THE IMPACT OF CAPITAL ALLOWANCE ON INVESTMENT DECISION OF SELECTED OIL AND GAS COMPANIES IN NIGERIA

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Abstract:
The study focused on the impact of capital allowance on investment decision of selected oil and gas companies in Nigerian. Expo-facto research design was adopted. Two hypotheses were formulated to guide the study and were tested at 95 percent confidence level. The population consists of fifteen (15) oil and gas companies listed on the Nigerian Stock Exchange, the sample size used was seven oil and gas companies and judgmental sampling technique was adopted for the study. Data for the study were collected through secondary source. This was analyzed with Ordinary Least Square (OLS) regression technique. And the result of the hypotheses tested revealed that there is a positive and significant relationship between capital allowance and investment decision. Based on the findings, it was recommended that government should set up a body that will ensure regular review of capital allowance provided to investors and ensure that gray areas are addressed in order to enhance and attract more investors.

JEL: D24, E22, G11

Keywords: capital allowance, investment decision, oil and gas companies, Nigeria

1. Introduction

According to Bassey (2013), capital allowance is an allowance granted to tax payer on his/its qualifying capital expenditure. Capital allowance is granted to the owner of asset, wholly, exclusively necessarily and reasonably for the purpose of business. In the like vein, Mayo-BPP (1989, p. 85) as cited by Bassey, (2013) described capital allowance
as a form of relief that is granted to any person who incurred qualifying capital expenditure during a basis period in respect of assets in use for the purpose of trade or business at the end of the basis period.

Adeboyeja, (1998) considered the following as the features in his literature as capital allowance: (i) It is calculated using standardized statutory rates, (ii) the method of application is uniform and consistent to all tax payers (individual and companies, (iii) equal amount would be claimed by different tax payers provided that the assets acquired were required on the same day and circumstances. Also, the cost and date of use and other related matters are expected to be the same, and (iv) the same set of rules applies to tax payers. He also assert that granting capital allowance to individual or company must obey certain conditions as: (a) Expenditure must have been incurred on the asset, (b) the asset must be owned by the person or company making the claims, (c) the asset must be used for the purpose of a trade, business, profession or vocation generating taxable profit, (d) the asset must be in use at the end of the relevant accounting year, periods of temporary dis-use are ignored, (e) a claim must be made in writing by the taxpayer before it can be granted.

Capital allowances are given in respect of certain types of expenditure referred to as qualifying expenditure. According to tax acts, qualifying expenditure consists of the following: qualifying building expenditure, qualifying industrial building expenditure, qualifying mining expenditure, qualifying plant expenditure, qualifying furniture and fitting expenditure, qualifying plantation expenditure, qualifying agricultural expenditure, qualifying public transportation motor vehicle expenditure, qualifying Public transportation (intercity) new mass transit coach expenditure, and qualifying expenditure incurred before commencement of business.

**Qualifying Building Expenditure:** This refers to capital expenditure incurred on the construction of buildings, structures or works of permanent nature other than expenditure included in qualifying plant expenditure and qualifying mining expenditure (Bassey, 2013).

**Qualifying mining expenditure:** According to Adeboyeja (1998), qualifying mining expenditure refers to capital expenditure incurred in connection with or in preparation of a mine, oil well or other source of mineral deposits of a wasting nature. (i) On the acquisition of right in or over the deposits or the purchase of information relating to the existence and extent of the deposit. (b) on searching for or on discovering and testing deposits or winning access to it. (c) on the construction of any works or building which are likely to be of little or no value when the source is no longer worked or the source is worked under a concession, which are likely to become valueless when
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the concession come to an end to the individual working source immediately before the concession comes to an end.

**Qualifying plant expenditure:** This is referred to expenditure incurred on plant, machinery or fixtures as contained in the trade acts. Definition of that is made clear in Bassey (2013) as defined by Lindley, L. J. in an attempt to define plant in the case of Yarnoth V France 1987, he define plant thus:

In its ordinary sense (plant) includes whatever apparatus is used by a businessman for carrying on his business, not his sales but all goods and chattels, fixed or movable, live or dead, which he kept for permanent employment in his business. However, in Daphne V Shaw (1926), the law library of practicing solicitor was held not to be plant. Rowlatt J. said plant and machinery means apparatus, alive or dead, stationary or movable, to achieve the operations which a person want to achieved in his vocation. On different role, Munby V. Furlong (1977) the law books of barrister was held to be plant. Counsel to the crown would confine a professional man’s ‘plant’ or an architect’s table or suppose, the typewriter in a barrister chambers, but for myself, I do, not think ‘plant’ should be confined to things which are used physically. It seems to me that principle it extends to the intellectual storehouse which a barrister or solicitor or any other professional man has in the course of carrying on his profession.

**Qualifying agricultural expenditure:** This refers to capital expenditure incurred on plant in used in agricultural trades and business.

**Qualifying public transportation motor vehicle expenditure:** This is capital expenditure incurred on a fleet of business of not less than three (3) used for public transportation.

**Qualifying public transportation (inter-city) new mass:** This is capital expenditure incurred on new mass transit coach of 25 seats and above operated by a recognized private establishment.

**Qualifying expenditure incurred before commencement of business:** Where qualifying capital expenditure is incurred by a company before the commencement of its trade or business, such expenditure is deemed to have been incurred on the first day on which the company carries on that trade or business.

2. Types of Capital Allowance

2.1 Initial Allowance

Initial allowance is an allowance granted to a company which has incurred qualifying expenditure on an asset owned by it for the purposes of a trade or business carried on it. The allowance is granted to the company in the basis period for the year of
assessment in which the asset is first put to use for the purpose of its trade or business (Bassey, 2013). Particular advantage of initial allowance is that “it is granted in full irrespective of the number of months for which it has been engaged in production in the relevant accounting period. It is granted emblock on one-off basis in the year of assessment in which the asset was first introduced for production purpose, (Adeboyega, 1998). He considered granting initial allowance in two basis ways.

**Work of Permanent Nature:** Under the CITA, where capital expenditure has been incurred on the construction of a building, structure or work thereafter the relevant interest is sold, any company that buys that interest shall be deemed, to have to incurred on the date when the purchase price becomes payable, a capital expenditure equal to the price paid by it for such interest or to the original cost of construction whichever is lesser. However, where the buyer is able to prove that the asset is not acquired, after first use, initial allowance shall be granted.

**Related party transaction:** Still under Company Income Tax Act (CITA), where the totality of a trade or business undertaken by a company is sold or transferred or the main engagement is transferred to Nigeria or to Nigeria company, if the board is satisfied that one of the companies has control over the other or both are controlled by some other person or they both belong to a group of company, all the assets transferred or sold shall not qualify for the grant of initial allowance, they shall be deemed to have been transferred at residue (tax written down value) i.e. it shall be taken that the transferor or seller has enjoyed the benefit of initial allowance when he possessed the relevant interest and only pass-on a depreciated asset.

Also, where capital expenditure is incurred on the purchase of an asset and either the purchaser is a person over whom the seller has control or otherwise both are controlled by another person, they may determine the amount of initial allowance that can be claim by the purchaser.

### 2.2 Annual allowance

An annual allowance is granted to a company which has incurred qualifying expenditure on an asset owned by it for the purposes of a trade or business carried on by it, whether or not an initial allowance is made in respect of the qualifying expenditure. Annual allowance is granted yearly over the pre-determined period or number of years.

**Formula**

i) In respect of newly acquired asset:

\[
\text{Cost} - 1A \quad \text{or} \quad \text{Cost} - 1A - n (=N=10) \\
N \quad N
\]
Where cost = Amount paid at an arms length transaction or market value of the affected asset on the date of acquisition.

1A = Initial allowance calculated using the standard rate specified
N = Number of years determined via the annual allowance rate given

ii) In respect of existing (old) asset:

\[
TWDV = N_1 - N_2
\]

Where:

\(TWDV\) = Tax written down value of asset brought forward
\(N_1\) = Number of years specified for the asset
\(N_2\) = Number of years for which annual allowance has been granted prior to the current year of assessment.

However, in Adegboyega (1998), when allowance has been made for a number of years which is equal to more than the number of year specified under the straight line method, a single allowance shall be made in respect of the asset for an amount which is N10 less than the residue of the qualifying expenditure.

\[
TWDV - N_{10} (n)
\]

where:

\(N_{10}\) = is the nominal value that must be retained in the account after the final annual allowance has been granted until the asset is finally disposed off.

\((n)\) = The unit/number of asset concerned.

2.3 Investment allowance

In addition to initial allowance, a company who has incurred qualifying expenditure on plant and equipment is allowed an investment allowance at the rate of 10 percent of the actual expenditure on such plant and equipment. No investment allowance is to be granted in respect of any qualifying expenditure or if it has been granted, it must be withdrawn if any of events stated below occurs within a period of five years starting from the date the expenditure was incurred. Namely:

a) Any sale or transfer of the asset otherwise than to a person acquiring the asset for a chargeable purpose or scrap.

b) Any appropriation of the asset to a purpose other than a chargeable purpose.

c) Any sale or transfer or other dealing with the asset, being a case where it appears either.

- That the purpose of obtaining tax allowance was the sole or main purpose of the company for incurring or for so dealing with the asset or
• That the incurring of expenditure and the asset being so dealt with were not appropriate business transaction or were artificial or fictitious transaction or were designed for the purpose of obtaining tax allowances.

For the purpose of investment allowance, section 32(II) of CITA 2004 defines chargeable purpose as the purpose of putting the asset to a use such that profit accrued or are intended to accrued there from and will be chargeable to tax.

2.4 Rural investment allowance
A company which has incurred capital expenditure on the provision of facilities such as electricity, water or tarred road for the purpose of a trade or business which is located at least 20 percent kilometers away from such facilities provided by the government is entitled to rural investment allowance on the amount of such expenditure.

The rates of rural investment allowance are as follows:

a) No facilities at all - 100%
b) No electricity - 50%
c) No water - 30%
d) No tarred road - 15%

A company cannot claim both rural investment allowance and 10 percent of investment allowance in respect of the same assets.

Rural investment allowance is granted as a deduction from the profit of the year in which the facility was completed. Should there be no assessable profits in that year or assessable profit being less than the rural investment allowance, the unrelieved allowance cannot be carried to any year. It must lapse.

2.5 Export Processing Zone (EPZ) Allowance
A company which has incurred an expenditure building and plant equipment in an approved manufacturing activity in an export processing zone shall be granted 100% capital allowance in any year of assessment.

Note also that the company granted an EPZ allowance is not entitled to an investment allowance.

2.6 Accelerated Capital Allowance
According to report published by Inland Revenue Board of Malaysia in (15 April 2013) accelerated capital allowance is a special rate of allowance provided under schedule 3 of ITA of 1967 and Income Tax Rules may be categorized to accelerated capital allowance, accelerated or special rate of industrial building allowance, and accelerated agriculture allowance.
Accelerated agriculture allowance (AAA): AAA is given to a non-rubber plantation company that plant at least 10% of plantation with rubber wood trees.

Accelerated capital allowance on waste recycling: Reference to Malaysia Board of Inland revenue is granted to a company who has incurred qualifying expenditure for the purpose of its business may claim ACA on the plant and machinery which are: (a) Used exclusively or otherwise for the recycling of waste, and (b) used for the further processing of the wastes into a finish product.

Accelerated capital allowance on re-investment of eligible projects: ACA granted in respect of qualifying plant expenditure incurred on the provision of plant or machinery for the purpose of qualifying project in respect of
   a) Prompted activity
   b) Promoted product
   c) Agricultural project and
   d) Use for the purpose of his business.

ACA is often given in forms of IA 40 percent and AA 20 percent.

Accelerated capital allowance on conservation of energy: ACA given to a company which has incurred capital expenditure in the basis period of a year assessment on the:

- Provision of plant or machinery as certified by the Ministry of Energy, Telecommunication and Multimedia.
- Machinery use exclusively for the purpose of conservation of energy of its business. ACA is given in full within one year with 1A = 40 percent and AA=60 percent.

Accelerated capital allowance on power qualifies equipment granted for:
   a) Provision of equipment as certified by the Ministers of Energy, Water and Communication.
   b) Equipment used by companies for their own business exclusively for the control of electricity power quality.

ACA is allowed 1A20 percent and AA40 percent.

Accelerated capital allowance on machinery and equipment for agriculture sector: ACA available to a company on qualifying plant expenditure incurred in the basis period for a year of assessment on machinery and equipment as determined by the Minister of Finance as machinery and equipment used for the purpose of its agriculture business. ACA is granted thus 20 percent of 1A and 40 percent of AA.

Accelerated capital allowance on bus: ACA granted to a person who incurred capital expenditure for the purchase of new buses in the basis period for a year of assessment from a source consisting of his business in relation to the commercial
Accelerated capital allowance on information and communication technology equipment: ACA granted on capital expenditure incurred in the basis period for a year of assessment in relation to the purchase of any information and communication technology equipment used for the purpose of a business. ACA is given at 20% for 1A and 80%AA. This is to say that QE is written off in one year.

ACA is given at the rate of 20 percent for 1A and 80 percent for AA. Among others, refers to report of Malaysia Board of Inland revenue publishes April 2014. Note that the ACA above is cited as it applied to Malaysia Authority which can be adopted into our tax system.

3. Methodology

The study adopted the ex-post facto research design with seven (7) oil and gas exploration companies sampled. This was chosen because the even under investigation that is capital allowance, have already taken place in the past and nothing can be done to control or influence the figures of variables used, but can be observed from time to time in order to evaluate it. The companies constitutes multinational, foreign and local in investors in Nigeria.

The study utilized secondary source of data for the purpose of this exploratory research. This was used to provide a vivid explanation or answers to the research questions and test of hypotheses. The data for this research work were gathered from the Central Bank of Nigeria (CBN, 2014) statistical bulletin, Nigeria stock exchange fact book, economic and financial review publication, Federal Bureau of Statistics, National Planning Commission Publication and Annual Report and Account. This was made possible through official manual retrieval and online retrieval.

Instrument validated through the assistance expert in the area of capital investment/tax policy. Reliability of the data instrument was company’s annual reports and financial statements. Annual reports by definition are companies or entities reliable statutory reports issued annually. Audited Annual report and financial statements have reliability and credibility, both cross sectional analyses that is within and across companies and longitudinal year annual financial survey of companies under consideration.

3.1 Presentation and discussion of findings

The result of the data collected is presented through hypothesis below.
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The two hypotheses were formulated for this study and tested using the regression. The result is presented in Table 3. The hypotheses were tested individually at 5 percent significant level.

H₁: There is no significant relationship between capital allowance and investment decision of oil and gas companies in Nigeria;

H₀: There is significant relationship between capital allowance and investment decision of oil and gas companies in Nigeria.

Table 1: Investment of the seven oil and gas companies from 2004-2013

<table>
<thead>
<tr>
<th>YEARS</th>
<th>TOTAL OIL N</th>
<th>CONOIL N</th>
<th>AP N</th>
<th>MOBIL N</th>
<th>MRS OIL N</th>
<th>OANDO N</th>
<th>ETERNA OIL N</th>
<th>TOTAL INVS. N</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3,742,235,000</td>
<td>7,596,787,000</td>
<td>7,568,785,000</td>
<td>882,551,000</td>
<td>2,831,506,000</td>
<td>21,564,675,000</td>
<td>47,375,000</td>
<td>44,233,914,000</td>
</tr>
<tr>
<td>2005</td>
<td>4,131,818,000</td>
<td>8,486,137,000</td>
<td>293,700,000</td>
<td>3,305,081,000</td>
<td>3,115,166,000</td>
<td>22,725,791,000</td>
<td>124,158,000</td>
<td>42,181,851,000</td>
</tr>
<tr>
<td>2006</td>
<td>5,767,754,000</td>
<td>11,294,897,000</td>
<td>2,455,230,000</td>
<td>2,833,678,000</td>
<td>3,386,459,000</td>
<td>24,369,270,000</td>
<td>100,821,000</td>
<td>50,208,109,000</td>
</tr>
<tr>
<td>2007</td>
<td>5,765,754,000</td>
<td>11,980,005,000</td>
<td>7,367,951,000</td>
<td>2,248,348,000</td>
<td>4,045,355,000</td>
<td>47,416,277,000</td>
<td>1,184,916,000</td>
<td>80,008,686,000</td>
</tr>
<tr>
<td>2008</td>
<td>6,338,944,000</td>
<td>11,892,688,000</td>
<td>6,852,321,000</td>
<td>2,837,060,000</td>
<td>1,915,015,000</td>
<td>44,878,733,000</td>
<td>778,281,000</td>
<td>75,493,042,000</td>
</tr>
<tr>
<td>2009</td>
<td>7,268,980,000</td>
<td>13,511,103,000</td>
<td>32,653,157,000</td>
<td>4,176,545,000</td>
<td>2,965,925,000</td>
<td>52,811,742,000</td>
<td>3,902,315,000</td>
<td>117,289,767,000</td>
</tr>
<tr>
<td>2010</td>
<td>54,601,360,000</td>
<td>15,260,152,000</td>
<td>25,022,537,000</td>
<td>5,958,683,000</td>
<td>18,528,146,000</td>
<td>95,192,266,000</td>
<td>4,623,820,000</td>
<td>164,585,604,000</td>
</tr>
<tr>
<td>2011</td>
<td>10,026,215,000</td>
<td>16,681,194,000</td>
<td>5,889,294,000</td>
<td>4,977,588,000</td>
<td>18,988,685,000</td>
<td>92,764,986,000</td>
<td>5,834,979,000</td>
<td>154,682,941,000</td>
</tr>
<tr>
<td>2012</td>
<td>11,132,914,000</td>
<td>15,661,295,000</td>
<td>7,582,842,000</td>
<td>6,589,968,000</td>
<td>19,045,010,000</td>
<td>105,354,528,000</td>
<td>6,129,075,000</td>
<td>171,495,632,000</td>
</tr>
<tr>
<td>2013</td>
<td>12,447,738,000</td>
<td>18,037,434,000</td>
<td>42,349,307,000</td>
<td>9,537,631,000</td>
<td>19,246,378,000</td>
<td>162,368,077,000</td>
<td>7,110,709,000</td>
<td>271,097,274,000</td>
</tr>
</tbody>
</table>

**Source:** Nigerian stock exchange fact book and Central bank of Nigeria statistical bulletin: 2004-2013

Table 2: Capital allowance of the seven oil and gas companies from 2004-2013

<table>
<thead>
<tr>
<th>YEARS</th>
<th>TOTAL OIL N</th>
<th>CONOIL N</th>
<th>FORTE OIL N</th>
<th>MOBIL N</th>
<th>MRS OIL N</th>
<th>OANDO N</th>
<th>ETERNA OIL N</th>
<th>TOTAL CA N</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,667,342,400</td>
<td>1,327,889,400</td>
<td>1,068,144,000</td>
<td>1,055,680,800</td>
<td>989,335,200</td>
<td>1,176,916,000</td>
<td>492,990,000</td>
<td>7,778,297,800</td>
</tr>
<tr>
<td>2005</td>
<td>2,169,024,000</td>
<td>1,574,538,000</td>
<td>2,319,961,800</td>
<td>1,453,518,000</td>
<td>836,500,800</td>
<td>1,418,914,000</td>
<td>706,512,000</td>
<td>10,478,969,800</td>
</tr>
<tr>
<td>2006</td>
<td>1,510,015,800</td>
<td>1,685,256,000</td>
<td>1,404,994,500</td>
<td>1,029,724,800</td>
<td>918,852,900</td>
<td>1,845,040,800</td>
<td>116,685,000</td>
<td>8,510,569,800</td>
</tr>
<tr>
<td>2007</td>
<td>1,953,246,000</td>
<td>1,556,085,600</td>
<td>2,319,961,800</td>
<td>678,661,800</td>
<td>1,567,451,200</td>
<td>3,288,249,000</td>
<td>270,960,000</td>
<td>11,634,615,400</td>
</tr>
<tr>
<td>2008</td>
<td>2,370,308,400</td>
<td>1,092,630,600</td>
<td>3,504,120,900</td>
<td>1,435,860,600</td>
<td>339,137,500</td>
<td>3,337,330,000</td>
<td>609,696,000</td>
<td>12,688,357,000</td>
</tr>
<tr>
<td>2009</td>
<td>2,229,678,000</td>
<td>1,387,420,200</td>
<td>3,793,846,400</td>
<td>1,705,177,800</td>
<td>840,728,000</td>
<td>3,029,093,700</td>
<td>1,196,154,400</td>
<td>14,182,098,500</td>
</tr>
<tr>
<td>2010</td>
<td>3,261,982,800</td>
<td>1,673,986,200</td>
<td>1,646,319,600</td>
<td>2,331,366,000</td>
<td>328,193,600</td>
<td>4,312,489,800</td>
<td>650,475,900</td>
<td>14,204,813,900</td>
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<tr>
<td>2011</td>
<td>2,287,921,200</td>
<td>1,798,388,400</td>
<td>29,632,200</td>
<td>2,449,236,000</td>
<td>492,499,200</td>
<td>1,579,402,800</td>
<td>847,811,300</td>
<td>9,484,891,100</td>
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<td>2012</td>
<td>2,802,550,200</td>
<td>857,977,200</td>
<td>298,437,000</td>
<td>1,726,979,400</td>
<td>348,860,400</td>
<td>3,306,349,800</td>
<td>757,084,800</td>
<td>10,098,238,800</td>
</tr>
<tr>
<td>2013</td>
<td>3,200,454,600</td>
<td>1,535,045,500</td>
<td>2,749,939,200</td>
<td>2,088,471,000</td>
<td>444,092,600</td>
<td>2,805,759,000</td>
<td>421,917,600</td>
<td>13,245,679,500</td>
</tr>
</tbody>
</table>

**Source:** Nigerian stock exchange fact book and Central bank of Nigeria statistical bulletin: 2004-2013
Table 3: Capital Allowance and Investment from 2004-2013

<table>
<thead>
<tr>
<th>YRS.</th>
<th>Capital Allowance (N)</th>
<th>Investment (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>7,778,297,800</td>
<td>44,233,914,000</td>
</tr>
<tr>
<td>2005</td>
<td>10,478,969,000</td>
<td>42,181,851,000</td>
</tr>
<tr>
<td>2006</td>
<td>8,510,569,800</td>
<td>50,208,109,000</td>
</tr>
<tr>
<td>2007</td>
<td>11,634,615,400</td>
<td>80,008,606,000</td>
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<tr>
<td>2008</td>
<td>12,688,357,000</td>
<td>75,493,042,000</td>
</tr>
<tr>
<td>2009</td>
<td>14,182,098,500</td>
<td>117,289,767,000</td>
</tr>
<tr>
<td>2010</td>
<td>14,204,813,900</td>
<td>164,585,604,000</td>
</tr>
<tr>
<td>2011</td>
<td>9,484,891,100</td>
<td>154,682,941,000</td>
</tr>
<tr>
<td>2012</td>
<td>10,098,238,800</td>
<td>171,495,632,000</td>
</tr>
<tr>
<td>2013</td>
<td>13,245,679,500</td>
<td>253,059,840,000</td>
</tr>
</tbody>
</table>


Table 4: Regression result of investment capital allowance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. error</th>
<th>t-statistic</th>
<th>Prob. value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-29.75102</td>
<td>17.20733</td>
<td>-1.728973</td>
<td>0.1444</td>
</tr>
<tr>
<td>CA</td>
<td>2.12512</td>
<td>0.756993</td>
<td>2.807319</td>
<td>0.0377</td>
</tr>
</tbody>
</table>

R = 0.892
R² = 0.796165
Adjusted R² = 0.633098
F – Statistic = 4.882420 (P.V. = 0.056095)
SER = 0.384221
Durbin-Watson statistic = 2.387662

From the regression result in table 3, the R² is 79 percent. This implies that 79 percent of the variation in the dependent variable was detailed by the independent variables and 21 percent was detailed by other variables not captured in the model or the stochastic error term. This 79 percent was explained by capital allowance. While, adjusted R² showed goodness of fit of the parameter of estimate.

The constant term of -29.75102, as such it is not significant at 95 percent level of confidence. The individual result of the independent variable was also considered and in table 4 capital allowance entered the model with positive sign. The F-statistic result is 4.882420. This shows positive and significant relationship between the dependent and
independent variables. The economic implication is that 1 percent increase in capital allowance will affect investment by 2.1 percent respectively.

Using Table 4 of the regression result, the calculated t-statistic value is 2.807319 and the table value is 1.860 at ninety five percent level of confidence. The calculated value of 2.807319>1.860 using 8 degree of freedom at one tail five percent significant, the null hypothesis of no significance is rejected and the alternative hypothesis accepted. This implies that there is a significant relationship between capital allowance and investment decision of oil and gas companies in Nigeria.

Based on the result of the regression analysis in table 4 that were tested using appropriate statistical table, it was discovered that capital allowance that was tested showed positive and significant relationship with investment decision. It implies that capital allowance granted to companies operating in the oil and gas sectors impact significantly on their decision to invest.

4. Conclusion

Based on the result, it is clear that investment decisions of companies in the oil and gas sector depend on capital allowance provided by the government. From the analysis and the findings of this study, it is very obvious that there is a strong correlation between capital allowance and investments decision. The percentage of the correlation is very strong and this was further buttressed by the result of the F-statistic which showed that there is significant relationship between capital allowance and investment.

Therefore, government should decipher a means to look at the relevant capital allowance that are granted to the various assets and increase the rate in order to encourage more investment in the sector. More so, appropriate grants of capital allowance should be made available to companies operating in oil and gas sector to ensure that shareholders earn reward or appreciation on their stake or shares.

References
