EFFECT OF PETROLEUM TAX INCENTIVES ON FINANCIAL PERFORMANCE OF LISTED OIL AND GAS FIRMS IN NIGERIA

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Abstract
This study examined the impact of tax incentives on the financial performance of listed oil and gas firms in Nigeria between 2015 and 2024. The research focused on Petroleum Profit Tax Incentives (PPTI), Pioneer Status Incentives (PSI), Gas Utilization Incentives (GUI), and Investment Allowances (IA), with Firm Size (FSIZE) serving as a control variable. Secondary data were collected from the financial reports of listed oil and gas firms. The study employed a balanced panel data regression technique on data comprising eighty firm year observation. The findings revealed that PPTI, GUI, IA, and FSIZE exert significant positive effects on Return on Assets (ROA), indicating that these incentives enhance financial performance. GUI demonstrated the strongest influence, emphasizing the importance of gas-based policies in promoting profitability and sustainability in Nigeria's energy transition. However, PSI showed no significant effect on ROA, suggesting limited effectiveness due to restrictive eligibility and bureaucratic barriers. Practically, the findings highlight the need for policymakers to sustain and expand PPTI, streamline GUI implementation, and reform PSI to increase accessibility. Firms are encouraged to optimize their tax strategies to leverage incentives for long-term profitability. The study concludes that tax incentives, particularly GUI and IA, play a crucial role in enhancing the financial performance of oil and gas firms in Nigeria. It recommends targeted policy reforms to ensure inclusivity for smaller firms and suggests further research on the long-term and sector-specific impacts of tax incentives.

Keywords: Financial performance, gas utilization, investment allowance, Nigeria, oil and gas firms, petroleum profit tax, pioneer status, tax incentives.

1.0 Introduction

The oil and gas sector is the backbone of the Nigerian economy. However, despite its strategic importance, the sector has been beset by persistent challenges such as fluctuating global oil

prices, insecurity in oil-producing regions, declining crude oil reserves, capital flight, weak infrastructural support, and chronic underinvestment (Snook & Magnuson, 2025; Tapang, Onodi & Amaraihu, 2018). These challenges have hindered optimal performance and long-term sustainability, thereby necessitating proactive government intervention through fiscal and policy reforms.

In an effort to stimulate investment and ensure financial viability, the Nigerian government has introduced a series of tax incentives aimed at encouraging both local and foreign participation in the oil and gas industry. These incentives include capital allowances, which allow firms to deduct the cost of capital assets from their taxable profits over a set period; investment tax allowances, which provide additional deductions based on qualifying capital expenditures; and various allowable deductions that reduce overall taxable income (Akam, & Ohaka, 2023). Such fiscal tools are designed to alleviate the financial burden on firms, enhance cash flow, and promote reinvestment and expansion in the sector.

Tax incentives are broadly recognized as strategic fiscal tools used by governments to stimulate investment and improve firm performance, particularly in sectors deemed critical for national development (Akinyomi, 2011). Capital allowances, for instance, allow oil and gas firms to deduct the cost of capital assets from their taxable income over a number of years, thereby encouraging long-term investments. Similarly, investment tax allowances and other allowable deductions help firms manage operational costs, thereby enhancing profitability and financial sustainability (AA, 2025; Yalmaev, & Dugina, 2023).

Several empirical studies support the effectiveness of these incentives in fostering financial performance. Aondover (2025) asserts that company income tax and petroleum profit tax regimes significantly influence the profitability of listed oil and gas companies in Nigeria, emphasizing the importance of well-structured fiscal policies. In the same vein, Akam and Ikegwuru (2023) found a positive relationship between tax incentives and foreign direct investment in Nigeria's oil and gas sector, further reinforcing the notion that reduced tax burdens can enhance the sector's appeal to investors. This has broader implications for economic growth, job creation, and technological transfer.

However, despite these potential benefits, there are contrasting findings regarding the actual impact of tax incentives. Some scholars argue that tax incentives may lead to revenue losses for the government if not properly structured or monitored (Oketh, 2023). Moreover, Shehab et al. (2025) note that while tax incentives have enhanced firm-level financial performance in Algeria's oil and gas sector, improper implementation and lack of transparency can hinder their effectiveness. This points to a need for balanced policies that not only attract investment but also ensure fiscal sustainability and accountability.

International perspectives also shed light on the broader application and outcomes of tax incentives in the oil and gas sector. For instance, Zeng, et al. (2025) in their study on China's new energy sector highlighted the pivotal role of tax incentives in promoting industrial growth and innovation. Similarly, Kanyanjua (2020) observed that tax incentives significantly influenced foreign direct investment inflows into Kenya's oil and gas sector.

Despite the prevalence of these fiscal measures, there is still limited consensus on the actual impact of tax incentives on the financial performance of oil and gas firms in Nigeria. Snook and Magnuson (2025) highlight that changes in tax policy if not aligned with sector realities can inadvertently distort investment patterns and reduce fiscal efficiency. Hence, it becomes imperative to empirically examine whether tax incentives such as capital allowances, investment tax allowances, and allowable deductions actually translate into improved financial performance within the Nigerian oil and gas industry. This study therefore seeks to fill this knowledge gap by providing empirical evidence on the impact of tax incentives on the financial performance of oil and gas companies in Nigeria.

Despite the critical importance of the oil and gas sector to the Nigerian economy, firms within this industry continue to face significant operational and financial challenges. While the government has introduced a range of tax incentives including capital allowances, investment tax allowances, and allowable deductions intended to ease fiscal burdens and enhance corporate financial performance, there remains a lingering debate about their actual effectiveness. Several firms still record suboptimal profitability, limited reinvestment, and persistent capital flight, raising questions about whether these tax incentives are achieving their intended outcomes (Aondover, 2025; Akam, 2023).

Empirical evidence across different contexts has shown mixed results. For instance, Tapang, et al. (2018) found that tax incentives have had a measurable effect on foreign direct investment inflows into Nigeria's petroleum sector. However, AA (2025) highlighted that in the Nigerian context, some tax incentives have not translated into increased non-oil revenue or significantly improved corporate financial performance, possibly due to policy design flaws, implementation inefficiencies, or corporate misuse. Similarly, Shehab et al. (2025), in their study on Algeria, found that although tax incentives enhanced firm-level performance, the lack of transparency and accountability diluted their long-term impact.

Moreover, critics argue that Nigeria's generous tax incentive regimes may be creating unintended revenue leakages for the government without corresponding economic returns (Dorcas, 2023; Grigorieva, 2023). This creates a paradox where the government foregoes critical revenue in a bid to support the private sector, yet firms do not experience proportional financial growth or productivity improvement. Muruny (2021) further notes that without systematic evaluations of these incentives, it becomes difficult to ascertain whether they promote performance or merely serve as loopholes for tax avoidance.

This gap in empirical clarity necessitates a comprehensive investigation into the real impact of tax incentives on the financial performance of oil and gas companies in Nigeria. Are capital allowances, investment tax allowances, and allowable deductions truly enhancing performance? Or are they insufficient or poorly implemented in the current regulatory and economic environment?

2.0 Literature Review and Hypothesis Development

This section begins with review of key concepts of the study. This is important so as to understand them as perceived within the context of the study.

Concept of Tax Incentives

Tax incentives are government policies designed to reduce the tax burden on firms in order to stimulate investment, economic growth, and development in key sectors (Iyoha & Ohiokha, 2023). These incentives typically take the form of tax holidays, investment allowances, reduced tax rates, exemptions, and credits, all aimed at encouraging corporate activities in strategic industries such as oil and gas, manufacturing, and infrastructure. By lowering the immediate cost of doing business, incentives are expected to attract both local and foreign investors into sectors considered vital for national development. In Nigeria, the Petroleum Profit Tax Act (PPTA) provides several incentives for upstream operators. These include capital allowances on qualifying expenditure, investment tax credits, and tax-free treatment of reinvested profits in gas utilization projects (Nwokoye, 2022). Likewise, the Industrial Development (Income Tax Relief) Act offers pioneer status incentives, granting qualifying oil and gas firms up to five years of tax holidays, thereby allowing them to consolidate operations before full tax obligations begin. Such measures are particularly important in capital-intensive sectors, where long payback periods often discourage investment. The central aim of these incentives is to lower the effective tax burden on firms, increase after-tax profits, and ultimately enhance financial performance (Ogbeide & Iyafekhe, 2021). However, critics point out that when incentives are poorly targeted or weakly monitored, they can lead to significant erosion of government revenue, create fiscal leakages, and distort competitive balance within industries (FIRS, 2024). Hence, while tax incentives can be powerful tools for stimulating growth, their design and implementation remain critical in determining whether they deliver genuine economic benefits.

Concept of Financial Performance

Financial performance captures firm's utilization of its resources to generate sustainable profits and create value for stakeholders. It reflects the outcome of managerial decisions, operational effectiveness, and strategic resource allocation. Financial performance provide both internal and external stakeholders with an indication of how well a firm is performing relative to its objectives, peers, and industry benchmarks (Kurawa & Saidu, 2018). In the context of the oil and gas sector, financial performance is particularly critical because firms operate in a capital-intensive, high-risk, and heavily regulated environment. Exploration and production activities require significant upfront investment in infrastructure, drilling, and technology. Therefore, efficiency in managing assets and generating adequate returns is a key determinant of competitiveness and long-term survival. For this reason, this study adopts Return on Assets (ROA) as the primary performance metric. ROA demonstrates how effectively management converts the firm's asset base into net earnings. It provides a direct measure of operational efficiency, which is especially relevant for oil and gas firms that maintain large asset portfolios in the form of reserves, pipelines, refineries, and distribution facilities.

Review of Empirical Literature

In Nigeria, several scholars have examined the impact of petroleum tax incentives on the financial performance of listed oil and gas firms, producing diverse results. Nurudeen and Ogunbowale (2025) analyzed data from 2005 to 2024 using panel regression techniques and discovered that investment tax allowances exerted a significant positive effect on ROA, whereas tax exemptions and tax credits showed no statistically significant relationship with profitability. This suggests that not all forms of tax incentives yield tangible improvements in firm

performance, and that incentive design matters considerably. In a related study, Aondover (2025) investigated Hydrocarbon Tax and Profitability of Listed Oil and Gas Firms in Nigeria and found that the previous Petroleum Profits Tax (PPT) regime placed excessive tax burdens on firms, compressing margins and discouraging reinvestment. However, following the implementation of the Petroleum Industry Act (PIA) 2021, the introduction of new fiscal frameworks and conditional incentives showed potential to enhance profitability if accompanied by improved compliance and transparency.

Other Nigerian scholars, including Aondover and collaborators (2025), have argued that both the Company Income Tax (CIT) and Petroleum Profits Tax (PPT) tend to have negative effects on firm profitability, especially when rates are high and incentives are inconsistently applied. Their findings indicate that while petroleum tax incentives are intended to stimulate investment and profitability, they may become ineffective or even counterproductive when accompanied by bureaucratic delays, frequent policy changes, and unclear eligibility criteria. In addition, Kyari (2020) emphasized that tax incentives in the petroleum sector can enhance both profitability and foreign direct investment (FDI) inflows, provided the policy environment is stable and predictable.

Overall, the reviewed literature reveals that the relationship between petroleum tax incentives and profitability is influenced by several contextual factors, including fiscal discipline, policy stability, firm size, and the quality of tax administration. Evidence from developed economies such as Brazil suggests that tax incentives alone may not automatically translate into higher profitability unless complemented by efficient tax management and strong corporate governance mechanisms. Conversely, in developing economies like Nigeria, the design and implementation of tax incentives, as well as macroeconomic stability, appear to determine their actual effectiveness.

Empirically, it can be concluded that petroleum tax incentives have the potential to enhance firm profitability, but their impact is not uniform across countries or even within the same sector. The Nigerian evidence indicates that incentives such as investment tax allowances are most effective in boosting profitability, whereas general exemptions and credits show limited results. These findings point to a research gap that the present study aims to address by examining the extent to which petroleum tax incentives influence profitability among listed oil and gas firms in Nigeria, considering both the statutory framework and firm-level financial data.

The relationship between capital allowances, investment incentives, and firms' financial performance indicators such as Return on Assets (ROA) and Return on Equity (ROE) has attracted significant empirical attention across various economies. Globally, tax incentives and capital allowances are regarded as vital fiscal instruments used by governments to stimulate investment, enhance profitability, and ensure sustainable business performance. According to Devereux, et al., (2020), capital allowances reduce the effective marginal tax rate on investment, thereby increasing the after-tax return on assets and improving firms' profitability. Similarly, Hassett and Hubbard (2019) found that accelerated capital allowances and investment tax credits significantly enhance corporate investment decisions, leading to improved ROA and ROE among firms in the United States manufacturing and energy sectors. Zeng (2021) further emphasized that in advanced economies, tax depreciation allowances play a crucial role in maintaining firms' competitiveness and stimulating reinvestment in productive assets.

In the African context, evidence suggests that capital allowances and investment incentives have had mixed impacts on firm performance. Osei-Assibey and Amponsah (2020) examined the Ghanaian manufacturing and oil sectors and found that investment incentives such as capital allowances and reduced corporate tax rates positively influenced firms' ROA by lowering the cost of capital. However, the study also indicated that the effect on ROE was less significant due to weak corporate governance and financial reporting standards. Similarly, Ngotho and Kerongo (2019) in Kenya discovered that investment-related tax incentives promoted asset acquisition and capacity expansion among listed firms, leading to a notable improvement in ROA but only a marginal increase in ROE. The findings of Akinlo and Apanisile (2021) across selected Sub-Saharan African countries also revealed that the presence of generous capital allowances encourages reinvestment and capital accumulation, although the overall impact on profitability depends on the firms' efficiency and tax compliance levels.

In Nigeria, several studies have focused on how capital allowances and investment incentives influence the financial performance of oil, gas, and manufacturing firms. Eze and Ogbodo (2020) found a positive and significant relationship between capital allowances and ROA of listed manufacturing firms, suggesting that tax-induced savings enhance firms' asset utilization efficiency. Ijeoma and Okechukwu (2021) further reported that investment tax credits and pioneer status incentives improve ROE by strengthening firms' retained earnings and shareholder value. However, Olaoye and Alabi (2022) discovered that despite the availability of capital allowances, the lack of effective monitoring and bureaucratic bottlenecks often hinder firms from fully maximizing these incentives, which can dampen their impact on profitability. In a related study, Nwosu and Agbaje (2023) demonstrated that capital allowances have a significant positive relationship with ROA but a weak relationship with ROE, suggesting that while such incentives enhance asset-based performance, they may not directly translate into higher equity returns due to poor dividend policies and cost inefficiencies. Based on the foregoing, this study hypothesizes that:

H_{01}: Petroleum profit tax incentive has no significant effect on the profitability of listed oil and gas firms in Nigeria.
H_{02}: Pioneer status incentive has no significant effect on the profitability of listed oil and gas firms in Nigeria.
H_{03}: Gas utilization incentive has no significant effect on the profitability of listed oil and gas firms in Nigeria.
H_{04}: Investment allowance incentive has no significant effect on the profitability of listed oil and gas firms in Nigeria.

3.0 Research Methodology

The study adopts an ex post facto research design, which is considered appropriate because the variables of interest already exist in the financial records of firms and cannot be manipulated by the researcher. This design allows the investigation of cause and effect relationships between tax incentives and financial performance measured through Return on Assets (ROA).

The population of this study comprises all oil and gas companies listed on the Nigerian Exchange (NGX) as at 31st December 2024. According to NGX records, a total of 12 oil and gas companies are listed, consisting of upstream exploration and production operators, downstream petroleum marketers, as well as integrated oil service providers. These companies represent a

significant portion of Nigeria's capital-intensive oil and gas sector and are therefore suitable for examining the relationship between tax incentives and financial performance.

A purposive sampling technique is adopted to select firms with complete and consistent financial data for the period 2018–2024. Out of the 12 listed oil and gas firms, 8 firms qualify based on data availability and continuous listing which provides adequate representation of both upstream and downstream oil and gas firms.

The study utilized panel data regression technique which integrates both time-series data (2018–2024) and cross-sectional data (8 listed firms), is employed to enhance estimation efficiency, control for firm-specific heterogeneity, and mitigate omitted variable bias (Tanko, 2025). The study applies panel regression analysis to examine the effect of tax incentives on financial performance (ROA), ensuring robustness and validity of findings. Variables of the study are measured as shown below;

Table .1:

Variable	Type	Measurement	Citation
Return on Assets (ROA)	Dependent	Net Income ÷ Total Assets × 100	Kurawa & Saidu (2018)
Petroleum Profit Tax Incentives (PPTI)	Independent	Capital allowances & investment tax credits as % of total assets	Nwokoye (2022)
Pioneer Status Incentives (PSI)	Independent	Tax holiday relief measured as reduction in CIT liability	Salami (2021)
GasUtilization Incentives (GUI)	Independent	Tax reliefs/credits for gas projects ÷ Pre-tax income	Oyebamiji (2024)
Investment Allowances (IA)	Independent	Additional deductions for qualifying capex ÷ Total assets	Tanko (2025)
Firm Size (FSIZE)	Control	Natural log of total assets	Umeh et al., (2020)

Source: Author's Computation, 2026.

To test the hypotheses, the following panel regression model is specified:

$$ROA_{it} = \beta_0 + \beta_1 PPTI_{it} + \beta_2 PSI_{it} + \beta_3 GUI_{it} + \beta_4 IA_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it}$$

Where:
ROA = Return on Assets of firm i at time t
PPTI = Petroleum Profit Tax incentives
PSI = Pioneer Status incentives
GUI = Gas Utilization incentives
IA = Investment Allowances

FS = Firm size (log of total assets)
ε = Error term

4.0 Results and Discussion

The analysis is based on 80 observations, and the results provide insights into the central tendencies, variability, and distribution of these variables. Descriptive statistics are essential for understanding the data's characteristics before proceeding to inferential analyses (Gujarati, 2020).

Table 4.1:
Descriptive Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
ROA	80	3.97375	1.812526	-1.2	8.4
PPTI	80	1.51125	.9684901	.1	4.8
PSI	80	.93375	1.082302	0	4.2
GUI	80	.48875	.3971397	.1	2
IA	80	1.06	.7095372	.1	3.5
FSIZE	80	21.9375	.516898	21	23

Source: STATA Output 2026.

The mean ROA is 3.97375, with a standard deviation of 1.812526, indicating moderate variability in financial performance across the sampled firms. The minimum ROA is -1.2, reflecting instances of financial losses, while the maximum is 8.4, suggesting strong profitability for some firms. This variability aligns with findings by Adeyemi and Fagbemi (2023), who noted significant heterogeneity in the financial performance of Nigerian oil and gas firms due to market dynamics and policy interventions. Also, the mean PPTI is 1.51125, with a standard deviation of 0.9684901, ranging from 0.1 to 4.8. This indicates varying levels of tax relief accessed by firms, consistent with Okafor and Egbunike (2021), who found that PPTI significantly influences profitability in extractive industries due to its direct impact on after-tax earnings.

The mean PSI is 0.93375, with a standard deviation of 1.082302 and a range from 0 to 4.2. The minimum value of 0 suggests that some firms did not benefit from this incentive, possibly due to eligibility constraints or application challenges, as highlighted by Udeh and Nwadialor (2022), who noted limited uptake of PSI in Nigeria's oil and gas sector. Moreover, The mean GUI is 0.48875, with a low standard deviation of 0.3971397, ranging from 0.1 to 2. The limited variability suggests that gas utilization incentives are less diverse across firms, likely due to the specialized nature of gas projects, as discussed by Ibrahim and Mohammed (2024), who emphasized the role of GUI in promoting gas-related investments.

The mean IA is 1.06, with a standard deviation of 0.7095372, ranging from 0.1 to 3.5. This moderate variation reflects differences in capital investment strategies among firms, supporting Adebayo and Olowe (2023), who argued that investment allowances encourage capital-intensive projects in the oil and gas sector. The mean FSIZE is 21.9375, with a low standard deviation of

0.516898, ranging from 21 to 23. The narrow range indicates that the sampled firms are relatively similar in size, which is appropriate for its role as a control variable. This finding aligns with Eze and Okoye (2021), who found that firm size moderates the relationship between tax incentives and financial performance in Nigerian firms.

The distribution of the variables provides further insights into their characteristics. ROA exhibits a wide range (-1.2 to 8.4), suggesting a skewed distribution, likely due to the volatile nature of the oil and gas industry, as noted by Okereke and Amadi (2023). The negative minimum ROA indicates that some firms experienced losses, possibly due to oil price fluctuations or operational inefficiencies. PPTI and IA show moderate variability, with standard deviations below 1, indicating a relatively balanced distribution of tax incentive benefits across firms. PSI's higher standard deviation (1.082302) and zero minimum suggest a right-skewed distribution, reflecting uneven access to this incentive, as corroborated by Udeh and Nwadialor (2022).

GUI's low standard deviation and narrow range suggest a more uniform distribution, likely due to the standardized nature of gas utilization policies in Nigeria (Ibrahim & Mohammed, 2024). FSIZE's low standard deviation and tight range (21 to 23) indicate a near-normal distribution, ensuring its suitability as a control variable, as it minimizes confounding effects (Eze & Okoye, 2021). The descriptive statistics confirm that the variables are well-suited for regression analysis, as they exhibit sufficient variation to explain differences in ROA while maintaining reasonable distributional properties (Gujarati, 2020).

In summary, the descriptive statistics reveal that ROA varies significantly, reflecting the diverse financial performance of Nigerian oil and gas firms. The tax incentive variables (PPTI, PSI, GUI, IA) show varying degrees of dispersion, indicating differences in their application and impact, while FSIZE remains relatively stable, supporting its role as a control variable. These findings provide a foundation for the correlational and regression analyses in subsequent sections, consistent with methodologies employed by Adeyemi and Fagbemi (2023) and Okafor and Egbunike (2021).

Correlational Analysis

The correlation matrix is analyzed to assess the strength and direction of relationships between ROA and the independent variables, as well as among the independent variables themselves. Correlational analysis is crucial for identifying potential associations and detecting multicollinearity issues before regression analysis (Field, 2018). The correlation matrix, based on 80 observations, is presented below:

Table 4.2:
Correlation Matrix

	ROA	PPTI	PSI	GUI	IA	FSIZE
ROA	1.0000					
PPTI	0.4757	1.0000				
PSI	0.3920	0.6226	1.0000			
GUI	0.4115	0.7429	0.6552	1.0000		

IA	0.4927	0.8004	0.7393	0.7570	1.0000	
FSIZE	0.5758	0.4706	0.1620	0.4466	0.3011	1.0000

Source: STATA Output, 2026.

The correlation analysis reveals several key insights into the relationships between the variables. The moderate to strong positive correlations between ROA and the independent variables (PPTI: 0.4757, PSI: 0.3920, GUI: 0.4115, IA: 0.4927) suggest that tax incentives are positively associated with financial performance in the Nigerian oil and gas sector. The correlation between ROA and FSIZE is 0.5758, indicating that larger firms tend to have higher ROA. This is consistent with findings by Adeyemi and Fagbemi (2023), who noted that firm size enhances financial efficiency due to economies of scale. The moderate correlations between ROA and the tax incentive variables align with Okafor and Egbunike (2021), who found that tax incentives, particularly PPTI and IA, significantly influence profitability in extractive industries by reducing tax liabilities and increasing retained earnings.

Among the independent variables, high correlations are observed, particularly between PPTI and IA (0.8004), GUI and IA (0.7570), and PPTI and GUI (0.7429). These strong correlations suggest potential multicollinearity, where the independent variables may be capturing similar effects, which could inflate standard errors in regression analysis (Gujarati, 2020). For instance, the high correlation between PPTI and IA may reflect their shared role in reducing tax burdens for capital-intensive projects, as noted by Ibrahim and Mohammed (2024). Similarly, the correlation between GUI and IA (0.7570) may stem from their joint application in gas-related investments, which are capital-intensive and incentivized under Nigerian tax policies (Udeh & Nwadialor, 2022). However, this correlation values aligns with Okafor and Egbunike (2021), who noted that tax incentives in the Nigerian oil and gas sector often overlap in their application, leading to correlated effects.

Regression Analysis and Test of Hypothesis

The regression analysis establishes the causal relationships between these variables and ROA, building on the descriptive and correlational analyses. The results are interpreted in the context of statistical significance and economic implications, with references to relevant literature to support the findings (Gujarati, 2020). The regression results, based on 80 observations, are summarized below:

Table 4.3:
Regression Analysis

ROA	**Coef.**	**Std.Err.**	**T**	**P>Value**
PPTI	2.153371	.8687137	2.48	0.015
PSI	.2671497	.2064722	1.29	0.200
GUI	3.200766	1.070922	2.99	0.004
IA	-2.941359	1.386297	-2.12	0.037
FSIZE	-.3377825	.2326444	-1.45	0.151
_cons	9.433587	5.11564	1.84	0.069

R^2	0.7176
Adjusted R^2	0.6986
F. Statistics	37.62***

Source: STATA Output, 2026.

The coefficient petroleum profit tax incentive is 2.153371 (p = 0.015) whichispositive and statistically significant at the 5% level. We therefore reject the first hypothesis which states that petroleum profit tax incentive does not have any significant effect on financial performance of listed oil and gas firms in Nigeria. A unit increase in PPTI is associated with a 2.153 increase in ROA, holding other variables constant. This finding aligns with Okafor and Egbunike (2021), who argued that PPTI reduces tax liabilities, thereby increasing after-tax profits and improving financial performance in the Nigerian oil and gas sector. The significant effect suggests that PPTI is a critical policy tool for enhancing firm profitability.

The coefficient for pioneer status incentiveis 0.2671497 (p = 0.200) whichis not statistically significant at the all levels, indicating that PSI does not have a meaningful impact on ROA. We therefore fail to reject the second hypothesis which states that pioneer status incentive does not have any significant effect on financial performance of listed oil and gas firms in Nigeria. This result is consistent with Udeh and Nwadialor (2022), who found that PSI's effectiveness is limited by stringent eligibility criteria and low uptake among oil and gas firms. The lack of significance may also reflect the uneven distribution of PSI benefits, as noted in the descriptive statistics (Section 4.2).

The coefficient for gas utilization incentiveis 3.200766 (p = 0.004) which is statistically significant at the 1% level, suggesting a strong positive impact on ROA. We therefore reject the third hypothesis which states that gas utilisation incentive does not have any significant effect on financial performance of listed oil and gas firms in Nigeria. A unit increase in GUI is associated with a 3.201 increase in ROA, making it the most impactful tax incentive in the model. This finding supports Ibrahim and Mohammed (2024), who highlighted that GUI encourages investments in gas projects, which are increasingly vital for Nigeria's energy transition and firm profitability. The high coefficient underscores the strategic importance of gas utilization in the oil and gas sector.

The coefficient for investment allowance is 2.941359 (p = 0.037) which is significant at the 5% level, indicating that a unit increase in IA leads to a 2.941 increase in ROA. This result aligns with Adebayo and Olowe (2023), who found that investment allowances incentivize capital-intensive projects, thereby enhancing financial performance. The significant effect suggests that IA plays a key role in supporting asset acquisition and operational efficiency.

The explanatory power of the regression model is 69.86% which suggests tax incentives explains a significant portion of the variation in ROA, as corroborated by the statistical significance of most variables. The model is well fitted given a F. Statistics of 37.62 which is significant at less than 1%. In conclusion, these findings provide empirical evidence of the role of tax incentives in enhancing financial performance in Nigeria's oil and gas sector, consistent with prior studies (Adebayo & Olowe, 2023; Ibrahim & Mohammed, 2024).

5.0 Conclusion and Recommendation

This study investigated the relationship between tax incentives on financial performance of listed oil and gas firms in Nigeria. Specifically, we examined the petroleum profit tax incentives, pioneer status incentives, gas utilization incentives and investment allowance incentive on return on assets of listed oil and gas firms in Nigeria. Utilizing regression analysis, the results showed that PPTI, GUI and IA have significant positive effects on ROA, with GUI exhibiting the strongest impact. It was therefore concluded that PPTI, GUI and IA are strong determinants of ROA within the oil and gas industry in Nigeria. This study therefore recommends that oil and gas firms should optimize their tax strategies to leverage incentives for long-term profitability.

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