Innovations

Companies Income Tax and Foreign Direct Investment of Sub-Saharan Africa Nations

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Abstract: *The persistent challenge of attracting stable and long-term foreign direct investment (FDI) in Sub-Saharan Africa (SSA) has fueled intense policy debates, particularly regarding the role of company income taxation in shaping investment flows. While conventional wisdom suggests that lower corporate tax rates enhance FDI attractiveness, empirical evidence remains inconclusive, with some studies arguing that broader macroeconomic conditions and governance structures play a more significant role. This study examines the impact of company income tax revenue on FDI inflows and stocks across 12 selected SSA nations from 1981 to 2023. Using a panel autoregressive distributed lag (ARDL) approach, this research captures both short-run and long-run relationships while addressing heterogeneity concerns. The study employs secondary data from UNCTAD and World Bank Development Indicators, incorporating corporate income tax revenue, inflation rate, and credit to the private sector as independent and control variables. Findings reveal that while corporate tax revenue exhibits a significant positive long-run effect on FDI stock, its short-run impact on FDI inflows remains statistically insignificant. This suggests that foreign investors prioritize fiscal stability and tax predictability over short-term tax incentives. Contrary to the notion that tax reductions are a panacea for attracting FDI, the results indicate that well-structured tax regimes that ensure efficient revenue mobilization foster investor confidence and sustain FDI accumulation. The study concludes that tax policies should be designed not merely to compete on lower rates but to enhance governance transparency and regulatory stability. Policymakers should focus on streamlining tax administration, reducing compliance burdens, and reinforcing institutional quality to sustain long-term foreign investment. Future research should explore the sector-specific effects of corporate taxation on FDI retention and assess the impact of global tax reforms on SSA's investment landscape.*

Keywords: *Foreign Direct Investment (FDI), Company Income Tax, Tax Policy, Sub-Saharan Africa, Panel ARDL, Investment Climate, Fiscal Stability*

1. Introduction

Foreign direct investment (FDI) has long been recognized as a catalyst for economic growth, technology transfer, and employment creation across the globe (Arthur, Saha, Sarpong, & Dutta, 2024). In an era of increasing globalization, multinational corporations strategically allocate capital across different regions, driven by factors such as market size, economic stability, institutional quality, and tax regimes. While developed economies have historically attracted the bulk of global FDI flows, developing regions—particularly Africa—have witnessed a growing interest from foreign investors, spurred by market liberalization, resource endowments, and policy reforms (Aberu, Oladapo, & Adegboyega, 2022). However, despite Africa's vast investment potential, FDI flows into the region remain fragile and uneven, shaped by economic vulnerabilities, political risks, and fiscal policies (Adegboye & Okorie, 2023). Among these policies, company income taxation plays a pivotal role in shaping FDI decisions, as corporate tax structures influence investors' perceptions of profitability, risk, and regulatory certainty (Ngwaba, 2023).

The African continent, characterized by diverse economic landscapes, presents a paradox in its FDI dynamics. On one hand, African nations have undertaken tax policy reforms to enhance their attractiveness to foreign investors, with some countries reducing corporate tax rates or offering tax incentives to lure multinational enterprises (MNEs) (Agbo, Udeh, & Odo, 2023). On the other hand, concerns persist regarding the effectiveness of these incentives, as tax cuts can erode government revenues and limit fiscal capacity for public investments (Ochieng' Gaya & Odhiambo, 2021). More critically, empirical evidence remains inconclusive regarding the relationship between corporate taxation and FDI in Africa, with some studies suggesting that tax incentives stimulate investment (Adi &Widyono, 2022), while others argue that governance, institutional quality, and macroeconomic stability play more significant roles (Abille & Mumuni, 2023).

Within Sub-Saharan Africa (SSA), FDI inflows have exhibited mixed trends, influenced by variations in tax policies, regulatory frameworks, and political conditions (Alhassan, Owusu-Ansah, Niyazbekova, & Blokhina, 2024). Some nations, such as South Africa, Kenya, and Ghana, have positioned themselves as attractive investment destinations through policy innovations and improved business climates (Njuguna &Nnadozie, 2022), while others, like Nigeria and the Democratic Republic of the Congo, continue to grapple with regulatory uncertainty and investment risks (Adegboye & Okorie, 2023). Nigeria, as the largest economy in SSA, offers a compelling case study due to its significant market size, natural resource endowment, and ongoing tax reform efforts. Despite these advantages, the country faces persistent challenges in attracting and retaining FDI, with concerns over tax compliance costs, policy inconsistencies, and bureaucratic inefficiencies (Oruwari, 2022). While recent tax reforms, such as the Finance Act amendments, aim to enhance Nigeria's investment climate, questions remain about their effectiveness in balancing revenue mobilization with investment attraction (Nigerian Governors Forum, 2022).

The motivation for this study stems from the growing tension in literature regarding the interplay between company income tax and FDI in SSA. While traditional economic theories, such as capital tax competition and the ownership-location-internalization (OLI) paradigm, suggest that lower corporate tax rates enhance FDI attractiveness (Ofori & Asongu, 2021), recent empirical findings challenge this notion. For instance, Clougherty and Zhang (2023) found that predictable tax policies and governance stability are more critical to FDI decisions than nominal tax rates. Similarly, Agbo et al. (2023) argue that excessive reliance on tax incentives without broader structural reforms can lead to short-term capital inflows without fostering long-term investment retention. Given these conflicting perspectives, this study seeks to bridge the empirical gap by examining the long-run and short-run effects of corporate income taxation on FDI inflows and stock in selected SSA nations.

Building on existing literature, this study aims to achieve three key objectives. First, it investigates the relationship between company income tax and FDI inflows, assessing whether reductions in corporate tax revenue significantly impact foreign investment decisions (Ngwaba, 2023). Second, it examines the impact of corporate taxation on FDI stock, determining whether lower tax rates lead to long-term capital accumulation or merely short-lived investment spikes (Haichao, Yu, Suhua, & Xuan, 2023). By adopting a panel autoregressive distributed lag (ARDL) approach, this study provides robust insights into both short-term fluctuations and long-term equilibrium relationships, addressing the methodological limitations of prior studies that rely solely on cross-sectional or time-series analyses (Pesaran, Shin, & Smith, 1999).The significance of this study lies in its contribution to the ongoing policy discourse on tax reforms and investment attraction in SSA. Unlike prior studies that focus predominantly on tax incentives or statutory tax rates, this research integrates corporate tax revenue as a broader measure of fiscal policy, capturing both direct taxation effects and spillover implications (Jemiluyi& Jeke, 2023). Furthermore, by incorporating government revenue as a moderating factor, the study provides nuanced insights into how fiscal stability shapes investor confidence and long-term FDI sustainability (OECD, 2024).

Structurally, the paper proceeds as follows. Following this introduction, Section 2 provides a comprehensive review of theoretical and empirical literature, detailing the conceptual framework underpinning the study. Section 3 outlines the methodology, including data sources, model specifications, and econometric techniques employed. Section 4 presents the empirical results, including diagnostic tests, regression estimates, and robustness checks. Section 5 concludes with recommendations for policymakers and future research directions.

2. Conceptual Clarifications and Theory

2.1 Foreign Direct Investment

Foreign Direct Investment (FDI) is a critical driver of global economic integration, representing cross-border investments in which an entity from one country establishes or acquires a lasting interest in an enterprise located in another country (Arthur et al., 2024). The Organisation for Economic Cooperation and Development (OECD, 2024) defines FDI as an investment reflecting a lasting interest and control by a foreign entity in a domestic business. This form of investment typically involves significant ownership stakes, usually 10% or more of voting stock, signifying an intent to exert influence on management decisions (Anass & Khalid, 2024). Recent studies highlight the multifaceted nature of FDI, encompassing not only capital inflows but also technology transfer, managerial expertise, and market linkages that contribute to economic development (Alhassan et al., 2024).

According to Abille and Mumuni (2023), FDI can take different forms, including mergers and acquisitions (M&As), greenfield investments, and reinvested earnings, each with distinct implications for host economies. While some scholars emphasize the economic benefits of FDI, others highlight potential risks, such as market distortions and dependency on foreign investors (Adegboye & Okorie, 2023). The measurement of FDI varies across empirical research. Some studies assess FDI as a percentage of GDP, while others use absolute dollar values of inward investment flows or stock levels (Agbo et al., 2023). Moreover, FDI data is often sourced from institutions like the World Bank, UNCTAD, and national statistical agencies, which track trends in investment across different economies (OECD, 2024).

2.1.1 Foreign Direct Investment Inflow

Foreign Direct Investment inflows refer to the net amount of investment received by a country from foreign entities in a given period, typically measured annually (Adegboye & Okorie, 2023). These inflows can originate from multinational corporations (MNCs), institutional investors, or private firms seeking to establish or expand operations abroad (Abdikarim & Nayan, 2022). According to Abille and Mumuni (2023), FDI inflows play a crucial role in augmenting domestic capital formation, fostering economic growth, and enhancing productivity through spillover effects. Empirical research measures FDI inflows using different approaches. Some studies quantify inflows in terms of their absolute monetary value (e.g., millions or billions of dollars), while others express them as a percentage of GDP to assess their relative contribution to economic activity (Andoh &Cantah, 2020).

Additionally, UNCTAD's World Investment Reports provide standardized FDI inflow data that facilitate international comparisons (UNCTAD, 2022). The determinants of FDI inflows have been extensively explored in the literature. Key factors influencing inflows include market size, economic stability, institutional quality, and the ease of doing business

(Abdikarim & Nayan, 2022). Moreover, tax policies, trade openness, and regulatory frameworks are frequently analyzed as critical determinants that shape investment decisions (Agbo et al., 2023). Some researchers also highlight the role of political risk and governance structures in either attracting or deterring foreign investors (Arthur et al., 2024).

2.1.2 Foreign Direct Investment Stock

Foreign Direct Investment stock represents the cumulative value of all foreign investments in a given country at a specific point in time (OECD, 2024). It reflects the total volume of FDI that has accumulated over time, providing a measure of a country's embedded foreign capital base (Anass & Khalid, 2024). FDI stock is a vital indicator of long-term economic integration and is used to assess the stability and sustainability of foreign investments in an economy (Arthur et al., 2024). The measurement of FDI stock generally follows two main approaches. The first is the position method, which calculates the total value of foreign-owned assets in a country at a given time (Alhassan et al., 2024). The second is the flow accumulation method, which aggregates past FDI inflows while accounting for depreciation and divestments (Abille & Mumuni, 2023).

International financial institutions such as the World Bank and UNCTAD compile FDI stock data to track investment trends and assess long-term capital retention (OECD, 2024). FDI stock has been analyzed in various contexts, including its impact on economic resilience, industrial development, and financial stability (Adegboye & Okorie, 2023). Some scholars argue that a high level of FDI stock can contribute to economic diversification and technological advancement (Abdikarim & Nayan, 2022). However, others caution that excessive reliance on foreign investment may lead to market dominance by multinational corporations, potentially limiting local enterprise growth (Agbo et al., 2023).

2.1.3 Company Income Tax

Company Income Tax (CIT) refers to the tax levied on the net profits of corporate entities operating within a given jurisdiction (Andrejovska & Glova, 2022). It serves as a significant source of government revenue and is often a key consideration in corporate investment decisions (Adegboye & Okorie, 2023). According to Adi and Widyono (2022), CIT rates vary across countries, with some governments offering tax incentives or preferential rates to attract foreign investors. The measurement of CIT typically involves assessing statutory tax rates, effective tax rates, and tax burdens on corporate profits (Ngwaba, 2023). Statutory tax rates represent the legally mandated tax percentages, while effective tax rates account for deductions, exemptions, and loopholes that influence the actual tax burden on corporations (Jacob, 2022). Researchers often compare CIT structures across economies to evaluate their impact on investment flows (Jemiluyi& Jeke, 2023).

The literature extensively examines the relationship between CIT and FDI, emphasizing how corporate taxation influences investment location choices (Ochieng' Gaya &

Odhiambo, 2021). While some scholars argue that lower corporate tax rates attract more FDI by enhancing post-tax profitability, others highlight the importance of broader factors such as regulatory stability and market potential (Appiah-Kubi et al., 2021). Additionally, tax policy uncertainty has been identified as a deterrent to long-term foreign investment, as firms seek predictable fiscal environments for capital allocation (Clougherty & Zhang, 2023). Overall, Company Income Tax remains a crucial policy tool that governments use to balance revenue generation with investment attractiveness. Recent studies emphasize the need for a harmonized tax framework that minimizes distortions while maintaining competitiveness in global capital markets (OECD, 2023).

2.4 Company Income Tax and Foreign Direct Investment Inflow

The relationship between company income tax (CIT) and foreign direct investment (FDI) inflows is grounded in tax competition theories, particularly the Capital Tax Competition Theory. This theory posits that multinational corporations (MNCs) seek to minimize their tax burden by investing in jurisdictions with favorable tax policies, thereby making corporate tax rates a critical determinant of FDI inflows (Ngwaba, 2023). Countries with high CIT rates may deter foreign investors due to reduced after-tax profitability, whereas lower tax rates can serve as incentives for capital inflows (Jemiluyi& Jeke, 2023).Studies abound in terms of the relation between company income tax and FDI inflow. In terms of those that found a positive linkage, we review the studies of Adi and Widyono (2022) in Asia, who examined the impact of corporate tax policy on FDI inflows using a panel data approach covering 15 emerging economies from 2010 to 2020. Their findings suggested that tax incentives and reduced corporate tax rates significantly enhance FDI inflows. Similarly, Agbo et al. (2023) in Sub-Saharan Africa found that tax reductions, especially through tax holidays and exemptions, increased FDI inflows into manufacturing and service industries. Their study emphasized the role of a stable tax regime in attracting sustained foreign investments.

However, other studies have reported mixed or even negative findings. For instance, Andoh and Cantah (2020) investigated tax obligations and FDI inflows across African economies and found that while tax reductions initially boosted FDI, the long-term benefits were limited due to weak governance structures and regulatory inefficiencies. Similarly, Abdikarim and Nayan (2022) found that in some Sub-Saharan African countries, tax incentives did not significantly influence FDI inflows due to concerns about political risks and economic instability.Other empirical evidence suggests a nonlinear relationship. Andrejovska and Glova (2022) applied an effective tax rate model to assess FDI determinants in Eastern European economies and found that excessively low corporate tax rates led to short-term capital inflows but discouraged long-term, stable investments. A comparable study by Abille and Mumuni (2023) argued that while tax cuts attract foreign investors, other factors such as ease of doing business and institutional quality play a more significant role in sustaining FDI.

Further, corporate tax reforms have been studied as a moderating factor in FDI attraction. Studies by Ochieng' Gaya and Odhiambo (2021) found that tax incentives had varying effects depending on complementary policies such as transparency, regulatory efficiency, and political stability. Their findings suggested that countries relying solely on low tax rates as an FDI strategy might experience capital flight when tax conditions change. Likewise, Haichao et al. (2023) examined firm-level FDI data and concluded that countries with predictable and stable tax policies attracted more durable FDI than those with erratic tax policies.Moreover, contrasting evidence from OECD economies indicates that higher corporate tax rates do not necessarily deter FDI when infrastructure, human capital, and market size are robust (OECD, 2024). This finding challenges the traditional notion that low taxes alone are a panacea for FDI inflows. Instead, it highlights the importance of broader economic fundamentals in influencing investment decisions (Arthur et al., 2024).Based on these insights, this study hypothesizes:

H1: A reduction in company income tax is positively associated with an increase in foreign direct investment inflows.

2.5 Company Income Tax and Foreign Direct Investment Stock

The link between company income tax and FDI stock is well-explained within the framework of the Ownership-Location-Internalization (OLI) Theory, which posits that taxation influences long-term investment decisions by affecting the location-specific advantages of a host country (Ofori & Asongu, 2021). Higher corporate tax rates may reduce the net present value of foreign investments, while tax-friendly environments encourage multinational corporations to retain and expand their investments, increasing FDI stock (OECD, 2024).Studies abound regarding the relationship between CIT and FDI stock. In terms of those that found a positive linkage, we review the studies of Sujarwati (2020) in Indonesia, who analyzed the effects of corporate tax rates on FDI accumulation over a 15-year period. Their study revealed that countries with competitive tax policies experienced higher retention of FDI stock, especially in capital-intensive industries. Similarly, Abdikarim and Nayan (2022) found that moderate tax reductions in developing economies led to a steady increase in FDI stock as firms reinvested their earnings in expansion projects.

However, some studies reported mixed or counterintuitive findings. Andoh and Cantah (2020) examined African economies and found that while tax incentives initially contributed to FDI stock growth, excessive reliance on such policies led to revenue shortfalls, impacting public infrastructure and service provision, which in turn discouraged long-term foreign investment. Likewise, Jemiluyi and Jeke (2023) discovered that tax cuts alone were insufficient in retaining FDI, as firms prioritized factors such as policy stability and market access.In contrast, some scholars found that higher CIT rates could have neutral or even positive effects on FDI stock. For example, Clougherty and Zhang (2023) explored the impact of tax policy risk on long-term FDI decisions in OECD

countries and found that investors valued stable taxation frameworks over low tax rates. Their findings were echoed by OECD (2024), which suggested that developed economies with higher tax burdens still maintained substantial FDI stock due to strong legal protections, advanced infrastructure, and economic stability.

Additionally, studies have explored the role of tax treaties and harmonization in FDI stock accumulation. Agbo et al. (2023) found that bilateral tax agreements between African nations and foreign investors contributed more to FDI stock retention than unilateral tax cuts. Similarly, Ofori and Asongu (2024) identified that structured tax harmonization efforts in regional economic blocs helped attract sustained FDI by reducing uncertainty and enhancing investor confidence.Further, research suggests that corporate tax structure and compliance burden influence FDI stock differently across industries. Adi and Widyono (2022) found that capital-intensive industries such as energy and telecommunications exhibited stronger responses to tax reductions compared to service-based industries. On the other hand, Haichao et al. (2023) argued that the regulatory burden associated with corporate tax compliance was a more significant deterrent to FDI stock than tax rates themselves.Overall, these findings underscore the complex interplay between corporate taxation and FDI stock. While tax incentives can attract and retain foreign investments, their effectiveness is conditional on broader economic, regulatory, and institutional factors (OECD, 2024). Therefore, this study hypothesizes:

H2: A reduction in company income tax is positively associated with an increase in foreign direct investment stock.

3. Methodology

Weadoptedex-post facto research design since we use data of events that have already taken place: that is time series data. The ex-post facto design will be geared towards generating the secondary data relevant for the study.The study population comprises of 46 countries that make up the Sub Saharan Africa, according to United Nations development program Categorization of African countries in 2023. This excludes Djibouti, Somalia, and Sudan. Purposive sampling technique is used as the sampling technique for this study to select the sampled countries based on the following criteria: the tax rates, FDI, FDI inflow and FDI stock of the countries must be accessible from 1981 to 2023; andThe countries' government revenue must be accessible for the period of study.The sample size of 12 countries were chosen from the population of 46 countries that make up the Sub-Saharan African Nation (UNDP, 2020) based on purposive sampling technique.Three countries are chosen from each of the four regions of Sub-Saharan Africa: as shown in the table below:

West Africa	East Africa	Southern Africa	Central Africa
Nigeria	Kenya	South Africa	Democratic Republic of the Congo (DRC)
Ghana	Ethiopia	Zambia	Cameroon
Senegal	Rwanda	Botswana	Gabon

Source: Researcher's compilation (2025)

This study utilizes secondary data sources to assess the impact of tax reforms on foreign direct Investment of selected Sub-Sahara African nations. The secondary data sources encompass data from Dataset of United Nation Centre for Trade and Development (UNCTAD) and World Bank Development Indicators (WDI) that captures data for countries across the globe for several years. The data that will be collected are from the period 1981– 2023.The study relied on the panel ARDL estimation to test the hypothesis of the study. This technique calculates the impacts and uses a limit testing strategy to determine whether the variables in the model have a long-term relationship. One of the benefits of the ARDL method is that it may be used to simulate a mixture of I(0) and I(1) in the same specification, which is not possible with classic methods like Johansson's and Engel Granger's. Furthermore, the ARDL limits testing technique is more appropriate for small sample sizes and produces better estimates. The dynamics of both short-run and long-run parameters, as well as the speed of adjustment when there is a shock, are estimated simultaneously using this technique.Furthermore, because robust lag lengths are critical to this strategy, it avoids the problem of over-parameterization. However, the ARDL methodology has a flaw in that it is unable to include I(2) variables in its analysis (Nkwatoh, 2014). Mathematically, the econometric specification of the ARDL is given as:

$$\Delta FDII_t = \beta_0 + \beta_1 CITR_{t-1} + \beta_2 INFR_{t-1} + \beta_3 CRPS_{t-1} + \sum_{i=1}^{P} \beta_4 \Delta CITR_{t-1} + \sum_{i=1}^{P} \beta_5 INFR_{t-1} + \sum_{i=1}^{P} \beta_6 CRPS_{t-1} + \mu_t \ldots (1)$$

$$\Delta FDIS_t = \beta_0 + \beta_1 CITR_{t-1} + \beta_2 INFR_{t-1} + \beta_3 CRPS_{t-1} + \sum_{i=1}^{P} \beta_4 \Delta CITR_{t-1} + \sum_{i=1}^{P} \beta_5 INFR_{t-1} + \sum_{i=1}^{P} \beta_6 CRPS_{t-1} + \mu_t \ldots (2)$$

However, the short-run estimate from the error correction mechanism derived from the long-run relationship is presented below:

$$\Delta FDII = \beta_0 + \beta_1 \Delta CITR_{t-1} + \beta_2 \Delta INFR_{t-1} + \beta_3 \Delta CRPS_{t-1} + \delta ECT + \mu_t \ldots (3)$$

$$\Delta FDIS_t = \beta_0 + \beta_1 \Delta CITR_{t-1} + \beta_2 \Delta INFR_{t-1} + \beta_3 \Delta CRPS_{t-1} + \delta ECT + \mu_t \ldots (4)$$

Where:

FDII	=	Foreign Direct Investment Inflow
FDIS	=	Foreign Direct Investment Stock
CITR	=	Company Income Tax
INFR	=	Inflation Rate
CRPS	=	Credit to Private Sector
Δ	=	First Difference Operator
μ_t	=	White-noise Disturbance Error Term
t	=	Time
i	=	Denotes the lag(s) being considered;
$\beta_0 - \beta_6$	=	Parameter Coefficients
ECT	=	Error Correction Term
δ	=	ECT coefficient, which must be negative, less than zero and significant sign for causality to exist in the long-run

4. Results and Discussion

4.1 Descriptive Statistics

The study begins the analysis with an exploration of the dataset through descriptive statistics. The descriptive statistics provide an overview of the central tendencies, variability, and range of the variables, shedding light on the patterns of foreign direct investment, company income tax revenue, government revenue, inflation, and private sector credit across the selected Sub-Saharan African nations. In Table 4.1a, Foreign Direct Investment Stock (FDIS) has a mean value of 7.279 with a standard deviation of 2.240, indicating moderate variation in FDIS across the selected Sub-Saharan African nations. The minimum value of 0.000 suggests that some countries recorded no FDI stock at certain periods, while the maximum value of 10.620 highlights the upper bound of FDIS within the dataset. Similarly, Foreign Direct Investment Inflows (FDII) has a mean of 8.169 and a standard deviation of 1.480, reflecting a relatively stable inflow of FDI across countries, though the minimum value of 0.000 suggests instances of no recorded inflows.Corporate Income Tax Revenue (CITR) has a mean of 10.382 and a standard deviation of 1.633, indicating moderate variability in corporate tax revenue among the selected countries. The minimum value of 5.180 suggests that some countries have significantly lower corporate tax collections, whereas the maximum value of 12.760 reflects higher tax revenue in other nations.

In the case of the control variables, Inflation Rate (INFR) exhibits the highest degree of variation, with a mean of 80.821 and a standard deviation of 90.311. The wide range, from a minimum of 0.000 to a maximum of 858.420, suggests that inflation levels are highly inconsistent across countries and over time periods, which may significantly influence

investment decisions. Lastly, Credit to Private Sector (CRPS) has a mean value of 1.106 and a standard deviation of 0.449, reflecting some degree of variation in financial sector development across countries. The minimum value of 0.000 suggests the absence of private sector credit in some periods, while the maximum value of 2.150 represents the highest level of credit available to the private sector.Overall, the statistical properties of these variables indicate diverse economic conditions across the selected nations, which are essential for understanding the impact of tax reforms on foreign direct investment in the region.

Table 4.1a: Overall Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
fdis	528	7.279	2.240	0.000	10.620
fdii	528	8.169	1.480	0.000	10.610
citr	528	10.382	1.633	5.180	12.760
infr	528	80.821	90.311	0.000	858.420
crps	528	1.106	0.449	0.000	2.150
Source: Author (2025)					

The regional descriptive statistics highlight significant variations in foreign direct investment, tax revenues, government revenue, inflation, and financial sector development across Central, East, Southern, and West Africa. These differences reflect the diverse economic structures, policy environments, and fiscal capacities within the regions. Foreign Direct Investment Stock (FDIS) is highest in Central Africa, with a mean of 7.520, followed closely by Southern Africa at 7.406. In contrast, West Africa and East Africa report lower averages of 7.049 and 7.141, respectively. However, the variability in FDIS is much greater in Southern Africa, as indicated by a standard deviation of 2.922, compared to Central Africa's lower deviation of 0.739, which suggests that FDI stock levels are more stable in Central Africa while fluctuating more widely in Southern Africa. Similarly, Foreign Direct Investment Inflows (FDII) are highest in Southern and West Africa, both exceeding 8.4 on average, whereas Central and East Africa have slightly lower means of 7.948 and 7.806, respectively. These differences indicate that Southern and West Africa attract more dynamic FDI, potentially due to more favorable investment climates or stronger economic fundamentals.

Corporate Income Tax Revenue (CITR) varies across regions, with Central Africa reporting the highest mean of 11.029, suggesting stronger corporate tax collection efforts. East and West Africa follow with means of 10.681 and 10.240, while Southern Africa has the lowest corporate tax revenue at 9.579. This disparity may reflect differences in corporate tax policies, enforcement mechanisms, or the size of the formal business sector in each region. In the case of the control variables, Inflation Rate (INFR) shows substantial

differences, with East Africa experiencing the highest mean of 88.927 and a wide standard deviation of 118.940, indicating extreme fluctuations in inflation. West Africa follows closely, with an average of 88.114 and similarly high variability. In contrast, inflation is more stable in Central Africa, where the mean is 73.130 with a lower standard deviation of 44.361. Southern Africa exhibits a similar average of 73.115 but with greater variation. The high inflation volatility in East and West Africa suggests significant macroeconomic instability, which could discourage long-term investments and complicate economic planning. Credit to the Private Sector (CRPS) is significantly higher in Southern Africa, where the mean value of 1.474 indicates a relatively well-developed financial sector that provides better access to credit for businesses. West Africa and East Africa show moderate levels of credit availability at 1.055 and 1.021, respectively, while Central Africa reports the lowest CRPS at 0.874. The lower financial sector development in Central Africa could limit private sector growth and investment opportunities, whereas Southern Africa's higher credit availability may encourage greater business expansion and investment activities.

Table 4.1b: Regional Descriptive Statistics

Central Africa

	N	mean	sd	min	max
fdis	132	7.520	0.739	5.300	8.960
fdii	132	7.948	1.077	1.000	9.460
citr	132	11.029	1.678	5.750	12.760
infr	132	73.130	44.361	0.000	160.130
crps	132	0.874	0.397	0.000	1.490

East Africa

fdis	132	7.141	2.470	0.000	9.030
fdii	132	7.806	2.410	0.000	9.840
citr	132	10.681	0.887	8.940	12.090
infr	132	88.927	118.940	2.770	858.420
crps	132	1.021	0.410	0.040	1.560

Southern Africa

fdis	132	7.406	2.922	0.000	10.620
fdii	132	8.463	0.784	6.190	10.610
citr	132	9.579	1.474	5.340	11.850
infr	132	73.115	71.842	0.000	369.000
crps	132	1.474	0.449	0.160	2.150

West Africa

fdis	132	7.049	2.204	0.000	9.260
fdii	132	8.458	0.934	5.910	9.950
citr	132	10.240	1.941	5.180	12.650
infr	132	88.114	106.284	0.050	609.970
crps	132	1.055	0.287	0.190	1.510

Source: Author (2025)

The country-level descriptive statistics reveal notable differences in Foreign Direct Investment Stock (FDIS) and Foreign Direct Investment Inflows (FDII) across the twelve selected Sub-Saharan African nations. South Africa records the highest mean FDIS at 8.875, followed closely by Nigeria at 8.199, while Ghana reports the lowest average FDIS at 5.662. The higher FDIS values in South Africa and Nigeria indicate that these countries attract and retain substantial foreign investment, likely due to their larger economies and more developed financial markets. On the other hand, Zambia exhibits the highest variability in FDIS, as evidenced by a standard deviation of 4.004, suggesting significant fluctuations in investment patterns. Ghana also shows considerable variation in FDIS, reflecting unstable FDI inflows in certain periods. In contrast, Cameroon, Gabon, and Senegal exhibit more stable FDIS levels, as indicated by their lower standard deviations.FDII follows a similar pattern, with Nigeria and South Africa leading at mean values of 9.140 and 8.964, respectively. Countries like Ethiopia and the Democratic Republic of the Congo (DRC) report lower FDII values of 7.003 and 7.724, respectively, highlighting differences in FDI attractiveness. Ethiopia's FDII also has a high standard deviation of 3.874, indicating volatile inflows, while South Africa and Botswana show relatively stable FDII trends. The presence of zero minimum values in FDIS for countries like Ghana, Zambia, and Ethiopia suggests periods of little or no foreign investment, which may reflect economic instability or policy constraints that deter investors.

For the explanatory variables, Corporate Income Tax Revenue (CITR) also varies significantly across the selected nations. Cameroon reports the highest mean CITR at 11.682, followed by Senegal at 11.623 and Gabon at 11.596, indicating that these countries generate substantial revenue from corporate taxation. Conversely, Zambia and Ghana report the lowest CITR values, averaging 8.605 and 8.218, respectively. The high CITR in Cameroon and Senegal suggests a more robust corporate tax system or a higher concentration of taxable firms, whereas lower CITR in Zambia and Ghana may reflect weaker corporate tax enforcement or a higher prevalence of informal economic activities. The standard deviations in CITR are relatively low across most countries, except in the DRC, where a standard deviation of 2.461 indicates significant fluctuations in corporate tax revenue. In the case of the control variables, Inflation Rate (INFR) shows substantial variation across countries, with Ethiopia recording the highest mean inflation at 123.453,

accompanied by an exceptionally high standard deviation of 179.985. Ghana and Nigeria also report high average inflation levels of 92.402 and 90.902, respectively, with significant variability. In contrast, Gabon, Cameroon, and Rwanda exhibit lower inflation rates, averaging around 80, with less fluctuation. The extreme inflation volatility in Ethiopia and Ghana suggests macroeconomic instability, which may deter long-term investment and disrupt economic planning.Credit to Private Sector (CRPS) is highest in South Africa, with a mean of 1.982, reflecting a well-developed financial system that supports private sector growth. Zambia and Senegal also report relatively high CRPS values at 1.187 and 1.307, respectively, while the DRC has the lowest CRPS at 0.420, indicating weaker access to credit for businesses. The high variability in CRPS across countries suggests significant disparities in financial sector development, with some economies having better credit access than others.

Table 4.1c: Country Descriptive Statistics

Botswana

	N	mean	sd	min	max
fdis	44.000	6.270	2.406	0.000	8.580
fdii	44.000	8.049	0.565	6.190	8.850
citr	44.000	9.199	0.633	8.050	10.090
infr	44.000	68.282	56.361	5.960	191.980
crps	44.000	1.254	0.230	0.820	1.600

Cameroon

fdis	44.000	7.390	0.608	5.570	8.700
fdii	44.000	8.159	0.653	6.570	9.010
citr	44.000	11.682	0.466	10.860	12.320
infr	44.000	78.658	32.716	21.550	141.820
crps	44.000	1.110	0.226	0.740	1.490

Congo, Dem. Rep.

fdis	44.000	7.651	0.866	5.300	8.710
fdii	44.000	7.724	1.599	1.000	9.460
citr	44.000	9.811	2.461	5.750	12.760
infr	44.000	56.059	61.442	0.000	160.130
crps	44.000	0.420	0.306	0.000	1.070

Ethiopia

fdis	44.000	6.646	3.649	0.000	8.830
fdii	44.000	7.003	3.874	0.000	9.630
citr	44.000	9.936	0.857	8.940	11.500
infr	44.000	123.453	179.985	12.920	858.420
crps	44.000	0.645	0.423	0.040	1.310

Gabon

fdis	44.000	7.520	0.714	6.140	8.960
fdii	44.000	7.961	0.670	6.060	9.100
citr	44.000	11.596	0.146	11.310	11.870
infr	44.000	84.673	26.154	36.910	135.710
crps	44.000	1.091	0.142	0.820	1.470

Ghana

fdis	44.000	5.662	3.188	0.000	8.770
fdii	44.000	8.276	1.053	6.300	9.590
citr	44.000	8.218	1.863	5.180	10.770
infr	44.000	92.402	135.575	0.050	609.970
crps	44.000	0.903	0.328	0.190	1.260

Kenya

fdis	44.000	6.989	1.139	4.000	8.900
fdii	44.000	7.897	0.806	5.600	9.160
citr	44.000	11.055	0.673	9.900	12.090
infr	44.000	73.088	73.132	2.770	246.300
crps	44.000	1.390	0.086	1.270	1.560

Nigeria

fdis	44.000	8.199	0.905	5.940	9.260
fdii	44.000	9.140	0.493	8.270	9.950
citr	44.000	10.880	1.141	9.110	12.650
infr	44.000	90.902	123.539	0.410	524.910
crps	44.000	0.956	0.153	0.700	1.290

Rwanda

fdis	44.000	7.789	1.806	3.000	9.030
fdii	44.000	8.518	0.925	7.050	9.840
citr	44.000	11.051	0.597	10.050	12.060

infr	44.000	70.238	59.342	8.050	233.040
crps	44.000	1.028	0.205	0.710	1.400

Senegal

fdis	44.000	7.285	0.657	5.500	8.350
fdii	44.000	7.957	0.737	5.910	9.410
citr	44.000	11.623	0.389	10.920	12.230
infr	44.000	81.039	26.335	30.640	133.030
crps	44.000	1.307	0.147	1.050	1.510

South Africa

fdis	44.000	8.875	0.743	6.740	9.890
fdii	44.000	8.964	0.896	6.530	10.610
citr	44.000	10.933	0.673	9.570	11.850
infr	44.000	75.017	54.528	6.480	194.840
crps	44.000	1.982	0.127	1.700	2.150

Zambia

fdis	44.000	7.075	4.004	0.000	10.620
fdii	44.000	8.378	0.558	7.240	9.320
citr	44.000	8.605	1.665	5.340	10.510
infr	44.000	76.045	97.661	0.000	369.000
crps	44.000	1.187	0.382	0.160	1.730

Source: Author (2025)

Next the study examines the stationarity of the variables. The Im, Pesaran, and Shin (IPS) unit root test is a widely used statistical technique for examining the stationarity of panel data. Mathematically, the IPS test involves running individual ADF regressions for each cross-section and then averaging the results to compute a standardized test statistic. The null hypothesis (H_0) of the IPS test assumes that all panel units contain a unit root, implying that the variable is non-stationary across all cross-sections. The alternative hypothesis (H_1), however, suggests that at least some cross-sectional units are stationary (Im et al., 2003). If the IPS test statistics are significantly negative, the null hypothesis is rejected, indicating that at least some of the units in the panel are stationary.

Table: 4.2: Im, Pesaran, and Shin (IPS) Unit Root Test

Variable	Statistic	P-value	Decision
fdii	-2.8072	0.0000	Stationary
fdis	-2.6207	0.0000	Stationary
citr	-0.9802	0.9927	Non-Stationary
infr	7.3140	1.0000	Non-Stationary
crps	-1.3612	0.7258	Non-Stationary
Δcitr	-5.0872	0.0000	Stationary
Δinfr	-4.6114	0.0000	Stationary
Δcrps	-5.7387	0.0000	Stationary

Source: Author (2025)

In Table 4.2, the results show that at levels, Foreign Direct Investment Inflows (FDII) and Foreign Direct Investment Stock (FDIS) are both stationary at levels, as indicated by their t-bar statistics of -2.8072 and -2.6207, respectively, and highly significant p-values of 0.0000. The rejection of the null hypothesis for these variables suggests that they do not exhibit a unit root, meaning they revert to a stable mean over time. This implies that FDII and FDIS can be included in econometric models without differencing, making them suitable for direct analysis. Also, Government Revenue (GOVR) exhibits mixed characteristics, as its t-bar statistic of -2.2759 is significant with a p-value of 0.0029, rejecting the null hypothesis of a unit root at the 1% level. This suggests that at least some of the cross-sectional units in the panel exhibit stationarity, allowing GOVR to be included in the analysis without differencing. The fact that government revenue as a whole is stationary while individual tax revenue components are non-stationary suggests that overall fiscal management may be more stable compared to individual tax collection streams.

In contrast, Corporate Income Tax Revenue (CITR)fails to reject the null hypothesis of a unit root at conventional significance levels. Their respective p-values of 0.9927, 0.9987, and 0.9001 confirm their non-stationarity, indicating that they follow persistent trends over time. This suggests that these tax revenue variables may be influenced by long-term fiscal policies, economic cycles, or external shocks that prevent them from stabilizing around a mean. Inflation Rate (INFR) is clearly non-stationary at levels, with a t-bar statistic of 7.3140 and a p-value of 1.0000. This confirms that inflation follows a random walk, implying that past values heavily influence future values without reverting to a stable trend. The non-stationarity of inflation aligns with macroeconomic expectations, as inflation is often affected by monetary policy shifts, supply-side disruptions, and external economic shocks. Similarly, Credit to the Private Sector (CRPS) is also non-stationary, with a t-bar statistic of -1.3612 and a p-value of 0.7258, indicating that financial sector

credit availability follows long-term trends rather than stabilizing in the short run.Consequently, they are transformed through first differencing before being used in panel regression models to avoid spurious results.After first differencing, all previously non-stationary variables—CITR, INFR, and CRPS—become stationary, as evidenced by their highly significant p-values of 0.0000. Their respective t-bar statistics, ranging from -5.0872 for CITR to -4.6114 for INFA, confirm the rejection of the null hypothesis of a unit root. This suggests that taking the first difference eliminates the persistent trends in these variables, making them suitable for inclusion in econometric models without concerns about spurious relationships.

4.2 Correlation Analyses

Table 4.3 provides insights into the association between the variables under study. The correlation between FDII and FDIS (0.590) is positive, indicating a strong association between the two measures of foreign direct investment. This suggests that countries with higher FDI inflows tend to have higher FDI stock during the period under study. The results also show that there is a positive association between Corporate Income Tax Revenue (CITR) and FDII (0.338) as well as FDIS (0.475). This suggests that corporate tax revenue and FDI tend to move together, although the association with FDIS appears stronger. For inflation (INFR), the results show a positive association with FDII (0.332) and FDIS (0.247), implying that inflation levels tend to be moderately related to foreign investment. Inflation is also positively associated with CITR (0.457)suggesting that higher inflation levels tend to coincide with higher tax revenues. Credit to the Private Sector (CRPS) is positively associated with FDII (0.333) and FDIS (0.188), suggesting that financial sector development may have a weak to moderate relationship with foreign investment. CRPS is also positively correlated with CITR (0.297)indicating that access to private sector credit is moderately associated with tax revenue collections.

Table 4.3 Correlation Analyses

Variables	(1)	(2)	(3)	(4)	(5)
(1) fdii	1.000				
(2) fdis	0.590	1.000			
(3) citr	0.338	0.475	1.000		
(4) infr	0.332	0.247	0.457	1.000	
(5) crps	0.333	0.188	0.297	0.099	1.000

Source: Author (2025)

4.3 Cointegration Test

Next, the study presents the results of the Westerlund cointegration test in Table 4. Specifically, the Westerlund test for cointegration is a panel cointegration test developed by Westerlund (2007) that examines whether a long-run equilibrium relationship exists

among variables in a panel dataset. The test consists of four test statistics, two of which assess panel-wide cointegration (Gt and Ga) by pooling data across all panel units, while the other two (Pt and Pa) examine whether at least some cross-sectional units are cointegrated. A rejection of the null hypothesis of no cointegration indicates that a long-run relationship exists among the variables, meaning that despite short-term fluctuations, they move together over time (Pesaran, 2004).

Table 4:Westerlund Test for Panel Cointegration

Statistic	Value	Z-value	P-value
Gt	-2.48	-1.689	0.046
Ga	-6.318	1.735	0.959
Pt	-7.171	-1.239	0.108
Pa	-4.487	0.771	0.780

Source: Author (2025)

The results of the Westerlund cointegration test in Table 4 shows that the Gt statistic is -2.480 with a Z-value of -1.689 and a p-value of 0.046, which is significant at the 5% level. This suggests that at least some of the panel units exhibit a significant error correction mechanism, meaning that deviations from the long-run equilibrium are corrected over time. The rejection of the null hypothesis of no cointegration for this statistic provides evidence of a long-run relationship among the variables for some countries in the panel.In contrast, the Ga statistics have a value of -6.318, a Z-value of 1.735, and a p-value of 0.959, which is far from statistical significance. This result indicates that when considering the entire panel, there is no strong evidence of cointegration across all panel units. The Ga statistic focuses on the persistence of deviations from equilibrium across the panel as a whole, and the high p-value suggests that deviations do not necessarily correct in a uniform manner across countries.The Pt statistics, with a value of -7.171, a Z-value of -1.239, and a p-value of 0.108, does not reach statistical significance at conventional levels. This statistic assesses whether the panel as a whole exhibits cointegration, and the result implies that, while there may be some degree of cointegration in individual units, there is insufficient evidence to confirm a strong panel-wide long-run relationship.Similarly, the Pa statistics report a value of -4.487, a Z-value of 0.771, and a p-value of 0.780, which further suggests that when evaluating cointegration at the panel level, there is no strong support for a uniform long-run relationship across all countries.

4.4 Panel Ardl

The Pooled Mean Group (PMG) and Mean Group (MG) estimators are commonly used in dynamic panel data analysis, particularly in panel autoregressive distributed lag (ARDL) models, to examine both short-run dynamics and long-run relationships among variables. These estimators were introduced by Pesaran, Shin, and Smith (1999) and are widely

applied in empirical research involving heterogeneous panel data.The PMG estimator assumes that the long-run relationships among variables are homogeneous across all cross-sectional units (such as countries or firms) but allows for heterogeneous short-run dynamics and error variances. This assumption is particularly useful when the long-run equilibrium relationship is expected to be similar across entities, but the speed of adjustment and short-run responses may vary due to differences in economic structures, policy environments, or institutional frameworks (Pesaran et al., 1999).

Table 5:Regression Results of Company Income Tax and FDI

	PMG	MG	PMG	MG
	FDII	FDII	FDIS	FDIS
L.citr	.298***	2.277	.487**	2.284
	(.049)	(1.474)	(.197)	(1.557)
L.infr	-.004***	-.016**	-.002	-.012
	(.001)	(.007)	(.003)	(.013)
L.crps	.084	.11	-.502	1.304
	(.153)	(1.17)	(.363)	(1.852)
ec	-.587***	-.756***	-.44***	-.671***
	(.089)	(.09)	(.087)	(.087)
SR:D.citr	.273	-.533	1.201	2.993
	(.542)	(1.207)	(1.16)	(1.703)
SR:D.infr	.004	0	.012	-.002
	(.008)	(.013)	(.01)	(.015)
SR:D.crps	-1.086	-1.104	1.585	2.548
	(.891)	(.87)	(1.061)	(1.462)
Observations	516	516	516	516
Hausman Test	4.86{0.182}		3.99{0.311}	
Standard errors are in parentheses; *** p<.01, ** p<.05				

Source: Author's computation (2025) from STATA v.18.5 Output

The Hausman test results indicates whether the Pooled Mean Group (PMG) estimator or the Mean Group (MG) estimator is the more appropriate model for analyzing the relationship between tax reforms and foreign direct investment in the selected Sub-Saharan African nations. The null hypothesis (H_0) of the Hausman test assumes that the PMG estimator is efficient and consistent, while the alternative hypothesis (H_1) suggests that the MG estimator is more appropriate due to heterogeneity in long-run coefficients across cross-sections. In the case of Foreign Direct Investment Inflows (FDII), the Hausman test statistic is 4.86 with a p-value of 0.182, and for Foreign Direct Investment Stock (FDIS), the test statistic is 3.99 with a p-value of 0.311. Since both p-values are greater than 0.05,

we fail to reject the null hypothesis, implying that the assumption of long-run homogeneity holds, making the PMG estimator the preferred model. This means that the long-run effects of tax reforms on FDI are similar across countries, supporting the use of PMG, which pools long-run relationships while allowing for heterogeneous short-run dynamics.
The error correction term (EC) in the PMG model is negative and statistically significant at the 1% level for both FDII (-0.587) and FDIS (-0.44). The EC term measures the speed of adjustment toward long-run equilibrium following short-run deviations. The negative coefficient confirms the presence of a stable long-run relationship between tax reforms and FDI, meaning that deviations from the long-run equilibrium are corrected over time. Specifically, the error correction coefficient of -0.587 for FDII suggests that approximately 58.7% of short-run disequilibrium is corrected each period, indicating a moderately fast adjustment process. Similarly, the FDIS model exhibits an adjustment rate of 44%, meaning that foreign direct investment stock gradually converges to its long-run equilibrium after short-term fluctuations.The strong adjustment speed implies that shocks to company income tax revenue, inflation, and private sector credit influence FDI in the short run, but the system gradually returns to its long-run path. This suggests that investors respond to tax policies and macroeconomic changes over time rather than immediately, emphasizing the need for stable and predictable tax regimes to foster long-term investment.

However, to further validate the estimates of theresults, this study also conducted some basic diagnostic tests.The Pesaran Cross-Sectional Dependence (CD) test results indicate the presence of significant cross-sectional dependence among the variables in the panel dataset. The test examines whether the residuals of different cross-sectional units (countries) are correlated, which is a crucial diagnostic in panel data analysis. The null hypothesis assumes cross-sectional independence, meaning that shocks in one country do not systematically affect others. A rejection of this null hypothesis suggests that the variables share interdependencies across the selected Sub-Saharan African nations.

Table 6: Pesaran Cross-Sectional Dependence Test

Variable	CD-test	P-value	Corr	Abs(Corr)
FDII	1.63	0.451	0.401	0.426
FDIS	1.81	0.311	0.241	0.417
CITR	1.91	0.269	0.87	0.87
INFR	1.67	0.594	0.922	0.922
CRPS	0.29	0.877	0.172	0.499

Source: Author (2025)

The null hypothesis (H_0) of the CD test states that there is no cross-sectional dependence, while the alternative hypothesis (H_1) suggests the presence of cross-sectional dependence.

The test statistic (CD-test) and its corresponding p-value determine whether the null hypothesis should be rejected.The results show that none of the variables exhibit statistically significant cross-sectional dependence, as all p-values are greater than 0.05. This suggests that the economic and fiscal variables across the selected Sub-Saharan African nations do not strongly influence one another in a way that violates the assumption of cross-sectional independence.

The results obtained from the Pooled Mean Group (PMG) model presented in Table 5 reveal that companies' income tax revenue (CITR) [coef. = 0.298 (0.000)] has a significant positive effect on foreign direct investment inflows (FDII) in the long run. The significance at the 1% level suggests that an increase in companies' income tax revenue is associated with a higher inflow of FDI, indicating that higher corporate tax revenue may not necessarily deter foreign investment but could reflect a stable tax system that fosters investor confidence. In the short run, the coefficient for D.CITR [coef. = 0.273 (0.542)] is positive but statistically insignificant, implying that short-term fluctuations in corporate tax revenue do not have an immediate effect on FDI inflows. Hence, since the long-run effect is significant, the null hypothesis that companies' income tax revenue has no significant effect on foreign direct investment inflows (FDII) in Sub-Saharan Africa is rejected.Contrary to the conventional belief that higher corporate taxes deter investment, the result suggests that a stable tax regime that ensures efficient revenue collection and fiscal management may serve as a signal of macroeconomic stability and effective governance.

Furthermore, the results from the PMG model indicate that companies' income tax revenue (CITR) [coef. = 0.487 (0.011)] has a significant positive effect on foreign direct investment stock (FDIS) in the long run, with statistical significance at the 5% level. This implies that an increase in corporate tax revenue is associated with a growth in accumulated FDI stock, suggesting that foreign investors may not necessarily be discouraged by higher corporate tax revenue as long as the tax environment remains predictable and efficient. In the short run, the coefficient for D.CITR [coef. = 1.201 (0.145)] is positive but not statistically significant, indicating that immediate changes in corporate tax revenue do not significantly impact the stock of foreign direct investment. Based on the significant long-run relationship, the null hypothesis that companies' income tax revenue has no significant effect on foreign direct investment stock (FDIS) in Sub-Saharan Africa is rejected.

This perspective is supported by Adhikary (2011), who emphasized that beyond tax rates, factors such as institutional efficiency and economic stability play a more significant role in attracting FDI. Similarly, Andoh and Cantah (2020) argue that tax obligations alone are not the primary determinant of foreign investment decisions in Sub-Saharan Africa, as investors often prioritize political stability, market potential, and ease of doing business.The finding that companies' income tax revenue has a significant positive effect

on foreign direct investment stock in Sub-Saharan Africa suggests that higher corporate tax revenues may not necessarily deter long-term foreign investments. Instead, it indicates that a well-structured and stable tax system could enhance investor confidence, leading to an accumulation of FDI over time. This perspective is in line with the argument presented by Abdikarim and Nayan (2022), who emphasize that institutional quality, including tax transparency and predictability, plays a crucial role in attracting and retaining foreign investments in the region. Similarly, Appiah-Kubi et al. (2021) highlights that a stable tax regime signals economic stability, which can encourage multinational corporations to maintain and expand their investments in a given country.

This result also aligns with Becker et al. (2012), who argue that while high corporate taxes may be perceived as a burden, they can also indicate a government's ability to generate revenue efficiently, thereby fostering a stable macroeconomic environment. The positive relationship between corporate tax revenue and FDI stock may reflect the ability of governments to reinvest tax proceeds into critical infrastructure, public goods, and investor-supportive policies, as suggested by Agbo et al. (2023). Furthermore, Esteller-Moré et al. (2021) argue that the complexity and predictability of tax policies, rather than the tax rate itself, determines the extent to which foreign investors are willing to commit resources to an economy.Some researchers argue that high corporate taxes reduce net returns on investment and could lead to capital flight. For instance, Adi and Widyono (2022) found that in Asian economies, reductions in corporate tax rates were directly linked to increased FDI accumulation. Similarly, Andoh and Cantah (2020) argue that tax obligations remain a significant consideration for foreign investors in Sub-Saharan Africa, where excessive tax burdens can drive investors to seek more tax-efficient jurisdictions. This perspective is further reinforced by Agbo, Udeh, and Odo (2023), who found that tax incentives play a vital role in shaping investor decisions, particularly in economies where tax compliance costs are high.The short-run results, which indicate no significant effect of corporate tax revenue on FDI stock, suggest that investors do not immediately respond to changes in corporate tax revenues.

5. Conclusion and Recommendations

The findings of this study provide critical insights into the relationship between company income taxation and foreign direct investment (FDI) in Sub-Saharan Africa (SSA). Using a panel autoregressive distributed lag (ARDL) approach, the study uncovers both short-run and long-run dynamics of corporate tax revenue on FDI inflows and stock. The empirical results indicate that while corporate income tax revenue has a significant positive effect on FDI stock in the long run, its short-run impact on FDI inflows remains statistically insignificant. This suggests that foreign investors prioritize broader economic stability and long-term policy predictability over short-term tax incentives. A key takeaway from the study is the nuanced role of corporate taxation in FDI decisions. Contrary to the conventional wisdom that lower corporate tax rates automatically attract FDI, the findings

suggest that foreign investors assess tax policies in conjunction with broader governance and macroeconomic conditions. Countries with stable corporate tax structures and effective fiscal management tend to retain FDI over time, whereas abrupt tax policy changes or excessive reliance on tax incentives may yield only transient investment gains. Moreover, the results challenge the simplistic notion that tax competition alone drives FDI inflows. Instead, factors such as regulatory certainty, ease of doing business, and infrastructure development emerge as complementary determinants that influence investment location choices.

The study offers practical recommendations tailored to key stakeholders. For corporate managers and directors, the findings underscore the importance of aligning long-term investment strategies with host country tax regimes and fiscal policies. Rather than basing investment decisions solely on short-term tax incentives, multinational enterprises should consider the broader economic environment, including regulatory consistency and institutional quality. Companies should also engage in strategic tax planning that optimizes profitability while ensuring compliance with evolving tax regulations. For policymakers and regulators, the study highlights the need for a balanced approach to tax policy. While tax incentives can serve as short-term investment stimuli, a stable and predictable tax environment is more critical in sustaining long-term FDI. Governments should focus on streamlining tax administration, reducing compliance burdens, and ensuring transparency in fiscal governance. The results further emphasize the importance of maintaining fiscal discipline, as sustainable government revenue enhances investor confidence and reduces reliance on volatile external financing. While this study provides important contributions, there remains scope for further research. Future studies could explore the sectoral effects of corporate taxation on FDI, as investment responses may vary across industries such as manufacturing, services, and natural resources. Additionally, given the evolving nature of global tax reforms, research could examine the implications of international tax agreements, such as the OECD's global minimum tax, on FDI patterns in SSA.

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