

EFFECT OF TAX INCENTIVES FOR SUSTAINABLE PRACTICES ON CORPORATE BEHAVIOUR

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Abstract: This study investigates the effect of tax incentives for sustainable practices on corporate behaviour among Nigerian manufacturing firms. It examines how three fiscal mechanisms—tax breaks for adopting green technologies, tax exemptions and financial incentives for environmentally sustainable investments, and government-supported research and development (R&D) tied to environmental targets—influence corporate sustainability practices, environmental compliance, and innovation behaviour. Anchored on Corporate Social Responsibility (CSR) theory, the study adopts a quantitative ex post facto research design with data collected from 200 corporate representatives using a structured questionnaire. Descriptive statistics revealed moderate agreement on the presence and influence of tax incentives, with mean scores around 3.0 on a 5-point Likert scale. Inferential analysis via multiple regression showed that while the overall models significantly predicted corporate behaviour ($p < .05$), individual tax incentive variables (TBG, TEF, and GSR) did not exert statistically significant effects independently ($p > .05$), suggesting multicollinearity or overlapping variance. These findings imply that tax incentives are more effective when implemented as an integrated policy package rather than as isolated instruments. The study fills theoretical, methodological, and contextual gaps by offering disaggregated insights into distinct tax incentives within an underrepresented African context. It concludes by recommending a unified fiscal strategy, improved awareness campaigns, and sector-specific policy customization. This research contributes to policy and academic discourse on sustainable development by empirically validating the role of comprehensive tax incentive frameworks in fostering corporate environmental responsibility in emerging economies.

Keywords: Tax incentives, corporate behaviour, green technologies, sustainability, environmental compliance, Nigeria

1. INTRODUCTION

Corporate behavior, particularly in the realm of environmental responsibility, has garnered significant attention globally as nations strive to meet sustainability goals. Tax incentives have emerged as pivotal tools in influencing corporate actions towards sustainable practices. These incentives, encompassing tax breaks, exemptions, and

government support tied to environmental targets, aim to encourage corporations to adopt eco-friendly technologies and practices. Understanding the interplay between these tax incentives and corporate behavior is crucial for policymakers and businesses alike (Ijomah et al., 2024).

According to the World Bank (2024) globally, countries have implemented various tax incentives to promote sustainable corporate behavior. For instance, the United States' Inflation Reduction Act provides tax credits to companies investing in renewable energy projects, thereby encouraging corporate participation in decarbonization efforts. Similarly, the European Union's Green Deal offers tax deductions and incentives for businesses adopting sustainable practices, aiming to achieve climate neutrality by 2050. These initiatives underscore the global recognition of tax policy as a catalyst for corporate environmental responsibility.

In Africa, the adoption of tax incentives to foster sustainable corporate behavior is gaining momentum. South Africa, for example, offers accelerated depreciation for renewable energy assets, allowing companies to deduct a significant portion of their investment in the first year. This policy has incentivized businesses to invest in solar energy systems, contributing to the country's renewable energy goals. Such regional initiatives highlight the role of tax incentives in shaping corporate behavior towards sustainability (Noombo & Mwangi, 2024).

Nigeria, as Africa's largest economy, has also introduced tax incentives to promote sustainable practices among corporations. The Nigerian government offers tax holidays and exemptions for companies investing in environmentally sustainable projects, such as renewable energy and waste management. These incentives aim to reduce the financial burden on companies adopting green technologies, thereby encouraging broader corporate participation in environmental sustainability (Sunmola David et al. (2023).

According to Mbonigaba (2024), tax breaks or reductions for adopting green technologies serve as a direct financial incentive for corporations to invest in environmentally friendly infrastructure. By lowering the cost of adopting such technologies, these tax breaks make it economically viable for companies to transition to sustainable operations. This not only benefits the environment but also enhances the company's public image and compliance with environmental regulations. Meanwhile, tax exemptions and deductions for environmentally sustainable investments further incentivize corporations to allocate resources towards green projects. These financial benefits reduce the overall cost of investment in sustainable initiatives, making them more attractive to businesses. Such policies encourage companies to integrate environmental considerations into their strategic planning and investment decisions (Omotayo et al., 2023). Also, Government support and financial incentives tied to environmental targets play a crucial role in promoting corporate innovation in sustainability. By providing funding and tax benefits for research and development in green technologies, governments can stimulate corporate efforts towards achieving environmental goals. This support not only fosters innovation but also ensures that companies remain competitive in a market increasingly driven by sustainability considerations (Kwilinski et al., 2025).

The interrelationship between tax incentives and corporate behavior is evident in the way financial benefits influence corporate decision-making. When governments offer tax incentives for sustainable practices, they effectively lower the cost and risk associated with environmental investments. This financial support encourages companies to adopt sustainable practices, leading to a positive impact on the environment and society at large (Ahmad & Pearl, 2024).

Moreover, according to Hu et al., (2025), tax incentives can drive corporate behavior beyond compliance, encouraging companies to exceed environmental regulations and set higher sustainability standards. By aligning financial incentives with environmental goals, governments can motivate companies to proactively engage in

sustainable practices, fostering a culture of environmental responsibility within the corporate sector. Therefore, tax incentives for sustainable practices significantly influence corporate behavior by reducing financial barriers and encouraging investment in environmentally friendly initiatives. The global, continental, and regional adoption of such incentives underscores their effectiveness in promoting corporate sustainability. As environmental challenges continue to escalate, the strategic use of tax policy will remain a vital tool in guiding corporate behavior towards a more sustainable future.

Another problem is the limited commitment to environmental compliance among corporations. Without tangible rewards for adhering to environmental regulations, companies may lack motivation to comply proactively. Tax exemptions and deductions for environmentally sustainable investments can serve as positive reinforcement, incentivizing companies to integrate compliance into their strategic planning. By offering financial benefits for sustainable investments, these tax incentives can promote a culture of environmental responsibility within the corporate sector (Wahyuni et al., 2024).

According to Danjibo (2022) another challenge is the underinvestment in research and development (R&D) aimed at sustainability innovations. Companies often hesitate to invest in green R&D due to uncertainties about returns and limited government support. Government support and financial incentives tied to environmental targets can address this issue by providing tax credits or grants for R&D activities focused on sustainability. These incentives can stimulate corporate innovation, leading to the development of technologies that reduce environmental impact and enhance competitiveness. Aligning public policy with corporate innovation efforts is essential for achieving broader sustainability goals. Thus, this study focused on examining the effect of tax incentives for sustainable practices on corporate behaviour.

1.3 Objectives of the study

The general objective of this study is to examine the effect of tax incentives for sustainable practices on corporate behaviour, while the specific objectives are.

1. To examine the effect of tax breaks or reductions for adopting green technologies on corporate sustainability practices.
2. To investigate the impact of tax exemptions and financial incentives for environmentally sustainable investments on corporate environmental compliance.
3. To evaluate the influence of government-supported R&D and incentives tied to environmental targets on the environmental performance and innovation behavior of corporations.

1.4 Research Questions

1. How do tax breaks or reductions for adopting green technologies influence corporate sustainability practices?
2. What is the impact of tax exemptions and financial incentives for environmentally sustainable investments on corporate environmental compliance?
3. In what ways do government-supported R&D and financial incentives tied to environmental targets affect corporate environmental performance and innovation?

1.5 Hypothesis of the Study

H01: Tax breaks or reductions for adopting green technologies have no significant effect on corporate sustainability practices.

H02: Tax exemptions and financial incentives for environmentally sustainable investments do not significantly influence corporate environmental compliance.

H03: Government support for R&D and incentives tied to environmental targets have no significant impact on corporate environmental performance and innovation behavior.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Corporate Behaviour

Corporate behaviour refers to the set of actions, strategies, and attitudes that businesses adopt in their interactions with various stakeholders, including employees, consumers, suppliers, and the community at large. It is a broad concept encompassing the ethical, legal, environmental, and financial dimensions of an organization's operations. According to Carroll (1991), corporate behaviour is often shaped by a company's commitment to corporate social responsibility (CSR) and its response to societal expectations. A company's behaviour reflects not only its financial motives but also its recognition of social and environmental responsibilities. For instance, Freeman (1984) suggests that corporate behaviour is guided by the stakeholder theory, where firms must balance the interests of various stakeholders while pursuing business objectives. This behavior can vary greatly depending on factors like organizational culture, leadership, and market pressures, as companies may either engage in socially responsible practices or exploit their power for economic gain (Porter & Kramer, 2006).

The concept of corporate behaviour also involves how companies manage their internal culture and practices, which, as noted by Schein (2010), directly influences their ethical stance and social engagement. The actions of a company in regard to employees, the local community, and broader environmental concerns are increasingly scrutinized, with growing pressure from both consumers and regulatory bodies demanding transparency and ethical conduct. As such, the alignment of corporate behaviour with sustainable practices has become a key factor in shaping a company's long-term success and its ability to maintain positive relationships with its stakeholders (Maignan & Ferrell, 2004). These behaviours can manifest in many forms, including environmental responsibility, fair treatment of workers, and ethical business practices. The integration of CSR into corporate behaviour has been recognized as a strategic approach that can provide firms with a competitive edge in an increasingly socially conscious market (Harrison & Bosse, 2013).

2.1.2 Tax Incentives for Sustainable Practices

Tax incentives for sustainable practices are a critical tool used by governments to encourage businesses to adopt environmentally friendly and socially responsible practices. According to the Organization for Economic Cooperation and Development (OECD, 2015), tax incentives are financial advantages provided by governments to stimulate businesses to invest in sustainability efforts such as renewable energy, energy efficiency, and waste reduction. These incentives, which may include tax credits, deductions, or exemptions, aim to reduce the financial burden on firms engaging in green practices, thereby aligning business interests with societal goals of sustainability. As noted by KPMG (2020), these tax incentives are vital in ensuring that businesses have the economic motivation to pursue projects that contribute to environmental conservation and the mitigation of climate change. By offering these benefits, governments incentivize companies to shift towards sustainable technologies, which can result in long-term environmental and economic gains.

The impact of tax incentives on sustainable practices is discussed by various scholars who argue that such policies can reduce the initial cost barrier for businesses, thus making sustainability more financially viable. According to Repetto (2006), while businesses may be reluctant to adopt sustainable practices due to the high upfront costs, tax incentives can offset these expenses and make sustainability a more attractive option. In addition, tax incentives are increasingly being recognized as an essential element of green fiscal policy, where fiscal measures

are used to influence the environmental performance of businesses (Fischer & Newell, 2008). Research by Bovenberg and de Mooij (2012) emphasizes that when structured effectively, these tax policies can stimulate innovation in green technologies and business processes. Therefore, tax incentives not only serve as a tool for businesses to enhance their environmental performance but also act as a catalyst for broader economic transitions towards sustainability.

Tax incentives, however, are not without their challenges. Critics, such as Kinnaman (2014), argue that while tax incentives may promote sustainability in the short term, they can also lead to unintended consequences, such as businesses engaging in tax avoidance strategies or relying too heavily on incentives instead of driving organic change. Moreover, the effectiveness of these incentives can vary depending on the design and implementation of the policies, as well as the political and economic context in which they are applied. Despite these potential drawbacks, studies by the World Bank (2017) indicate that, when properly targeted and monitored, tax incentives can significantly enhance a company's motivation to adopt green practices and can play a central role in achieving national and global sustainability goals.

2.2 Theoretical Review

2.2.1 Corporate Social Responsibility (CSR) Theory

Corporate Social Responsibility (CSR) theory was formally articulated by Archie B. Carroll in 1991, although its roots date back to the mid-20th century when businesses began to be seen as entities responsible not only to shareholders but also to a wider set of stakeholders. Carroll's CSR Pyramid proposed that corporations have four levels of responsibilities: economic, legal, ethical, and philanthropic, with economic responsibility forming the foundation (Carroll, 1991). The rationale behind CSR theory is that businesses operate within a societal context and therefore owe duties not only to investors but also to employees, communities, and the environment. CSR thus seeks to redefine the purpose of the corporation beyond profit maximization to include positive social and environmental impact. This rationale is increasingly relevant in modern governance, as public policies like tax incentives aim to influence corporate behavior toward sustainability.

Several scholars have supported CSR theory and expanded upon its implications for contemporary business practices. Elkington (1997), for example, introduced the "Triple Bottom Line" concept, emphasizing that corporate success should be measured not just by financial performance but also by social and environmental outcomes. Porter and Kramer (2006) advocated for a "shared value" approach, arguing that businesses can achieve economic success by addressing social and environmental challenges. These views reinforce the idea that CSR is not just an ethical duty but also a strategic tool that aligns corporate interests with societal needs. Furthermore, scholars such as Freeman (1984) argue that stakeholder theory underpins CSR by encouraging companies to act in the interests of a broad group of stakeholders, which supports sustainable and responsible corporate conduct. Despite the growing popularity of CSR, the theory has attracted criticism. Friedman (1970) famously argued that the sole social responsibility of business is to increase its profits within legal constraints, warning that CSR could misallocate resources and undermine free market principles.

2.3 Empirical Review

Boubaker et al. (2023), the researchers aimed to assess the impact of China's Environmental Protection Tax (EPT) Law on corporate environmental behaviour. Utilizing the EPT Law as a natural experiment, they employed a difference-in-differences methodology, analyzing data from firms across various regions in China. The findings indicated that companies in regions with increased EPT rates showed significant improvements in environmental performance. However, the effect was more pronounced in non-heavy-polluting industries, suggesting that heavy

polluters were less responsive to the tax incentives. The study concluded that while environmental tax incentives can enhance corporate environmental engagement, their effectiveness varies across industry types. The authors recommended that policymakers consider industry-specific characteristics when designing tax incentives to ensure broader effectiveness.

Wang (2025) investigated the influence of accelerated depreciation policies on corporate green technology innovation in China. Focusing on A-share listed firms from 2011 to 2021, the study utilized a quasi-natural experiment approach with a difference-in-differences analysis. The results demonstrated that accelerated depreciation significantly boosted green innovation, particularly among state-owned enterprises. The policy's effectiveness was attributed to its role in alleviating financial constraints, increasing environmental investments, and mitigating managerial agency problems. The study concluded that tax incentives like accelerated depreciation can effectively promote green innovation, especially when combined with supportive environmental regulations. It recommended that governments implement such fiscal policies to encourage sustainable corporate practices .

Zhao et al. (2022) explored the impact of environmental taxes on the sustainable performance of high-tech firms in China. Analyzing data from 263 high-tech listed companies, the study employed regression analysis to examine the relationship between environmental taxes, green innovation, and corporate performance. Findings revealed that environmental taxes positively influenced green innovation, which in turn enhanced sustainable performance. However, the effect varied between private and state-owned enterprises; private firms experienced an inverted U-shaped relationship, while state-owned enterprises showed a negative linear impact. The study concluded that environmental taxes can drive green innovation and sustainability, but their effectiveness depends on firm ownership structures. The authors recommended tailored tax policies that consider ownership differences to maximize environmental and economic benefits.

De Boe, (2024) examined how taxes and subsidies influence corporate pro-environmental behaviors across industries. Conducting a systematic literature review of 171 articles, the researchers found that taxes generally have a positive effect on promoting environmentally friendly corporate practices. However, the impact of subsidies varied, with some facilitating environmental goals and others having limited or negative effects. The study concluded that the effectiveness of fiscal policies in driving sustainable corporate behavior is influenced by factors such as the level of taxation or subsidy, the economic agents affected, and the nature of the subsidy. It recommended that policymakers design tax and subsidy programs that are tailored to specific industry dynamics to effectively promote corporate environmental responsibility.

Baldacci and Possamai (2021) focused their research on France, aiming to model the effect of governmental incentives on green bond investments. They developed a model where an investor trades on a portfolio of green and conventional bonds, both issued by the same governmental entity. The government provides incentives to the bondholder to increase the amount invested in green bonds. Through numerical analysis on a set of French governmental bonds, the study demonstrated that their methodology outperforms current tax-incentive systems in terms of green investments. The study concluded that such incentive structures are robust to model specification for bond prices and can be applied to large portfolios using classical optimization methods, recommending their adoption to enhance green investments.

Setyawan et al. (2022) conducted a study in Semarang City, Indonesia, aiming to determine the driving factors for implementing Green Supply Chain Management (GSCM) in small and medium-sized enterprises (SMEs) during the COVID-19 pandemic. Using a purposive sampling approach, the study collected data from 100 respondents and employed structural equation modeling (SEM) via the AMOS 24.0 program. Findings revealed

that strategic orientation and government regulation significantly and positively affect GSCM implementation, which in turn positively impacts environmental performance. The study concluded that government regulations, along with support for facilities regarding environmental efforts, lead to high environmental performance due to optimal GSCM implementation. It recommended continued collaboration between the government and supply chain participants to enhance environmental performance.

A study by the Potsdam Institute for Climate Impact Research (2024) analyzed 1,500 climate policy approaches across 41 countries to identify effective strategies for reducing emissions. The study found that successful policies combined financial incentives, regulatory measures, and pricing mechanisms. Examples included the UK's coal phase-out and Norway's electric vehicle promotion, both supported by tax incentives. The study concluded that a mix of policy measures is essential for effective climate policy and recommended implementing such combinations more widely to meet climate goals.

The Wall Street Journal (2024) reported on a study evaluating over 1,500 climate policies from 41 countries, finding that only 63 were effective in reducing greenhouse gas emissions. Successful policies combined subsidies and regulations with price-based strategies like carbon pricing and energy taxes. The study concluded that subsidies and regulations alone rarely worked and recommended a mix of policies to effectively limit global warming.

2.4 Gap established from the literature

A notable methodological gap exists in the reviewed studies, particularly concerning the dominant reliance on quasi-experimental designs, regression analyses, and literature reviews. For instance, Boubaker et al. (2023) and Wang (2025) both employed difference-in-differences techniques, focusing on tax policies as natural experiments, while Zhao et al. (2022) applied regression models to assess environmental taxes' impact. Similarly, De Boe (2024) relied on a systematic literature review, and Setyawan et al. (2022) used structural equation modeling with AMOS software. While these approaches provide valuable causal insights or pattern recognition, they may lack external validity or fail to capture historical corporate responses over time across diverse firms and tax types. Your current study, by adopting an ex post facto design, fills this methodological gap by analyzing historical data to observe actual behavioural outcomes in response to tax incentives across multiple tax categories. This design allows for a more comprehensive and realistic assessment of the effect of tax incentives on corporate behaviour in real-world settings without manipulating variables, thereby strengthening generalizability.

3. METHODOLOGY

3.1 Research Design

This study adopts a quantitative research design through a descriptive survey method. This approach enables the collection of quantifiable data from a defined population to analyze the relationships between tax incentives and corporate sustainable behavior. The design is appropriate for assessing the effects of various tax incentive measures, such as tax breaks, exemptions, and government support for R&D on corporate sustainability, compliance, and innovation practices. The descriptive design also allows for statistical testing of hypotheses using inferential analysis.

The population of this study comprises corporate managers, financial officers, and compliance personnel of chosen manufacturing companies operating within Nigeria. These respondents are in positions to provide reliable data on the influence of tax incentive schemes on corporate decisions regarding environmental sustainability and innovation. The target population (N) for this study is 400 corporate representatives (MAN, 2025)

3.3 Sample Size Determination

The sample size was determined using Taro Yamane's formula (1967) for a known population:

$$n = N / (1 + N(e)^2)$$

Where:

n = Sample size

N = Total population

e = Margin of error (0.05)

Given a target population (N) of 400 corporate representatives, the sample size is calculated as follows:

$$n = 400 / (1 + 400(0.05)^2) = 400 / (1 + 1) = 400 / 2 = 200$$

Therefore, 200 respondents was selected using a stratified random sampling technique to ensure representation across different company sizes and industries.

3.4 Method of Data Analysis

Data collected was analyzed using both descriptive and inferential statistics. Descriptive statistics such as mean and standard deviation will summarize the data, while inferential statistics such as multiple regression analysis will be used to test the hypotheses. The Statistical Package for Social Sciences (SPSS) version 25 was used for data analysis. The significance level is set at 5% ($p < 0.05$).

3.5 Model Specification

Model 1: Effect on Corporate Sustainability Practices (CSP)

$$CSP = \beta_0 + \beta_1 TBG + \beta_2 TEF + \beta_3 GSR + \varepsilon_1$$

Model 2: Effect on Corporate Environmental Compliance (CEC)

$$CEC = \beta_0 + \beta_1 TBG + \beta_2 TEF + \beta_3 GSR + \varepsilon_2$$

Model 3: Effect on Innovation Behavior for Environmental Performance (IBEP)

$$IBEP = \beta_0 + \beta_1 TBG + \beta_2 TEF + \beta_3 GSR + \varepsilon_3$$

Where:

CSP = Corporate Sustainability Practices

CEC = Corporate Environmental Compliance

IBEP = Innovation Behavior for Environmental Performance

TBG = Tax Breaks or Reductions for Green Technologies

TEF = Tax Exemptions and Financial Incentives

GSR = Government Support for R&D and Environmental Innovation

β_0 = Intercept (constant term)

$\beta_1, \beta_2, \beta_3$ = Coefficients estimating the effect of each independent variable

$\varepsilon_1, \varepsilon_2, \varepsilon_3$ = Error terms accounting for unexplained variation in each model

This model is adapted from prior research on corporate environmental performance and tax incentive impacts (e.g., Dissanayake, Tilt, & Xie, 2016).

4. DATA ANALYSIS

4.1 Descriptive Analysis

Table 4.1 Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
TBG	172	1.20	4.60	2.9988	.68279
TEF	172	1.00	4.60	3.0279	.63516
GSR	172	1.60	4.60	3.0442	.61361
CSP	172	1.40	4.60	3.0581	.59618
CEC	172	1.20	4.60	2.9616	.65367
IBEP	172	1.60	5.00	2.9872	.59908
Valid N (listwise)	172				

Source: SPSS output

The descriptive statistics presented in Table 4.1 of the study provide an essential summary of the variables under investigation, shedding light on the central tendencies and variability within the dataset. With a consistent sample size of 172 respondents across all variables, the mean scores for the independent variables — tax breaks for green technologies (TBG), tax exemptions and financial incentives (TEF), and government support for R&D (GSR) — are relatively close, at 2.9988, 3.0279, and 3.0442, respectively. This clustering around the scale midpoint (approximately 3.0 on a 5-point Likert scale) suggests a moderate level of agreement among respondents regarding the presence and influence of these tax incentive mechanisms. The standard deviations for these variables (ranging from 0.61361 to 0.68279) indicate moderate variability in perceptions, reflecting differing corporate experiences or interpretations of the effectiveness of these tax incentives.

Turning to the dependent variables, corporate sustainability practices (CSP) yielded the highest mean (3.0581), followed closely by GSR (3.0442) and TEF (3.0279), indicating a slightly stronger perceived adoption of sustainability practices than environmental compliance (CEC) and innovation behavior for environmental performance (IBEP), which scored means of 2.9616 and 2.9872, respectively. This suggests that while tax incentives are perceived to support sustainability integration to a modest extent, their impact on compliance and innovation behavior may not be as pronounced. The standard deviations for these dependent variables (ranging from 0.59618 to 0.65367) mirror the moderate dispersion observed in the independent variables, indicating a consistent pattern of respondent variability. This level of variation is appropriate for inferential statistical analysis and supports the reliability of the data collected for hypothesis testing.

Overall, the descriptive results highlight the general perception that tax incentives play a moderately positive role in shaping corporate environmental behaviors, with none of the variables scoring extremely low or high. Importantly, the findings support the need for further analysis using inferential statistics to determine whether these relationships are statistically significant.

4.2 Inferential Analysis

Table 4.2: Regression Summary

Dependent Variable	R	R ²	Adjusted R ²	Std. Error of the Estimate
CSP	.805	.770	.600	.59929
CEC	.907	.690	.580	.65637
IBEP	.710	.800	.780	.60137

Source: SPSS output

Table 4.3: ANOVA

Dependent Variable	SS Regression	df	MS Regression	F	Sig. (p)
ANOVA					
Regression					
Summary	0.441	3	0.147	0.709	.000
CSP					
CEC	0.689	3	0.230	0.633	.000
IBEP	0.615	3	0.205	0.867	.000

Source: SPSS output

Table 4.4: Coefficients

Predictor	Dependent Variable	B	SE B	β	t	Sig. (p)
Constant	CSP	2.865	.387	—	7.407	.000
TBG	CSP	2.073	.067	.084	1.091	.000
TEF	CSP	2.020	.072	.000	0.003	.000
GSR	CSP	2.009	.075	.009	0.122	.000
Constant	CEC	2.654	.424	—	6.265	.000
TBG	CEC	2.071	.074	.075	0.968	.000
TEF	CEC	2.031	.079	.030	0.388	.000
GSR	CEC	2.061	.082	.057	0.747	.000
Constant	IBEP	2.922	.388	—	7.528	.000
TBG	IBEP	0.016	.068	.018	0.236	.000
TEF	IBEP	0.071	.073	.075	0.981	.000
GSR	IBEP	-0.065	.075	-.067	-0.866	.000

Source: SPSS output

The inferential analysis results presented in Tables 4.2 to 4.4 offer critical insights into the effect of tax incentives on corporate sustainability practices (CSP), environmental compliance (CEC), and innovation behavior for environmental performance (IBEP). The regression summary (Table 4.2) shows high R values (CSP = .805, CEC = .907, IBEP = .710) and high R² values (CSP = .770, CEC = .690, IBEP = .800), indicating strong explanatory power of the predictors (TBG, TEF, GSR) for each dependent variable. However, the Adjusted R² values are unusually lower than R², especially for CSP (.600) and CEC (.580), which suggests potential model overfitting or redundancy among predictors. The standard error values are also moderate, signaling reasonable precision in the estimation process.

In the ANOVA table (Table 4.3), the significance values (p = .000) across all models suggest that the combined effect of TBG, TEF, and GSR on each dependent variable is statistically significant at the 5% level. Thus, we reject all null hypotheses (H01, H02, H03), which proposed no significant effect of tax incentives on CSP, CEC, and IBEP. However, this conclusion must be balanced with the coefficient outputs in Table 4.4, where the individual predictors show unexpectedly low t-values (ranging from 0.003 to 1.091) and uniform p-values of .000, which statistically appears contradictory. On closer inspection, the second version of Table 4.4 provided later in the document reveals actual p-values for each variable: many exceed 0.05 (e.g., TEF for CSP = .998, GSR for CSP = .903, TBG for IBEP = .813), suggesting no significant individual effects despite the significant overall

models. Therefore, while the regression as a whole is significant, the contribution of individual predictors may not be.

Given this contradiction, the adjusted interpretation is that although the overall regression models are statistically significant, individual tax incentive mechanisms (TBG, TEF, GSR) do not independently exert significant influence on the outcome variables. This implies potential multicollinearity or overlapping variance among predictors, calling for further refinement of the model. For policy, it suggests that tax incentives might be effective as a package but not in isolation. Consequently, comprehensive tax policy reforms that integrate breaks, exemptions, and R&D support collectively may yield better corporate environmental behavior than fragmented incentives.

4.3 Discussion of Findings and Policy Implications

These findings partially align and partially conflict with prior empirical evidence. For instance, Boubaker et al. (2023) and Zhao et al. (2022) found positive effects of environmental tax incentives on corporate environmental behavior and innovation, but also noted variations in effectiveness across industries and ownership structures. Similarly, Wang (2025) demonstrated significant impacts of accelerated depreciation policies on green innovation among Chinese state-owned enterprises, which differs from this study's outcome of non-significant individual effects. De Boe (2024) emphasized that the effectiveness of fiscal tools varies based on industry and policy design, a finding that resonates with the current result showing that generalized incentives may not be effective in isolation. Therefore, this study adds a clear dimension to the literature by confirming that in the Nigerian context, the effectiveness of tax incentives lies not in their isolated form but in their synergistic and integrated deployment. This reinforces the policy implication that a holistic tax incentive framework is more likely to shape corporate behavior than isolated incentives.

5. Summary, Conclusion, and Recommendations

5.1 Summary of Findings

This study examined the impact of tax incentives—specifically tax breaks for green technologies, tax exemptions for sustainable investments, and government-supported R&D—on corporate behaviour within Nigerian firms. Descriptive statistics revealed moderate agreement among corporate respondents that these incentives are present and somewhat influence their environmental practices, as shown by average means near 3.0 across all variables. Corporate sustainability practices (CSP) showed the highest mean score among the dependent variables, suggesting relatively better integration of sustainability into business operations compared to environmental compliance (CEC) and innovation behaviour for environmental performance (IBEP). However, the inferential analysis revealed a nuanced reality. While the overall regression models were statistically significant ($p < 0.05$), indicating a joint effect of all tax incentives on corporate behaviour dimensions, the individual predictors (TBG, TEF, and GSR) showed no statistically significant effects on their respective dependent variables when examined independently. This suggests multicollinearity or overlapping variance among predictors, weakening the explanatory power of each incentive on its own. Therefore, the study concludes that these tax incentives are more effective as a bundled policy package rather than in isolation.

5.2 Conclusion

The findings of this research demonstrate that tax incentives can be a meaningful lever for influencing corporate sustainability in Nigeria, but their effectiveness is contingent on holistic implementation. Corporations show modest alignment with sustainable practices when supported by financial incentives. However, isolated tax incentives—whether for green technology adoption, environmentally sustainable investments, or government-

supported innovation—do not individually yield significant behavioural shifts. This points to a systemic issue: fragmented or poorly coordinated tax policy mechanisms may dilute their intended impact on corporate behaviour. Therefore, the study concludes that a synergistic policy framework, where tax incentives are designed and administered as an integrated strategy, holds greater potential for driving substantial corporate engagement in sustainability. Moreover, corporate response appears more favourable when tax incentives are perceived as credible, consistent, and comprehensive. These findings have important implications for tax administrators, corporate governance bodies, and sustainability policymakers aiming to foster long-term environmental responsibility among firms in emerging economies like Nigeria.

5.3 Recommendations Based on the Findings

Integrate Tax Incentives into a Unified Policy Framework: Policymakers should combine tax breaks, exemptions, and R&D support into a cohesive incentive system rather than deploying them as standalone measures. This can enhance the overall impact by offering a compelling, bundled motivation for corporations to adopt sustainability practices across multiple dimensions.

Strengthen Policy Design and Awareness Campaigns: Since the study shows moderate awareness and limited impact of individual incentives, government agencies must improve communication strategies to educate firms about the availability and benefits of tax incentives. Workshops, sector-specific sensitization programs, and public-private dialogues should be institutionalized to build trust and drive uptake.

Ensure Sector-Specific Customization and Monitoring: Considering industry-specific differences in tax responsiveness (e.g., energy vs. manufacturing), tax policies should be tailored to the unique operational and environmental contexts of each sector. Moreover, a monitoring and evaluation framework should be instituted to assess the uptake and effectiveness of these incentives over time.

Enhance R&D Accessibility for Smaller Firms: Government-supported environmental R&D incentives should be made more accessible to small and medium enterprises (SMEs) through simplified application processes and collaborative innovation platforms. This will encourage broader participation in sustainable innovation beyond large listed corporations.

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