarily trickle down to the entire economy as they may be concentrated in certain sectors or regions while others remain untouched.

#### Empirical Review

This section reviews some selected empirical studies investigated the impact of certain tax-based policy incentives (corporate tax incentives, petroleum profits tax incentives, VAT incentives, customs and excise tax incentives) on foreign direct investment inflows into Nigeria. The study was conducted over a period

of 23 years (1994-2016). Secondary data from the CBN database was analyzed using multiple regression and correlation techniques. The results of the study showed that all incentives studied have a significant impact on foreign direct investment except for corporate tax incentives and petroleum profits tax incentives. It was concluded that tax incentive policies play a significant role in attracting foreign direct investment [19]. conducted a study that focused on the impact of tax incentives on foreign direct investment in the Nigerian oil industry. The tax incentives were investment tax allowance, non-productive rent, and capital allowance. Secondary data was collected and used in the study. The results of the regression analysis conducted indicated that tax incentives have a significant impact on foreign direct investment in Nigeria. It was therefore recommended that effective implementation of these incentives is necessary to ensure maximum returns to investors. investigated whether the introduction of tax incentive policies would result in significant changes in the pattern of FDI flows in the non-oil sector in Nigeria. Corporate tax and investment allowance were considered as tax incentives. Secondary data was used for the study. Ordinary least squares econometric analysis was used for data analysis [20]. The results of the study showed that the introduction of tax incentive policies would result in changes in the pattern of FDI flows in the sector. This suggests that tax incentives can be used as a real tool to attract foreign direct investment in the non-oil sector. investigated whether tax incentive policies have a significant impact on foreign direct investment inflows to the non-oil sector. They used a multiple regression model, which was transformed into a log-log model in the analysis. The regime change model helped to evaluate the effectiveness of the policies introduced at the end of 1999. Both corporate taxes and investment reserves appeared with the correct sign. The results indicated that tax incentive policies influence foreign investment flows to the non-oil sector and that a country's tax incentives could help revitalize the sluggish non-oil sector. investigated the impact of foreign direct investment on the manufacturing industry in Nigeria: a time series analysis. Using least squares, they found that foreign direct investment in the sector contributed to improved production of local manufacturing firms, targeting not only goods that meet the demand of the local market but also the expansion of export markets [21]. This study only examined FDI in the manufacturing sector without considering the tax impact, which is addressed in this study. investigated the impact of tax multiplicity on foreign direct investment in the Nigerian tax environment [22]. They used an ex-post survey design to examine the impact of taxes such as corporate tax, education tax, VAT, customs duty, excise duty and inflation on foreign direct investment from 1996 to 2015. The data collected was analyzed using multiple regression and found that there is an inverse correlation between multiple taxes and foreign direct investment (FDI) in Nigeria. This means that the higher the taxes, the lower the FDI inflows into the country. However, they noted that the existence of multiple taxes discourages foreigners from investing.

#### Research Design

The researcher will adopt an ex-post facto research design as secondary data is required. The adaptation of this research design aims to allow the researcher to examine the relationship between the variables of the study as the facts (data) used are already in existence. Specification of Econometric Model This study is an adaptation of the econometric model previously used

by who empirically investigated the relationship between corporate taxation and FDI in Nigeria from 1970 to 2013 [23]. Hence, the model for this study is specified as follows: The researcher will adopt an ex-post facto research design as secondary data is

required as secondary data is required [24-26]. The adaptation of the econometric model previously used by who empirically investigated the relationship between corporate taxation and FDI in Nigeria from 1970 to 2013.

**Table 1:** Thus, the model for this study is specified as follows

Model No	Model Specification	Description
(3.1)	$FDI = f(PPT)$	Functional model: Foreign Direct Investment is a function of Petroleum Profit Tax
(3.2)	$FDI = \beta_0 + \beta_1 PPT + \mu$	Econometric model expressing FDI as a linear function of PPT

## Data Analysis

### Descriptive Statistics

**Table 2:** Descriptive Statistics

	PPT	FDI
Mean	5335576	2.87E+09
Median	639200.0	1.87E+09
Maximum	32010000	8.84E+09
Minimum	3746.900	73400000
Std. Dev.	10003489	2.58E+09
Skewness	1.760485	0.799060
Kurtosis	4.380106	2.513335
Jarque-Bera	24.43245	4.767673
Probability	0.000005	0.092196
Sum	2.19E+08	1.18E+11
Sum Sq. Dev.	4.00E+15	2.66E+20
Observations	41	41

Source: Researcher's Computation (2023)

The descriptive statistics presented in Table 1 show that the mean of PPT is 5,335,576 million naira while FDI is 287 billion naira. Note that the means represent the average value of each data series in the model [27-30]. The table also shows that all variables are right skewed. Kurtosis measures the peak or flatness of a series' distribution. A normal distribution has a kurtosis of 3. Values greater than 3 mean that the distribution is peaked or leptokurtic compared to the normal distribution. Conversely, values less than 3 indicate that the distribution is flat or sparse compared to the normal distribution [31-33]. Table 1 also shows that the kurtosis values of PPT are greater than 3, which means that they are peaked or sparse. On the other hand, the kurtosis values of FDI are less than 3, which means that they are flat or

sparse. Jarque-Bera (JB) tests whether a series is normally distributed or not. The test statistic measures the difference between the skewness and curvature of a series and that of a normal distribution [34-37]. The JB statistic rejects the null hypothesis of a normal distribution at a 5% significance level. From the analysis results shown in Table 1 above, the probability value of PPT is less than 0.05 while the probability value of FDI is greater than 0.05%. We conclude that PPT is normally distributed while FDI is not. The number of observations, 41, represents the time period or scope of this study (41 years). Although these skewness and curvature indicate deviations from normal distribution, these points are not strong enough to question the quality of the data set for the analysis in question.

### Co-integration Regression Results (FDI)

**Dependent Variable:** FDI

**Method:** Fully Modified Least Squares (FMOLS)

**Date:** 08/01/23 Time: 09:16

**Sample (adjusted):** 1986 2021

**Included observations:** 36 after adjustments

**Cointegrating equation deterministic:** C

Long-run covariance estimate (Bartlett kernel, Newey-West fixed bandwidth

= 4.0000)

**Table 3:** Inferential Result

Variable	Coefficient	Std Error	t-Statistic	Prob
FDI(-1)	0.670866	0.096943	6.920206	0.0000
PPT(-1)	-87.06864	29.25614	-2.976081	0.0078

C	1.02E+08	1.06E+08	0.958732	0.3497
R-squared	0.945414	Mean dependent var		3.24E+09
Adjusted R-squared	0.899447	S.D. dependent var		2.53E+09
S.E. of regression	8.04E+08	Sum squared resid		1.23E+19
Long-run variance	1.36E+17			

Source: Researcher's Computation (2023)

The results of the Fully Modified Least Squares (FMOLS) method shown in the table above indicate that the explanatory variables have a negative impact on the dependent variable, i.e., the independent variables in the model had a negative impact on the dependent variable [38-40]. The results also showed that a one-period increase in oil profit tax units would result in a one-period decrease in foreign direct investment by 87.1 units.

Closer observation of the results showed that the R-squared and adjusted R-squared were around 0.95 and 0.90 respectively, which means that the explanatory variables accounted for around 95% of the variation in the dependent variable. In other words, about 95% of the variation in FDI can be explained by the independent variables, while the remaining 5% can be due to variables not captured in the model (random variables) [41-43].

### Diagnostic Test

Table 4: Auto-correlation Test

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob*
*** .	*** .	1	-0.345	-0.345	4.6636	0.031
. .	.* .	2	0.028	-0.104	4.6945	0.096
** .	** .	3	-0.211	-0.272	6.5424	0.088
. *.	. .	4	0.164	-0.013	7.6922	0.104
. .	. .	5	-0.001	0.032	7.6922	0.174
. .	. .	6	0.014	0.001	7.7011	0.261
.* .	.* .	7	-0.107	-0.071	8.2380	0.312
.* .	** .	8	-0.135	-0.241	9.1290	0.332
. *.	.* .	9	0.084	-0.105	9.4840	0.394
.* .	** .	10	-0.116	-0.253	10.190	0.424
. *.	.* .	11	0.135	-0.079	11.184	0.428
. .	. *.	12	0.044	0.112	11.295	0.504
.* .	.* .	13	-0.132	-0.148	12.335	0.500
. .	.* .	14	-0.058	-0.178	12.547	0.562
. .	** .	15	0.012	-0.212	12.557	0.636
. *.	. .	16	0.207	-0.026	15.480	0.490

Source: Researcher's Computation (2023)

This test is performed to further check for autocorrelation. The results of the Correlogram Q Statistic in Table 3 show that there is no autocorrelation in the variables [44-46]. The Correlogram Q Statistic table shows that all the p-values are >5%, hence the conclusion is that there is no autocorrelation in the model [47-50]. Hypothesis Testing The researcher tested the four hypotheses that were previously stated in null form. The purpose of this

section is to draw conclusions from the results of data analysis and hypothesis testing. Decision rule: The researcher used a critical value such as p-value as the basis for accepting or rejecting the null hypothesis. If the calculated critical p-value is below the 5% level of significance, the variable was deemed significant and rejected [51-53].

Table 5: Testing the First Hypothesis

H0: There is no significant relationship between profit tax on oil and the amount of foreign direct investment in Nigeria.

Variables	Coefficient	T-Statistic	P-Value
Ppt	-87.06864	-2.976081	0.0078

Source: Researcher's Computation (2023)

Hypothesis testing (H0) revealed that the p-value of PPT is below the significance level of 0.05 with a probability value of 0.0078. Hence, the researcher rejects the null hypothesis [54-

57]. The results indicate that Petroleum Profit Tax has a significant relationship with Foreign Direct Investment in Nigeria [58-60]. Conclusion This study investigated the effect of Petro-

leum Profit Tax on Foreign Direct Investment in Nigeria. The study used Petroleum Profit Tax as an independent variable to test its effect on the dependent variable, Foreign Direct Investment. The fully corrected ordinary least squares results showed that the petroleum profits tax has a significant negative impact on foreign direct investment in Nigeria [61-65]. This means that if the petroleum tax rate increases, the amount of foreign direct investment in Nigeria will inevitably decrease. If the Nigerian government wants to improve foreign direct investment through taxation, it should review its taxation policy [66-69]. In light of the above, the study concludes that taxation has had a significant impact on foreign direct investment in Nigeria during the study period [70, 71].

### Recommendations

Based on the findings discussed in the above paragraphs, the Nigerian government and policymakers should consider the following recommendations to increase the amount of foreign direct investment in Nigeria [72, 73]. Since the petroleum profits tax has a significant negative relationship with foreign direct investment in Nigeria, it is recommended that the government review the tax rate on petroleum-related products to encourage foreign companies to come and invest in Nigeria's downstream sector.

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