THE ROLE OF TAX INCENTIVES IN PROMOTING BUSINESS SUSTAINABILITY AND GROWTH: A REVIEW OF LITERATURE

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Abstract
The growing interest in business sustainability and the recognition of government policies in influencing business investment in sustainability initiatives havegenerated increasing research attention on tax incentives impact on business sustainability. However, existing findings on this topic remain fragmented as most of the studies have focused primarily on business growth, profitability rather than the broader environmental, social and economic sustainability dimensions. This study examined the role of tax incentives in promoting business sustainability, with business growth considered as an economic dimension of sustainability. A library research approach was adopted, drawing on relevant literature and policy documents to identify the relationship between tax incentives and business sustainability.The reviewed literature indicates thattax incentives may support business sustainability and economic growth, by encouraging investment, innovation, renewable energy adoption, and other Sustainable business practices. However, evidence indicates their effectiveness depends on policy design, institutional capacity, and accessibility. The study therefore highlights the need for further empirical study to ascertain the extent to which tax incentives contribute to business sustainability within the current Nigeria tax policy and institutional context. It also recommends improving tax incentives awareness and accessibility, strengthening institutional capacity, and linking tax incentives to measurable business sustainability outcome.

Keywords: Business sustainability, fiscal policy, Nigeria, tax incentives.

1.0 Introduction

Business sustainability has become an important debate, driven by the need for long-term profitability, environmental responsibility, and social accountability. Business sustainability refers to a firm's ability to create and maintain long-term economic value while managing its environmental and social impacts. Likewise, business growth refers to increase in firm resources and output (Lawal, 2022). Though business growth is closely related to business sustainability, it is however a distinct concept as business growth is treated as an economic dimension of business sustainability in this study. Furthermore, Millagala (2023) observed that businesses are now increasingly incorporating sustainability practices that balance environmental, social, and economic objectives while maintaining profitability.However, as the global economic landscape continues to evolve, businesses in developing economies continue to encounter numerous challenges such as access to finance, lack of institutional capacity, corruption, and weak regulatory framework thus hindering their ability to grow and remain sustainable (Fahim, 2024; Khaled, 2024).

To address these challenges, government are increasingly using tax incentives as policy instruments to promote investment, reduce operational burdens and encourage sustainable business activities.Tax incentives play a significant role in encouraging investments in green technologies, carbon emissions reduction, and renewable energy. Tax incentives are essential fiscal tools governments employ to influence economic behavior, particularly in driving investments in strategic sectors (Sonjaya & Noch, 2024).

The relationship between tax incentives and business sustainability has received increasing attention in recent literature. For example, previous studies such as Shi and Ge (2025) examined the role of fiscal policies and government incentives in supporting green technology innovation and enterprise development. The study was however focused on developed economies. On the hand, Studies in Nigeria(Lawal et al., 2022; Olowo et al., 2020) focused mainly on the relationship between tax incentives and business sustainability and financial performance.Otherstudy such as Blessing and Ike (2025) clearly examined how tax incentives impact business sustainability. Nevertheless, the existing evidence remains fragmented. Much of the Nigerian literature hasconcentrated on business growth, profitability, or specific sectors, while studies examining sustainability have considered different dimensions and outcomes across different institutional and policy context. Against this backdrop, this study aims to review relevant literature on the role of tax incentives in promoting business sustainability, with business growth considered as an economic dimension of sustainability. Precisely, it aims to identify the different tax incentives relevant to business sustainability, review the evidence on the effect of these incentives on business sustainability and discuss the challenges associated with the implementation of tax incentive policies.

The remainder of this conceptual paper is divided into sections. The next section reviews the relevant literatures, including the concepts of business growth, business sustainability, tax incentives, as well as theoretical and empirical relationships among these concepts. The last section presents the conclusion and recommendation.

2.0 Literature Review

The literature review in this section comprises of a conceptual review and empirical review.

Concept of Business Growth

Business growth is thecontinuous increase in the size of a firm. It involves the expansion of assets, capital employed, revenue, profit, and workforce size. In essence, business growth signifies a firm's enlargement in scale or operations, usually marked by a rise in both resources and output (Lawal et al., 2022). According to Wiklund et al. (2007), business growth is characterized base on economic indicators such as market shares, P/E ratio, asset value, sales value and financial indicators such as equity, liquidity or debt ratio. According to Freser et al. (2020), a company growth is defined by the attributes of its location, availability of financial resource, and human capital development.“Business growth is the process of improving some measures of an enterprise's success” (Dopemu & Monday, 2024. p.78). This can bedone by boosting sales thereby increasing profitability (Monday, 2012; Uwuigbe et al., 2016).

Business Growth Indicators

According to Derun and Mysaka (2021), the key indicator of business growth is the availability of proper funding and efficient financial management. They noted that financial indicators such as market value and profit do not only place a company at a competitive edge but also determines how it is perceived by investors. Additionally, Dugguh et al. (2018) noted

that business growth can be assessed using several key indicators namely qualitative indicators, capacity indicators, output indicators, and outcome indicators.

Qualitative indicators involve changes in business structure, management approaches, and the degree of formalization. Business growth is reflected in developments such as decentralization, more sophisticated management practices, and increased formalization of operations (Dugguh et al., 2018).

Secondly, capacity indicators measure a firm's ability to produce outcomes and itinclude asset value, capital investment, manufacturing capacity, and workforce size. Growth is evident when there is an observable increase in assets, production capacity, capital input, and the number of employees (Dugguh et al., 2018).

Thirdly, the company's primary outputs, its products and sales serve as indicators of its growth. Production levels reflect both operational capacity and profit potential. Since external stakeholders often lack access to the actual value of goods produced, sales value is commonly used as a proxy. An increase in product output is a strong signal of business expansion (Dugguh et al., 2018).

Lastly, profit as an outcome indicator is defined as the difference between revenue and costs, it is a fundamental objective for businesses and it is essential for achieving other long-term goals. The level of profit depends on both revenue generation and operational efficiency. Therefore, an increase in profit typically signifies improved sales and efficiency, which are clear signs of business growth (Dugguh et al., 2018). In others words profit is a function of a company's revenue and its efficiency level.Mateevand Anastasov (2010) opined that an organization's growth is a function of its output as well as it financial structure, and size. They also noted that total asset which is one of the indicators of business growth has a direct impact on sales revenue. They however argued that the size of employees and investment in R & D has no much effect on the company growth.

Concept of Business Sustainability

According to Pratima and Mark (2014) business sustainability is a firm's capacity to meet its short-term financial goals while ensuring that neither its own nor others' ability to fulfill future needs is compromised. Consequently, Millagala (2023) opine that business sustainability include a range of actions taken by businesses to reduce their environmental impact and promote social and economic sustainability. Unlike business growth which primarily emphasizes expansion and improvement in economic and operational performance, business sustainability considers whether such performance can be maintained without undermining the resources, relationships and conditions necessary for the firm's continued existence. Business sector is a significant driver of climate change, contributing largely to greenhouse gas emissions, but also holds the potential to be a key part of the solution to the global effort to reduce these emissions, transit to clean energy, and build a sustainable and low-carbon economy by adopting sustainable practices. These practices comprise using renewable energy, implementing recycling programs, and reducing waste. One of the ways in which government contribute to this effort is through the implementation of tax incentives framework aimed at supporting businesses. Thus, Shi and Ge (2025) noted that tax incentives enable businesses allocate more resources towards sustainability initiatives. In addition, government incentive policy such as tax incentive encourages businesses to embark on research and development activities which contribute to business sustainability and economic performance. However, Blessing and Ike (2025) argued that although tax incentives serve as a meaningful lever for stimulating corporate sustainability, their effectiveness however rely on holistic implementation.

Consequently, De Carvalho et al. (2019) opine that business sustainability initiatives implies incorporating sustainable development objectives into a company's operational practices by designing goals that seek to achieve social equity, economic efficiency and environmental performance. Business sustainability practices especially in developing economies is a very important aspectas it promotes social equity, reduce environmental degradation and fosters economic growth. These practices contribute to sustainable development, economic growth and poverty reduction (Khaled, 2024).According to Adesua-Lincoln (2025), business sustainability includes economic, social, and environmental actions, aiming to generate long-term value. The economic dimension concerns the firm's ability to remain financially viable and sustain it operation, the social dimension relates to responsible employment and fair treatment to other stakeholders while the environmental dimension concerns the firm's ability to adopt environmentally responsible practices and reduce environmental harm. Growth is consequently related to business sustainability through the economic dimension as growth in revenue, assets, profitability, investments and productive capacity may strengthens a firm's ability to survive and remain competitive. However, growth becomes sustainable when it can be maintained over time while preserving the environmental and social conditions needed for continuous business operations. Thus, business sustainability remains the central construct of this study while business growth represents an important economic aspect through which the long term viability of businesses may be reflected.

Tax Incentives

According to Aribaba et al. (2019), taxes are important financial instrument for government but also hinder business sustainability if not properly managed. In order to alleviate this challenge, tax incentives are introduced to incentivize businesses. Tax incentives have been a widely recognized policy tool used by governments to enhance business growth and sustainability. Numerous studies have explored the impact of tax incentives on businesses while analyzing their economic implications, effectiveness, and potential drawbacks.Blessing and Ike (2025) noted that tax incentive as a fiscal instrument plays a crucial role in influencing corporate behavior towards adopting sustainable practices.However, they noted that tax incentives are more effective when implemented as an integrated policy package rather than as a separate instrument.

According to Sonjayaand Noch (2024), tax incentives are essential fiscal tools governments employ to influence economic behavior, particularly in driving investments in strategic sectors. Additionally, Tax incentives comprise fiscal tools used by government to alleviate tax burden in some sectors of the economy which can in turn promote investment (Abdul et al., 2018). Similarly, Peng et al.(2024) opine that tax incentives are intricate instruments of fiscal policy that governments employ with theaim of encouraging the undertakings of certain economic activities by providing exemptions tosuch undertakings.Guzel (2020) defined tax incentives as a facet of a country's tax code intended to promote a particular economic activity by plummeting tax payment for businesses. In the opinion of Nnubia et al. (2018), tax incentives are structured to promote investment in specific sectors of the economy and occasionally geared towards attracting in-flow of foreign exchange to enable rapid economic development.

Tax incentives are critical driving force in promoting sustainability by reducing financial barriers, stimulating market demand, and fostering technological innovation (Darko et al., 2018;Omopariola et al., 2024; Van Nguyen, 2023). Similarly, Adebayo and Ojo (2018) contend that well-designed tax incentives can reduce financial constraints, thereby promoting business sustainability.According to Siagian and Sinaga (2024), a well-designed tax policy (tax incentive inclusive) can enhance corporateenvironmental, social, and governance (ESG)

performance, highlighting their impact in promoting business sustainability. Their findings highlight the importance of governments creating accessible and effective tax incentives that specifically tackle the financial hurdles businesses encounter when shifting toward greener operations. Thus, tax incentives this context refers to fiscal measures designed to reduce the tax liabilities of businesses to encourage investment, employment, and economic development.Cho and Yoon (2023) noted that tax incentives under the Korean Tax Act are available to businesses who contribute to R&D facilities, productive improvement facilities, and employment opportunities. They however noted that corporate investments tax incentives may not always be efficient as they may sometimes be primarily motivated by tax saving considerations. This raises the question whether tax incentives aimed at supporting investments actually achieve their objective of boosting business sustainability.

Tax incentives arespecial provisions made available by governments to indirectly support investors by attracting, retaining, increasing, and stimulating investment in targeted industries; expanding domestic production capacity; and protecting existing foreign and local investments from unfair competition. This does not require the government to use its funds or resources as an initial outlay (Odutayo, n.d.).Tax incentives also refer to financial benefits provided by governments to businesses with the aim of reducing their tax burden and encouraging investment.According to the Organization for Economic Cooperation Development (OECD, 2021), these incentives may take various forms, including tax holidays, investment tax credits, accelerated depreciation, and reduced corporate tax rates.

Osirim et al. (2024) noted that tax incentives are generally reliefs and exemptions granted by government to individuals or companies to encourage investment in a particular sector of the economy.In addition, 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. These incentives are designed to reduce the tax burden on businesses, thereby encouraging investment, innovation, and long-term business sustainability and growth.According to EY (2024), tax incentives are crucial in promoting sustainability, including measures like green taxes and incentives for investing in renewable energy.

Similarly, Blessing and Ike (2025, p.66) noted that “tax exemptions and deductions for environmentally sustainable investments will further incentivize corporations to allocate resources towards green projects”. Tax incentives serve as strategic tools to align fiscal policy with the objectives of sustainable development. According to Shi and Ge (2025), Tax incentives like tariff exemption helps to reduce the expenses associated with the importation of innovative technologies needed by sustainable corporations, they also noted that tariff exemptions on imported wind turbines and solar panels can meaningfully lower businesses capital expenditure thereby enabling them to invest more on research and development (R&D) initiatives. They however noted that regional disparities should be considered in order to address the different need of enterprises based on their size and location.In Nigeria, various tax incentives some of which comprise the income tax exemption, economic development incentive (EDI), value added tax exempt, and research and development incentive (R&D) incentives have been instituted to support business sustainability and growth (Finance Act, 2022).

Research and Development Incentive

Research and development expendituresare germane for businesses whose goal is to invest in sustainable innovations and growth of their enterprise. In order to support this objective, the

Nigeria government introduced the research and development incentive in the new Nigeria Tax Act in 2025. Section 165 of the Nigeria Tax Act (NTA) revises the allowable deduction for research and development expenditure by pegging it at 5% of a company's annual turnover. This marks a notable departure from the Companies Income Tax Act (CITA), which permitted a deduction of up to 10% of total profits. Under the NTA framework, companies may now base their research and development funding on a wider measure turnover rather than profits (Nigeria Tax Act, 2025). Additionally, the Act stipulates that where a company benefiting from this deduction subsequently transfers or disposes off the results of its research and development to another party, the income derived from such transfer or sale shall be subject to tax (KPMG, 2025).

The endogenous growth theory supports this concept.Romer first introduced the endogenous growth theory in the 1986 resulting from the deficiencies associated with the neoclassical growth theory. It states that investment in innovation and intellectual capital promote productivity and economic growth (Nigam, 2021). According to the endogenous growth theory, human capital and technological advancement are drivers of business growth (Romer, 1986). This theory can be linked to the R&D incentives because with these incentives, businesses can invest more in research and development initiatives that can encourage technologically driven innovations which can positively impact business sustainability.

Income Tax Exempt

According to the Nigeria Tax Act [NTA] (2025), income generated by companies engaged in agricultural businesses, including crop production, livestock, aquaculture, forestry, dairy, cocoa processing and manufacturing of animal feeds are exempted from income tax for the first five (5) years from commencement of business. This exemption applies to qualifying small companies with annual gross turnover of not more than 50 million, total asset not exceeding 25 million and which is not classified as professional service firms. This aligns with the core principles of the infant industry theory originally pioneered by Friedrich List in the year 1841. According to List (1841), newly established or strategically important industries require temporary protection and government support to enable them to grow, achieve efficiency, and become competitive in the long run.

Economic Development Incentive

According to Feyitimi et al. (2016) tax holiday promote the development of new ventures, facilitates production capacity, and introduce innovative technologies. During the tax holiday, eligible companies are exempt from corporate income tax, allowing them to channel savings into research, innovation, and expansion initiatives that support a greener economy. The pioneer status incentives give qualifying companies the liberty to retain high percentage of their earning which further boosts liquidity for reinvestment. This status provides a three-year corporate tax holiday, which may be extended for an additional two years. Theseincentive are granted to some specific industries (agriculture, manufacturing, health care) in order to promote innovation initiative and attracts long term investment.

Under the Industrial Development (Income Tax Relief) Act, companies operating in Nigeria's renewable energy sectorparticularly those engaged in the manufacturing of solar equipmentcan be granted pioneer status.The objective is to ease the burden of early-stage capital expenditure and attract long-term investments in renewable energy infrastructure(BusinessDay, 2019; Mondaq, 2023).In addition, the National Renewable Energy and Energy Efficiency Policy (NREEEP) outlines further incentives to attract investors to the renewable energy space, including:a five-year tax holiday for manufacturers launching renewable energy production;tax exemptions on dividend income from renewable energy investments made within Nigeria;access to soft loans and low-interest financing

through the Power Sector Development Fund, aimed at reducing the financial strain on project developers (Federal Inland Revenue Service [FIRS], n.d.).

These provisions are strategically designed to foster innovation, reduce entry barriers, and enhance the overall growth and competitiveness of the renewable energy industry. However,the 2025 tax reform which was signed into law 26th ofJune, 2025 (effective 1st ofJanuary 2026) hassignificantly reshape the investment incentive landscape (EY Global, 2025). In this reform, the PSI was repealed and new applications were formally closed on the 10th of November 2025 as part of preparations for the new regime (Klynveld Peat Marwick Goerdeler [KPMG], 2025). Consequently,it was replaced with the economic development incentive (EDI) which is a new performance-based system with annual tax credits tied to actual investment.

The EDI repeals the PSI, replaces the investment tax credit and eligible companies earn a 5 % tax credit per year, for up to five (5) years, on qualifying capital expenditure (QCE) dedicated to priority sectors like renewable energy manufacturingeffective from the production datebut this can be extended by another 5 years on the agreement that 100% of the revenue earned during the initial 5 years will be reinvested (KPMG, 2025).The EDI focuses not only on profits of companies but also on verifiable capital expenditure. This incentive can be analyzed using the Neoclassical Investment Theory, which argues that firms respond positively to incentives that significantly lower the cost of capital. This theory was introduced by Jorgenson (1963) which suggests that firmswill continue to invest as long as the costs of doing so are less than the benefits. According to Munongo (2017. p.155) “The neoclassical investment theory suggests that tax incentivesencourage growth of established firms through reinvestments and also lures newinvestments since it reduces the cost of capital”.

Value Added Tax (VAT) Exempt

According to Chapter VI, PART IV, section 186 to 188 of the Nigeria Tax Act (2025), essential supplies some of which includes oil and gas export, baby products, locally manufactured sanitary towels, military hardware, food purchase for use in humanitarian donor funded project, assistive devices and disability-related products are VAT exempted. Additionally, under section 187, supplies such as basic food items, all medical and pharmaceutical products including medicinal herbal products, educational books, fertilizers, medical services, locally produced agricultural chemicals, locally produced animalfeeds, exported services are subject to 0% VAT. Also where, a government or an agency of a government in Nigeria hasentered into an agreement with the government of another country or a donoragency for the provision of developmental financing for any project in Nigeria,and such agreement provides for the exemption of supplies made under theproject from VAT, the President may, by an order published in the Official Gazette, give effect to the exemption (NTA, 2025 p.490).

Challenges of Tax Incentives in Fostering Business Sustainability and Growth

Taxincentives have been widely publicized as a powerful device for both driving business sustainability and aiding business growth. However, several challenges such asinconsistencies in government economic policies, and absence of capacity-building programs may often times limit the effectiveness of these incentives (Ogundajo et al., 2026). Similarly, Nkalo (2025) observed that businesses experience prolonged bureaucratic delays in accessing available tax incentives, largely due to unclear eligibility criteria and inefficient administrative procedure. Also, Ihugba et al. (2025) noted that there is lack of awareness among businesses especially SMEs on the range of incentives available to them. They also argued that despite the potential benefits of tax incentives, there is absence of standardized monitoring and evaluation framework for assessing the adoption, execution and outcome of

these incentives. Ofoegbu and Akwu (2016) stated that tax incentives are more effective when taxpayers are adequately informed and administrative processes are simplified. Anothercentral challenge is over dependency, where firms or sectors begin to treat incentives as permanent fixtures rather than temporary catalysts. This reliance weakens incentives for efficiency and innovation while embedding distortionary investment behavior (Orihara, 2023). According to Adjetey et al. (2024), another major barrier of tax incentives in stimulating business sustainability and growth is institutional capacity and data availability as reliable tracking of firm-level outcomeswill be difficult to determine whether tax incentives actually generate true additionality or simply reward activities that would have otherwise occurred (Akinleye, et al., 2022).

Review of Theories

The Endogenous Growth Theory was introduced by Romer (1986) in response to limitations associated with the neoclassical growth model. The theory explains economic and business growth as being driven by factors that are generated within the economy or firm, particularly investment in innovation, research and development, human capital, and technological advancement. Romer (1986) argues that technological progress and knowledge accumulation can improve productivity and generate sustained economic growth. The theory provides a theoretical foundation for the Research and Development (R&D) Incentive because tax incentives for R&D can encourage firms to increase their investment in research, innovation, and technological development. Increased investment in these areas can lead to the development of new products, processes, and technologies, which may improve productivity, competitiveness, and long-term business sustainability. Therefore, the R&D incentive under the Nigeria Tax Act 2025 can be linked to endogenous growth theory because it creates an enabling environment for firms to invest in knowledge and innovation as drivers of sustainable business performance.

Infant Industry Theory

The Infant Industry Theory is associated with Friedrich List (1841). The theory posits that newly established or developing industries may require temporary government protection and support to overcome initial challenges, develop productive capacity, achieve efficiency, and eventually compete effectively in the market. Such government support may include tax reliefs, subsidies, protective measures, and other forms of assistance that reduce the financial burden on emerging businesses.The theory provides a basis for understanding the Income Tax Exempt incentive under the Nigeria Tax Act 2025. The Act provides income-tax exemptions for specified agricultural businesses, including crop production, livestock, aquaculture, forestry, dairy, cocoa processing, and animal-feed manufacturing for the first five years of commencement. It also provides exemptions for qualifying small companies subject to specified turnover and asset conditions. These exemptions can reduce the initial tax burden on newly established and qualifying businesses, allowing them to retain more of their earnings for reinvestment, expansion, employment creation, and improvement of productive capacity. Thus, the Infant Industry Theory explains how temporary tax relief can support businesses during their early stages and potentially contribute to their long-term sustainability.

Neoclassical Investment Theory

The Neoclassical Investment Theory is associated with Jorgenson (1963). The theory explains investment decisions based on the relationship between the cost of capital and the expected benefits from investment. Firms are expected to increase investment when the cost of acquiring and using capital declines relative to the expected return from that investment. This theory provides a theoretical foundation for the Economic Development Incentive (EDI) introduced under the Nigeria Tax Act 2025. The EDI replaced the former Pioneer Status

Incentive and investment tax credit arrangements. Under the new framework, eligible companies in priority sectors can obtain a 5% annual tax credit for up to five years on qualifying capital expenditure, subject to the conditions specified by the Act. The incentive may also be extended under the reinvestment condition provided by the legislation. The EDI can therefore be explained through the Neoclassical Investment Theory because the tax credit reduces the effective cost of qualifying capital investment. Lower investment costs may encourage firms to acquire productive assets, expand operations, adopt new technologies, and increase investment in priority sectors. Such investments can contribute to business sustainability by strengthening productive capacity and supporting long-term operations.

Incentive theory

Incentive Theory was first introduced by Skinner in 1938 explaining that the human behavior results from external stimuli rather than internal factor (Kumar, 2024). Consequently, it argues that incentives encourage desired outcomes by influencing task prioritization and goal commitment (Knight et al., 2001). Deutsch et al (2010) suggests that incentives should apply not only to the key agents at the top of an organization, but to all levels within a given hierarchy to provide the greatest possible form of alignment with the interests of the principal. The VAT incentive can conceptually be connected to the Tax Incentive Theory, which explains that governments use tax reductions, exemptions, and other tax concessions to influence economic behavior and achieve particular economic or social objectives. From this perspective, VAT exemptions and zero-rating can reduce the tax burden associated with specified goods and services, potentially improving affordability, demand, production, and investment in targeted areas of the economy.

Empirical Review

Recent Nigerian studies generally found a positive significant relationship between tax incentives and business performance. For example, Dopemu and Monday (2024) examined the impact of tax incentives (capital allowance) on business growth in the manufacturing industry. An ex post facto research design was used and fifty listed manufacturing companies were purposively selected.data were collected from their audited financial statement, Nigeria Exchange Group factbook and Federal Inland Revenue Service (FIRS). The data collected were analyzed via panel data analysis using a fixed effect regression model The study found that capital allowance incentive has a positive significant impact on business growth. The study concludes that tax incentive scheme plays a significant role in promoting business growth in Nigeria. However, the study focused on business growth and did not consider the impact of tax incentives onbroader social and environmental sustainability outcome.

Similarly, Lawal et al. (2022) investigated the impact of tax incentives on business growth focusing on Nigeria's manufacturing sector using a retrospective survey approach, with a target population of all listed manufacturing companies in Nigeria, and a selected sample of ten companies using a purposive sampling technique. The data were analyzed using descriptive and inferential statistic and the findings revealed a positive significant relationship between tax incentives and business growth. However, the study focused on business growth as a primary outcome paying little or no attention to sustainability and also, the sample size might be too small.

In addition, Olowo et al (2020) explored the role of tax incentives in promoting the growth and development of manufacturing firms in Nigeria. The study employed a retrospective survey design, drawing data from the 2013–2018 annual reports of selected companies. Data were analyzed using E-view 9.0 software and ordinary least squares multiple regression method. The study found that corporate income tax incentives, capital allowances, customs benefits, and excise incentives all had a positive and significant effect on the return on assets

of the manufacturing firms examined. The study however focused on profitability which leaves the sustainability aspect indirect. Also, the data used in the study was based on financial report from 2013-2018 which predates the current business environment and Nigeria Tax Policy especially the introduction of the Nigeria Tax Act 2025. Consequently, its findings may have limited relevant to the current tax incentive framework.

In addition, Okoli and Ezenwafor (2022) analyzed the impact of PSI on business growth in Nigeria. The study found a higher growth in employment and output for businesses enjoying PSI in contrast with those not benefiting from the scheme. While also noting that the criteria for granting PSI were not consistently applied, and this reduced the potential impact. However, this study predated the introduction of the Nigeria Tax Act 2025 and its findings may not be relevant to decision making.

Consequently, Blessing and Ike (2025) investigated the impact of tax credit, R&D incentives for sustainable practices on corporate behavior among Nigerian manufacturing firms. The study adopted a quantitative ex post facto research design with data collected from 200 corporate representatives using a structured questionnaire. The study found a moderate agreement on the presence and influence of tax incentives, with mean scores around 3.0 on a 5-point Likert scale. The study also emphasized the importance of treating tax incentives as a unified policy package rather than as a secluded instrument. The study is relevant as it moves from the conventional profitability measures to sustainability related corporate behavior. However, focused on manufacturing firm and this may limit the generalization of the findings across other sectors.

In contrast, Omodero (2021) examined the correlation between tax incentives and firm profitability. Data were collected from manufacturing firms in Nigeria between 2010 and 2020. The study found a positive yet weak relationship betweentaxincentives and profitability. The study also detected challenges such as corruption and bureaucratic delay associated with assessing these incentives.

Okoth (2023) explored how tax incentives and subsidies could potentially contribute to economic development and growth in developing nations. The study utilizes secondary data obtained from World Bank, IMF, and OECD reports covering the period from 2010 to 2022. It investigates the impact of tax incentives on economic development in developing countries, specifically focusing on Indonesia, Kenya, Malaysia, and Turkey. The analysis was conducted using STATA version 15, employing a panel data regression model based on the generalized estimating equation (GEE) approach. The researcher applied a p-value threshold of 0.05 to determine the statistical significance of the variables. The findings reveal that subsidies have a positive and significant influence on investment and economic growth. In contrast, incentives related to production, sales, transfer taxes, and taxes on profit and capital gains did not show a significant positive effect on investment. Furthermore, their impact on economic growth was found to be negative and statistically insignificant.

Consequently, Okoli and Ezenwafor (2022) analyzed the impact of PSI on business growth in Nigeria. The study found a higher growth in employment and output for businesses enjoying PSI in contrast with those not benefiting from the scheme. While also noting that the criteria for granting PSI were not consistently applied, and this reduced the potential impact. However, this study predated the introduction of the Nigeria Tax Act 2025 and its findings may not be relevant to decision making.

3.0 Conclusion and Recommendation

The study reviewed relevant literature ontax incentives and business sustainability and growth focusing on the Nigerian context. However, in the study, business sustainability is the fundamental concept while growth is treated as an economic dimension.

The study observed from extant literature that tax incentives are essential tools for promoting business sustainability and growth as they reduce cost of capital, encourage reinvestment, boost liquidity, support the adoptionof socially responsible practices, environmentally friendly technology and innovations. Additionally, the study observed that awell-designed tax incentive framework will enable businesses adopt practices that has positive impact on the environment while fostering growth. Evidence from Nigeria and other countries indicates that such incentives can enhance profitability, capital investment, and sustainable practice, Although most of these studies focus on profitability while paying little or no attention to the environmental and social dimension of business sustainability.

However, the study found that several challengessuch as lack of awareness, and unequal access, frequent changes in tax policies, inadequate monitoring mechanisms often times limit the effectiveness of tax incentives in stimulating business sustainability and growth. Past studies further revealed that tax incentives by themselves are not sufficient unless they are integrated into a robust institutional framework.

This study concludes that tax incentives continue to be a vital policy tool for promoting business sustainability and growth. However, their success to a large extent depends on thorough policy framework, inclusiveness and transparency.

Recommendation

This study recommends the need for more empirical work in Nigeria to be carried out in other to ascertain the effectiveness of tax incentives (EDI, R&D) in stimulating business to sustain it environment and also grow internally.

There is need for business sensitization on the various tax incentives available to them, their eligibility, and application procedure. Tax incentive like the EDI has the potential of benefiting large businesses as these corporation has the accounting and legal resource to navigate performance requirement unlike the SMEs. This exclusion may lead to the concentration of tax incentives on large corporations that may not necessarily be in need of the incentive. The framework of tax incentive should be inclusive. Enterprises especially the small and medium scale enterprises should be able benefit from these incentives.

Tax incentive framework requires a strong institutional capacity where relevant tax authorities and policymakers ensure transparency and accountability. Eligibility criteria and the basis for measuring performance should also be well defined.Furthermore, streamlining application process, strengthening enforcement, and monitoring results/system will guarantee that tax incentives will significantly promote long-term business sustainability and growth.

The economic development incentive which is a performance-based incentive should be closelymonitored to ensure that benefit is linked to quantifiable social, economic, and environmental outputs Also, policymakers should do a thorough follow-up to confirm businesses investment in research and development for which the R&D incentive was granted to support sustainable practices and growth of the business.

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