An Assessment of the Contribution of Tax on Nigeria's Economic Development and its Effects on Companies' Performance in Nigeria

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Introduction

A Tax is a fee charged or levied by a Government on a product, income, or activity. It is levied on individuals or on goods or services, and then it is called an indirect tax. The main reason for taxation is to finance government expenditure and to redistribute wealth which translates to financing development of the country (Ola, 2001, Bhartia, 2009). The study of the relationship between tax incentives and the performance of the firms, has known a peak during these last decades, mainly with the works of Yonah (2006) and Gurria (2009). As a tool of government policy, tax incentives can be adopted to attract investors who want to increase the profitability of their businesses to promote investment, foster growth and survival of the company. The effect of corporate taxes on performance of companies is one of the central questions in both public finance and development. The manufacturing sector of any economy is considered to be very important as it contribution to the growth of the economy reflects visibly in job creation and improved tax contribution. The liberalization of the Nigerian economy through various home grown and other supporting international policy prescriptions over the past decades changed the structure of the manufacturing sector in Nigeria. The challenges of the manufacturing sector come in a midst of high corporate tax rates.

The puzzle on hand is whether it is the high income tax rates that deter foreign direct investment to the manufacturing sector or low import duties create the incentive for investors to import rather than manufacture locally? Whichever way, taxation, observably, plays a role in the misfortunes of the sector because tax policies, apart from generating revenue for the state, serve several other purposes. It can be used as an avenue to protect infant industries, create incentive for investors to invest in certain areas of the economy or to create disincentive for other activities (Ali-Nakyea, 2008). A tax policy defines the cost structure of firms as it is factored into pricing (Nnadi&Akpomi 2007). Governments, over the years, have made pronouncements and policies that are supposed to create tax incentives for businesses.

Fortunately, most of the provisions are to help manufacturing companies to withstand adverse external development. The government of Nigeria over the years has accepted the fact that taxes have serious effect on the performance of manufacturing companies to retain earnings. It is from this backdrop that the corporate income tax rates have evolved variously from as high as 45% and to 30% currently. Aside the reduction in corporate tax rates, tax policies have provided several reliefs and tax rebates that manufacturing companies can take advantage of. For instance, manufacturing companies export processing zones enjoy a 100 percent tax rebate, while those situated in other regions do not enjoy any relief. Concessionary rates are also available for manufacturing companies that export substantial portions of their products. These reliefs, rebates, and concessions are expected to influence the investment decisions, growth, and ultimate performance of companies. Notwithstanding, manufacturing companies raise several issues on the country's tax policies.

There is a general perception that the flat corporate tax rate is not vertically equitable. According to the manufacturers, the flat corporate tax rate does not favour small manufacturing companies. In buttressing this argument, the manufacturing companies compare the flat corporate tax rate with the progressive personal income tax rates. Indeed, Adam Smith mentioned that, equity as one of the characteristics of a good tax system. The study on the effect corporate income tax on the financial performance of the manufacturing sector is important for at least two reasons. Firstly, a negative impact on manufacturing defeats governments' commitment to restore the past glory of the manufacturing sector. Secondly, a negative impact of tax on the manufacturing firms has implication for job creation and poverty alleviation.

The study of the relationship between taxation and the performance of the firms and its associated problems cannot be over emphasized. However, the effect of corporate taxes on performance of companies is one of the central questions in both public finance and development. The challenges of the manufacturing sector come amidst of high corporate tax rates. Whichever way, taxation, observably, plays a role in the misfortunes of the sector because tax policies, apart from generating revenue for the state, serve several other purposes. It can be used as an avenue to protect infant industries, create incentive for investors to invest in certain areas of the economy or to create disincentive for other activities. The

pronouncements made by governments, over the years have created tax incentives for businesses.

The Taxes and resultant policies seem to have serious effect on the solvency, profitability, and other indicators of performance of manufacturing companies. Many authors have studied various aspect of the taxation and tax policies, some of which are: Unegbu and Irefin, 2011Ola (2001), Ayodele (2004) Jhingan, (2004), Musgrave and Musgrave (2004), Bhartia (2009), Yonah (2006), Gurria (2009), Ali-Nakyea (2008), Nnadi&Akpomi (2007), Barro (1991), DeLong and Summers (1991), Baumol, Litan, and Schramm (2007), Starting with Jorgenson (1963) Hall and Jorgenson (1967), However, this study on the effect of corporate income tax on the performance of the companies' is unique and the first time it will be undertaken and is important for at least two reasons. Firstly, a negative impact on manufacturing defeats governments' commitment to restore the past glory of the manufacturing sector. Secondly, a negative impact of tax on the manufacturing firms has implication for job creation and poverty alleviation. In order to address these issues the following pertinent questions would be necessary to answer: what effect does corporate tax have on the profitability, solvency, efficiency, dividends and earnings per share of companies in Nigeria? As the main aim of the paper the study seeks to assess the effects of corporate taxation on companies' performance in some companies in Nigeria and specifically the paper lookedin to these variables.

Far more important the findings from this paperwill invariably be useful to stakeholders in tax management and administration and will enable corporations ascertain the effect of taxation on their profitability and growth. It will also provide competitors, investors and stakeholders to ascertain the company performance and implication of tax on the company generally. Furthermore,the results of this paper add new knowledge to the ones existing in the field, stimulate interest for further investigation thereby expanding the frontier of knowledge in the discipline.

The study is confined tosix companies and examines the financial reports for the company for a period of five years. The companies include;Dangote Group Plc, John Holt Plc, United Africa Company of Nigeria Plc, Nigerian Bottling Company Ltd, Unilever Nigeria Plc. The justification for the choice of these companies and period of assessment is to ensure broader horizon for the acceptability of the study conclusions.

Empirical Review

The Concept of Tax

Taxation, like any other accounting concept, has been described in so many ways. Ayodele (2004) and Iyere (1998) view tax as a compulsory levy imposed by the government on its people or organizations so that it can achieve some objectives. Bhatia (2001) goes further to argue that the compulsory levy imposed by government is not accompanied by any definite reward to the people from the government. However, Dandago and Alabede (2000) are of the view that tax is compulsory levy and that its imposition is aimed at raising money toward defraying the expenditure of the government.A Tax is a fee charged or levied by a Government on a product, income, or activity. If it is levied directly on personal or corporate income, it is called a direct tax. If it is levied on the price of a good or service, then it is called an indirect tax. The main reason for taxation is to finance Government expenditure and to redistribute wealth which translates to financing development of the country (Ola, 2001, Jhingan, 2004, Musgrave and Musgrave, 2004, Bhartia, 2009). The study of the relationship between tax incentives and the performance of the firms, has known a peak during these last decades, mainly with the works of Yonah (2006) and Gurria (2009). As a tool of government policy, tax incentives can be adopted to attract investors who want to increase the profitability of their businesses to promote investment, foster growth and survival of the company. The effect of corporate taxes on performance of companies is one of the central questions in both public finance and development. This effect matters not only for the evaluation and design of tax policy, but also for thinking about economic growth (Barro 1991, DeLong and Summers 1991, and Baumol, Litan, and Schramm 2007). Starting with Jorgenson (1963) and Hall and Jorgenson (1967), many public finance economists and accountants have addressed this topic. A small selection of important studies includes Summers (1981), Feldstein, Dicks-Mireaux and Poterba (1983), Auerbach (1983), King and Fullerton (1984), Slemrod (1990), Auerbach and Hassett (1992), Hines and Rice (1994), Cummins, Hassett, and Hubbard (1996), Devereux, Griffith, and Klemm (2002), and Desai, Foley, and Hines (2004b). Auerbach (2002), Gordon and Hines (2002), asset and Hubbard (2002), and Hines (2005) survey aspects of this literature. Arising from the foregone concepts, tax can therefore be defined as a levy imposed by the government on the incomes of its people and organizations with the aim to achieving some economic goals.

Purpose of Taxation

Tax is basically imposed to achieve two main purposes: revenue generation and management of the economy (Ayodele, 2004). However, Buhari (1993), Dandago (2000), Oji (1998) identified the following as the specific objectives of taxation. Include among others: Revenue Generation: Income Distribution: Economic Growth and Development: Protection of Infant Industries: Stabilization of the Economy: Foreign Exchange Management: Modification of Investment Pattern.

Classificationof Tax

There are many ways of classifying tax. Ayodele (2004) suggested three basic ways. These are: According to Incidence: This is adopted when taking into consideration the person or the entity that bears the final burden of the tax. Under this approach, tax can either be direct or indirect. The former is a tax on income or property whose burden cannot be shifted. The latter, on the other hand, are taxes on consumption or production of certain good, and services in which the burden is shifted to the final consumer.According to Bases: This is based on the object on which that tax is levied. It can be, for example, Personnel Income Tax (PIT), Companies Income Tax (CIT),

Petroleum Profit Tax (PPT), Capital Gains Tax (CGT), Value Added Tax (VAT), Excise Duty, and CustomDuty.According to Rates: This is based on the variation in tax rates as a proportion of tax base. They are progressive tax, proportional tax, and regressive tax. Proportional where the same rates are paid irrespective of the level of income earned, progressive while the tax rate increases as the income increases and regressive where the rate reduces as the size of income increases.

The economic effects of taxation according to (Ayodele, 2004) include:Effect on Production: If taxes on excise duties are high, production costs will be high and this affects production adversely.
Effect on Saving: When taxes are high, the disposable income of individuals will be low and people go for consumption rather than savings.Effect on Investment: Where tax is high, it discourages investment as the amount of money in the hand of tax payer is depleted.Effect on Consumption: The higher the tax the lower the consumption and vice versa.

Taxation and its Contribution to Economic Development of Nigeria

Whether the taxes collected are enough to finance the development of the country will depend on the needs of the country and, countries can seek alternative sources of revenue to finance sustainable development(Unegbu and Irefin, 2011). Tax revenue is the receipt from tax structures.
Revenues accruing to an economy, such as Nigeria, can be divided into two main categories, which are; Oil Revenue (includes revenue from royalties, Petroleum Profit Tax (PPT), gas tax) and Non-Oil revenue(includes trade, loans, direct and indirect taxes paid by other sectors of the economy, Aids, agriculture etc).However, tax revenue mobilization as a source of financing developmental activities in less developed economies has been a difficult issue primarily because of various forms of resistance, such as evasion, avoidance corrupt practices attending to it.

These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment of the country. Government collects taxes in order to provide an efficient and steadily expanding non-revenue yielding services, such as infrastructure-education, health, communications system etc, employment opportunities and essential public services (such as the maintenance of laws and order) irrespective of the prevailing ideology or the political system of a particular nation. Tax is also the nexus between state and its citizens, and tax revenues are the lifeblood of the social contract. The very act of taxation has profoundly beneficial effects in fostering better and more accountable government (Tax Justice Network(TJN), 2012). Musgrave and Musgrave (2004) also stated that the economic effects of tax include micro effects on the distribution of income and efficiency of resource use as well as macro effect on the level of capacity output, employment, prices, and growth.

However, the use of tax as an instrument of fiscal policy to achieve economic growth in most less develops countries cannot be reliable because of dwindling level of revenue generation. Consequent upon this, changing or fine-tuning tax rates has been used to influence or achieve macroeconomic stability. A critical examples of governments that have influenced their economic development through revenue from tax are; Canada, United States, Netherland, United Kingdom. They derive substantial revenue from Company Income tax, Value Added Tax, Import Duties and have used same to create prosperity (Oluba 2008).

A significant share of the tax revenue increase in Africa stems from natural resource taxes. This included income from production sharing, royalties, and corporate income tax on oil and mining companies (Pfister, 2009). Nigeria is a developing country whose major export is mainly crude oil. Also endow with other natural resources such as; natural gas, tin, iron ore, coal, limestone, lead, zinc and arable land (Economy Watch, 2011). As a sovereign nation, Nigeria has a land mass that covers about 923, 768 sq km and have a population of about 149,229,090. According to Tran (2008), emerging economies are nations that have large territories and populations, and they are undertaking extraordinary development projects that call for new infrastructure, such as power-generating plants and telecommunications systems. Also, United Nations (2005) asserts that, achieving the Millennium Development Goals(MDGs), for instance, low-income countries (LICs) are required to increase their domestic revenues by around 4 percent of the GDP. Also, to meet the MDGs, OECD countries have been urged to raise their level of aid to LICs to about 0.7 percent of their Gross National Income – but this is as nothing when compared to potential tax revenues. The infrastructural developments demand a lot of resources and funding. In many rich countries, tax constitutes 30-40 percent of the GDP (Golit, 2008 and TJN, 2012).

Nigeria with a budget of N4.97 trillion for the year 2011, representing 12% increase of 2010 annual budget (Unegbu and Irefin, 2011) shows that tax revenue is one of the ways of funding infrastructural developments specified in the budget. The tax base in Nigeria since had been on the increase in order to mobilize the resources needed to execute infrastructural projects. According to Kaldor(1963), those who believe that insufficient growth and investment is mainly a consequence of a lack of resources are chiefly concerned with increasing the resources available for investment through additional taxation. The availability and mobilization of revenue is the fundamental factor on which an economic development is sustained and managed. As noted by TJN(2012), tax is the most important, the most beneficial, and the most sustainable source of finance for development.

Tax revenue in Africa, for example, is worth ten times the value of foreign aid. The long-term goal of poor countries must be to replace foreign aid dependency with tax self-reliance. However, in Nigeria the contribution of tax revenue has not been encouraging, thus expectations of government are being cut short. Corruption, evasion, avoidance and tax haven indicators are strongly associated with low revenue (Attila, Chambas, and Combes, 2008) and indeed, corruption functions like a tax itself. According to Adegbie and Fakile, 2011), the more citizens lack knowledge or education about taxation in the country, the

greater the desire and the opportunities for tax evasion, avoidance and non-compliance with relevant tax laws. In this respect, the country will be more adversely affected because of absence of tax conscience on the part of individuals and the companies and the failure of tax administration to recognize the importance of communication and dialogue between the government and the citizens in matters relating to taxation.

In the face of resource deficiency in financing long term development, Nigeria has heavily resorted to foreign capital, such loans and aid as the primary means to achieve rapid economic growth. Thereby accumulate huge external debt in relation to gross domestic product and serious debt servicing problems in terms of foreign exchange flow and, as such majority of the populace live in abject poverty. Government as expressed concern over these and has vowed to expand the tax revenue in order to meeting its mandate. Kiabel and Nwokah (2009) argue that the increasing cost of running government coupled with the dwindling revenue has left all tiers of government in Nigeria with formulating strategies to improve the revenue base. Also,Ndekwu (1991) noted that, more than ever before, there is now a great demand for the optimization of revenue from various tax sources in Nigeria. This probably influenced the decision of the Federal Government of Nigeria (FGN), which in 1991set up a Study Group on the Review of the Nigerian Tax System and Administration.

Also, that an accurate estimation of the optimal level of expenditure requires knowledge of the productivity of the tax system and that it will assist in identifying a sustainable revenue profile for the country. As noted by IMF (cited in TJN, 2012) : "Developing countries must be able to raise the revenues required to finance the services demanded by their citizens and the infrastructure (physical and social) that will enable them to move out of poverty. Taxation will play the key role in this revenue mobilization. . . . .

As a means of meeting their expenditure requirements, many developing countries undertook tax reforms in the 1980s. However, most of these reforms focused on tax structure rather than on tax administration geared towards generating more revenue from existing tax sources (Osoro, 1991).

There are very few studies which have been conducted to see the impact of tax revenue on economic development. Some of the relevant related studies with regard to the subject matter were reviewed below. Expert of group United Nations (2000) stated that, tax revenue contributes substantially to development and therefore, there is the need to streamline a nation tax system so as to ensure the realization of optimal tax revenue through equitable and fair distribution of the tax burden. The stark reality in most developing countries is that whilst there is severe budgetary pressure as a result of ever increasing demand for government expenditure, there is a limited scope for raising extra tax revenues, as a result of Non-compliance with corporate persons result from technicalities and tax avoidance, poor record keeping and cash transactions. Keen and Mansour (2010), in analyzing the revenue mobilization in sub-Saharan-Africa found that, within sub- Saharan Africa, revenue has performed more strongly in resource-rich countries. In the same Desai, Foley and Hines (2004) stated that governments have at their disposal many tax instruments that can be used to finance their activities. These tax alternatives include personal and corporate income taxes, sales taxes, value added taxes, capital gain taxes and others. It is not uncommon for a country to impose all of these taxes simultaneously. Contrarily, in choosing what tax instruments to use and what rates to impose, governments are typically influenced by their expectations of the effects of taxation on investment and economic activity, including foreign direct investment (FDI). They stated that there is extensive empirical study that high corporate income tax rates are associated with low levels of FDI.

On the issue of the problem of tax revenue instability Lim (1983) in his study,instability of government revenue and expenditure in less developed countries observed that tax revenues instability was the major cause of expenditure instability in less developed countries in the period going from 1965 to 1973. Bleaney, Gemmel and Greenaway (1995) also, in their study, tax revenue instability, with particular reference to sub-Saharan Africa analyzed the sources and the consequences of revenues instability in developing countries. They found that tax revenue instability is more common in poor, more open and more inflationary economies. And evidence that countries with high tax revenue instability tend also to have high total expenditure instability. In line with this, Ebeke and Ehrhart(2010) in their work, the sources and consequences of the instability of tax revenue in Sub-Saharan African countries, using panel for 39 countries over the period 1980-2005, gave credence to Bleaney, Gemmel and Greenaway (1995), Guillaumont et al (1999), Fatas and Mihov, (2003), Talvi and Vegh (2005), Furceri (2007), Loayza et al (2007), Thorthon (2008) and Diallo (2009), that tax revenues instability in Sub-Saharan Africa is leading to public investment and government consumption instability which in turn generates lower public investment ratio and is therefore detrimental to the long term economic growth.

This is of deep concern for Sub-Saharan African countries since it was found to be detrimental for growth and welfare. Owolabi and Okwu (2011) examined the contribution of Value Added Tax to Development of Lagos State Economy, using simple regression models as abstractions of the respective sectors considered in the study. The study considered a vector of development indicators as dependent variables and regressed each on VAT revenue proceeds to Lagos State for the study period. Development aspects considered included infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transportation sector development. The results showed that VAT revenue contributed positively to the development of the respective sectors. However, the positive contribution was statistically significant only in agricultural sector development. On the aggregate, the analysis showed that VAT revenue had aconsiderable contribution to development of the economy during the study period.AlsoUnegbu and Irefin(2011) in their paper, the impact of value added tax (VAT) on economic and

human developments of emerging Nations from 2001 to 2009, found out that VAT allocations have a very significant impact on expenditure pattern of the state during the same period.

Also observed that, the perceptions by the citizenry across the administrative areas of the state suggest that VAT has minimum impact level on the economic and human developments of Adamawa State from 2001 to 2009.Adegbie and Fakile(2011) concentrated on the Company Income Tax and Nigeria Economic Development relationship concluded that there is a significant relationship between company income tax and Nigerian economic development. And that tax evasion and avoidance are major hindrances to revenue generation.

Lee and Gordon(2004) in their paper, Tax structure and economic growth,explore how tax policies affect a country's growth rate, using cross-country data during 1970–1997. Their findings revealed that statutory corporate tax rates are significantly negatively correlated with cross-sectional differences in average economic growth rates,controlling for various other determinants of economic growth, and other standard tax variables. And also, that in fixed-effect regressions increases in corporate tax rates lead to lower future growth rates within countries.
Ogbonna and Ebimobowei(2012) examined the Impact of Tax Reforms and Economic Growth of Nigeria using relevant descriptive statistics and econometric analysis and concluded that the various test shows that tax reforms is positively and significantly related to economic growth and that tax reforms granger cause economic growth. Also, that tax reforms improves the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis.

The few literatures that exist are of the support that tax revenue impact positively on economic growth. However, the reviewed studies ignored the link between tax revenue and economic growth and provided evidence that may not provide an adequate guide for policy decisions. Also, most of the previous studies applied techniques that take into no account of the properties of the time series that were used in their analysis and possibly arriving at unrealistic estimates. Ogbonna and Ebimobowei (2012) so far represent the most comprehensive assessment of the impact tax revenue on economic growth. In his he disaggregated tax revenue into its various components such as; excise duties, personal income tax, petroleum profit tax, company's income tax, value added tax and education tax.

Many countries impose corporate tax, also called corporation tax or company tax, on the income or capital of some types of legal entities. A similar tax may be imposed at state or lower levels. The taxes may also be referred to as income tax or capital tax. Entities treated as partnerships are generally not taxed at the entity level. Most countries tax all corporations doing business in the country on income from that country. Many countries tax all income of corporations organized in the country.

Company income subject to tax is often determined much like taxable income for individuals. Generally, the tax is imposed on net profits. In some jurisdictions, rules for taxing companies may differ significantly from rules for taxing individuals. Certain corporate acts, like reorganizations, may not be taxed. Some types of entities may be exempt from tax.

Effect of Corporate Income Taxes on Company's Performance

Corporate taxes can be expected to reduce investment by firms as they increase the user cost of capital. In addition, they can be expected to reduce TFP growth for a number of reasons. First, as with labour taxes, corporate taxes can distort relative factor prices resulting in a re-allocation of 11 resources towards possibly less productive sectors (*e.g.* the non-corporate sector) which may lower total factor productivity (Boersch-Supan, 1998). Second, complex corporate tax codes can cause high tax compliance costs for firms and high administrative burdens for governments, which absorb resources that could be used for productive activities, causing productivity and efficiency losses. Third, high corporate taxes may reduce incentives to invest in innovative activities by reducing their after-tax return. Fourth, to the extent that corporate taxes reduce FDI and the presence of foreign multinational enterprises they can hinder technology transfers and knowledge spill-overs to domestic firms. In order to test the impact on investment and TFP, empirical evidence was obtained from both firm-level data covering a sample of 14 European OECD countries and industry-level data covering 21 industries in 16 OECD countries. *Investment* The empirical results, both at firm and industry level, assessing the effect of taxes on investment were obtained by introducing the tax adjusted user cost in a standard investment equation with adjustment costs of capital (see Schwellnus and Arnold, 2008 and Vartia, 2008 for details). In addition to the standard user cost components (the required rate of return to the investment, the economic depreciation rate and anticipated capital gain/loss due to a change in before-tax price of the asset) the tax-adjusted user cost takes into account taxes on profits and the present value of the tax savings from depreciation allowances. The industry-specific user cost is constructed as a weighted average of the asset specific user cost where the weights are the share of each asset in total industry investment. The main empirical findings at the firm-level are summarised in Table 3 (see Schwellnus and Arnold, 2008 for details). Column 1 shows that increases in the tax-adjusted user cost of capital are found to reduce investment at the firm-level, while column 2 shows that this effect is larger for more profitable firms. A simulation experiment suggests that a reduction of the statutory corporate tax rate from 35% to 30% reduces the user cost by approximately 2.8%. Applying the estimated long-run tax adjusted user cost elasticity (from column 1), this implies a long-run increase of the investment–to-capital ratio of approximately 1.9%.

Theoretical background

An extensive literature has produced convincing results concerning the impact of tax incentives on the investment.Stiglitz (1973), Sandmo (1974), King (1974) and Boadway (1979) have extended the Jorgenson's classical model

ofinvestment behavior (1967) to determine the effects of taxation on investment decisions. By emphasizing theimportance of tax policy and administration for domestic and international investors, Stone (2008) proceeds bycomparing the advantages and disadvantages of tax incentives, he said that taxation affects the internationalcompetitiveness. By treating the relationship between fiscal policy and financial policy within the firm and itsimpact on growth, Strulik (2003) conducted by comparing the policies of firms in different economic contexts.

Theimpacts identified by the author are obtained by using a general equilibrium model based on production functions ofCobb Douglas, detailing the account of the firm (based on investment, employment, result operation ...). The resultsfound by the author shows that a reduction of 10% tax would increase the firm gain of 5%. The author stresses thatthe standard models (not taking into account the economy as a whole) overestimate the effect of the tax reform oninvestment and profitability since they neglect the financial adjustments of the company. Jochen A. Birk (2006),using statistics provided by a number of OECD countries argue that tax reform can reduce unemployment andimprove economic growth by improving the financial performance of the firm.

Tax incentives are a stimulatingfactor of the location of foreign direct investors. Through a survey by questionnaire on a sample of 600 executivesof large multinational firms from seven countries including Honkong Singapore, Australia, Canada, PR China, U.S.and UK, Simmons (2003) showed that there is a significant positive correlation between indices of the attractivenessof the tax system of countries selected and the size entries of FDI. However, in a turbulent economic environment characterized by multiple mutations, the company is increasingly facing a tougher competitive space, due to the enlargement of its scope of activities and the interconnectedness of different markets.

To adapt to this environment and cope with this competition, the company must be able to free the various economic and strategic challenges to ensure its sustainability, among other things is to be competitive and improve its economic and financial performance. In the world of management science, reflections on the performance have been the source of many questions. Indeed, Lebas (1995b) considers that "there is no universal and comprehensive definition of performance and yet every business must define the term for its internal and external communication." Moreover, the criteria for evaluating performance contribute to the lack of a universal definition. Indeed, in the 60s, the measure of performance was the size (sales, assets). Then in the 70s, it is called net income or earnings per share to evaluate performance. Later in the 80s, the performance evaluation is done through the company's ability to generate liquidity. Recently, it equates to the performance ability to create value. So when it comes to measuring performance, economists tend to use the benefit as this measure allows the component to impregnate and "creativity" (the income component) and component "discipline" (component cost) necessary to follow a market economy. Relative to income, the measure of performance is more cost effective to the extent that costs are more stable. Frydman (1999) argues that it is the measure most used by managers who can form an idea on costs and the costs that the firm will bear. Clearly, tax is a heavy cost to the company wishing to reduce its expenses.Reduce the tax will obviously reduce business costs which can improve its financial performance. Several criteria and indicators are used to measure the performance of exporting firms.

The multitude of them clearly demonstrates the consensus on the multidimensional nature of the concept of performance. From an analysis of relevant literature of the last twenty years, Dennis (1990) distinguishes between two approaches to measurement: a quantitative approach using criteria that measure the size of exports and a second approach using qualitative criteria that measure the perception of success in foreign markets. In the same vein, Ramangalahy (2002) reports three categories of indicators must be taken to determine the performance of exporting firms: quantitative indicators measuring the export performance and qualitative indicators measuring the strategic performance of companies. The first criteria for evaluating performance emerges from the litterature namely, the financial criteria such us profitability, solvency and liquidity... it is important to note that traditional measures are no longer adapted to thecurrent context where competition has taken on new forms (quality, time ,...). This failure in financial systems formeasuring the performance was highlighted by several studies. In 1995, Lebas argues that it is impossible to reducethe performance of the company to the only the information provided by the operating income or net book value(NBV) because it is the result of a sequence operations.

The financial measures reflect the results of measures takenin the past (Kaplan and Norton (2001), Shank and Govindarajan (1995), etc.). Therefore, financial measures haven’ta proactive quality and do not indicate how to improve performance. Thus, financial measures do not take intoaccount the intangible asset so that currently, the value of the company is increasingly explained by other factorssuch as innovation, personnel, quality, certification, etc.The exclusive use of financial performance measures has spawned a large gap in the systems of performancemeasurement. The non-financial measures were introduced to implement the missing piece of the puzzle ofperformance. These measures have proved a great contribution in evaluating the performance of the company.Indeed, Ittner and Larcker (2003) consider that the main objective of non-financial performance is to complete thepicture provided by the traditional financial information. They show that non-financial measures of performance arenumerous. Firstly, quality is now the ultimate weapon and the underlying foundation of the performance ofcompetitive firms. It may be regarded as a product of the excellence compared to current market alternatives. Thenstocks can be considered as non-financial measures to the extent that poor inventory management can affect thevalue of the firm. Indeed, the JIT can avoid the high costs of storage through rigorous coordination with suppliers.

Then, productivity reflects the non-financial aspect and it measures the ratio of outputs produced in relation to inputsconsumed. This concept is generally used to characterize

the efficiency that means the ability of a firm to produce atlower cost. Moreover, innovation (flexibility) is considered the engine of value creation as firms are constantlyseeking sources of differentiation through innovation work in succession. Delivery times are also an indicator ofnon-financial performance since the delivery reliability is critical for customers. Finally, skills and attitudes of thecompany personnel are performance indicators relevant to the extent that the operation of the business relies onhuman capital.

Summary and Conclusions

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