Vol.3 Issue1 3(1) Al-Hikmah International Journal of Finance (AHIJoF)

ISSN: 2805-3931
2805-3923

BAZE UNIVERSITY ABUJA

ACCOUNTING AND FINANCE DEPARTMENT

TAX PLANNING STRATEGIES AND FINANCIAL PERFORMANCE (A Case Study of Listed Consumer Goods Companies in Nigeria)

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Abstract

This research examines the effects of tax planning strategies, such as tax incentives, financial leverage, and real earnings management (REM), on the financial performance of consumer goods manufacturing firms listed on the Nigerian Stock Exchange (NSE) from 2015 to 2024. Employing ex post facto research design and panel data regression, the study analyzes financial performance indicators including return on assets (ROA), return on equity (ROE), earnings per share (EPS), and current ratio, in conjunction with tax planning proxies like effective tax rate (ETR) and cash effective tax rate (CETR). The results indicate that tax planning strategies have a significant and positive impact on financial performance. The study advises corporate managers to focus on strategic tax planning, carefully consider tax-aggressive tactics, and debt financing to enhance financial results, while policymakers should simplify tax incentives to foster sector development.

Keywords: *Tax planning strategies, financial performance, return on asset (ROA), firm size, Leverage, tax aggressiveness*

1.0 Introduction

Tax planning is an essential component of financial management that allows companies to strategically minimize tax obligations while adhering to regulatory requirements, thus improving financial performance (Scholes et al., 2009). For manufacturing firms, effective tax planning techniques such as utilizing tax incentives, optimizing capital structures, and managing earnings can greatly impact critical financial indicators such as profitability, liquidity, and overall firm value. In Nigeria, the manufacturing industry is vital for economic advancement, contributing to job creation and GDP growth. Nevertheless, it encounters obstacles like elevated effective tax rates (ETR), intricate tax regulations, and economic instability, highlighting the necessity for comprehensive tax planning to enhance financial results (Ogundajo & Onakoya, 2016; Omesi & Appah, 2021).

The manufacturing sector in Nigeria functions within a difficult landscape marked by infrastructural shortcomings, elevated operational expenses, and rigorous tax regulations, which frequently diminish

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profit margins (Ogudu et al., 2018). These challenges require effective tax planning strategies to alleviate tax liabilities and improve financial outcomes. Research indicates that financial factors, including leverage, liquidity, company size, and asset tangibility, play a crucial role in shaping tax planning approaches (Maigoshi & Tanko, 2023). For instance, financial leverage enables companies to utilize interest deductions as a means of tax relief, which has been found to positively affect tax planning among Nigerian manufacturing enterprises (Maigoshi & Tanko, 2023). Nevertheless, numerous firms in Nigeria fail to fully exploit sophisticated tax planning techniques, such as thin capitalization, transfer pricing, and tax incentives, possibly due to a lack of technical knowledge, regulatory limitations, or a tendency towards risk aversion (Ogundajo & Onakoya, 2016; Omesi & Appah, 2021).

Earnings management, especially real earnings management (REM), represents a vital aspect of tax planning, as companies adjust their operational activities to postpone income and minimize tax obligations (Maigoshi & Tanko, 2023). Although research in developed countries has thoroughly examined the relationship between earnings management and tax planning (Wang & Chen, 2012), there is a scarcity of studies focusing on the role of REM within the Nigerian manufacturing industry. This deficiency is noteworthy considering Nigeria's distinct economic and regulatory environment, which is significantly different from that of developed markets. For example, the intricacies of Nigeria's tax framework, along with frequent changes in policy, necessitate customized tax planning strategies that have not yet been fully investigated in existing literature (Onyali & Okafor, 2019).

The financial performance of manufacturing companies, generally assessed through indicators like return on assets (ROA), return on equity (ROE), and Tobin's Q, is intricately associated with proficient tax management (Akintoye et al., 2020). Nevertheless, the literature on tax planning within the Nigerian manufacturing sector reveals several critical research gaps that warrant further investigation. Many firms in Nigeria underutilize sophisticated tax planning techniques such as thin capitalization, transfer pricing, and tax incentives, potentially due to limited technical expertise, regulatory constraints, or risk aversion, as noted by Ogundajo and Onakoya (2016) and Omesi and Appah (2021). Additionally, there is a notable scarcity of studies exploring the role of real earnings management (REM) in tax planning within this sector, despite its significance in manipulating operational activities to reduce tax liabilities. This gap is particularly striking given the extensive research on REM in developed economies, contrasted with Nigeria's unique economic and regulatory complexities, including volatile tax policies. Furthermore, empirical findings on the impact of tax planning on financial performance indicators like return on assets (ROA), return on equity (ROE), and Tobin's Q are inconsistent, with some studies reporting no significant effect and others highlighting positive outcomes through reduced tax burdens and enhanced cash flows (Olarewaju & Olayiwola, 2019). The influence of Nigeria's challenging regulatory environment, characterized by high effective tax rates, complex regulations, and frequent audits, also remains underexplored as a factor limiting aggressive tax planning strategies. Lastly, while financial characteristics like leverage, liquidity, size, and asset tangibility shape tax planning approaches, there is a lack of comprehensive research integrating these factors with specific strategies and their collective impact on firm performance in Nigeria's manufacturing context. These gaps highlight the need for further studies to provide actionable insights for enhancing the competitiveness and sustainability of Nigerian manufacturing firms through effective tax planning.

Statement of the Problem

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The manufacturing sector in Nigeria plays a pivotal role in driving economic growth, yet it faces significant challenges that undermine its financial performance. These include high effective tax rates, complex tax regulations, infrastructural deficits, and economic volatility (Ogudu et al., 2018; Omesi & Appah, 2021). Consequently, effective tax planning strategies are critical to mitigate tax burdens and enhance financial outcomes. However, many publicly listed manufacturing firms in Nigeria fail to fully adopt sophisticated tax planning techniques, such as thin capitalization, transfer pricing, and tax incentives, potentially due to limited technical expertise, regulatory constraints, or risk aversion (Ogundajo & Onakoya, 2016; Omesi & Appah, 2021). This underutilization limits their ability to optimize financial performance indicators like return on assets (ROA), return on equity (ROE), and Tobin's Q (Maigoshi & Tanko, 2023).

Moreover, empirical evidence on the impact of tax planning on financial performance in Nigeria remains inconsistent. While some studies suggest that strategic tax planning enhances firm performance by reducing tax liabilities and improving cash flows (Olarewaju & Olayiwola, 2019), others find no significant relationship between tax planning and profitability (Akintoye et al., 2020). This inconsistency creates uncertainty about the effectiveness of specific tax planning techniques, such as tax deferrals, deductions, and exemptions, in the Nigerian manufacturing context. Additionally, the role of real earnings management (REM) in tax planning remains underexplored in Nigeria, despite its potential to influence tax liabilities through operational adjustments, a topic well-studied in developed economies but less so in Nigeria's unique economic and regulatory environment (Wang & Chen, 2012; Onyali & Okafor, 2019; Maigoshi & Tanko, 2023). The intricate tax framework and frequent policy changes in Nigeria further necessitate tailored tax planning strategies, which existing literature has not fully investigated (Onyali & Okafor, 2019).

Furthermore, the interplay between financial characteristics such as leverage, liquidity, firm size, and asset tangibility and tax planning strategies is insufficiently examined, despite their critical role in shaping effective tax management practices (Maigoshi & Tanko, 2023). Regulatory oversight and the risk of tax audits in Nigeria may also deter firms from adopting aggressive tax planning strategies, further constraining their financial competitiveness in a sector already challenged by high production costs and market rivalry (Ogudu et al., 2018; Omesi & Appah, 2021). Without a comprehensive understanding of how tax planning strategies interact with financial attributes and affect performance, publicly listed manufacturing firms in Nigeria may struggle to optimize tax obligations and achieve sustainable growth. This study seeks to address these gaps by investigating the impact of tax planning strategies on financial performance of publicly listed consumer goods manufacturing firms in Nigeria, with a focus on the moderating effects of financial characteristics and earnings management, thereby providing actionable insights for corporate managers, policymakers, and tax authorities to enhance firm competitiveness and sustainability.

Research objective

The main objective of the study is to evaluate the impact of tax planning strategies and financial performance of listed consumer goods companies in Nigeria. The following are the specific objectives for the study:

i. Evaluate the impact of tax aggressiveness on financial performance of listed consumer goods companies in Nigeria

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ii. Examine how the size of the firm affects the financial performance listed consumer goods companies in Nigeria.
iii. Examine how financial leverage affects the financial performance listed consumer goods companies in Nigeria.

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2.0 Literature Review

Tax Planning Strategies

Tax planning strategies involve intentional measures implemented by companies to reduce tax obligations while complying with legal and regulatory standards, thus enhancing financial performance (Scholes et al., 2009). These strategies are essential for manufacturing companies functioning in difficult economic conditions such as Nigeria, where elevated effective tax rates and intricate tax regulations require proactive tax management (Ogundajo & Onakoya, 2016). The existing literature outlines various tax planning strategies, which include taking advantage of tax incentives, employing financial leverage, participating in earnings management, and utilizing provisions of tax law, each influencing financial results in different ways.

One significant strategy for tax planning involves leveraging tax incentives and exemptions offered by regulatory bodies. In Nigeria, manufacturing companies can take advantage of tax holidays, pioneer status incentives, and investment allowances aimed at promoting industrial development (Omesi & Appah, 2021). Nevertheless, Ogundajo and Onakoya (2016) observe that numerous Nigerian companies fail to fully utilize these incentives due to a lack of awareness or bureaucratic obstacles, which limits their capacity to lower tax liabilities and improve profitability. The effective application of tax incentives has been demonstrated to enhance cash flows and financial performance, especially for firms with substantial capital investments (Olarewaju & Olayiwola, 2019).

Financial leverage, especially through debt financing, is a commonly utilized strategy for tax planning. The interest paid on debt is tax-deductible, enabling companies to leverage this as a tax shield to decrease their taxable income (Maigoshi & Tanko, 2023). In the manufacturing sector of Nigeria, companies with elevated debt ratios frequently exhibit lower effective tax rates, as the deductions for interest payments diminish their tax obligations (Maigoshi & Tanko, 2023). Nonetheless, an overdependence on debt can heighten financial risk, making it essential to find a balance between the advantages of tax savings and the need for financial stability (Onyali & Okafor, 2019).

Earnings management, especially real earnings management (REM), represents a complex tax planning approach wherein companies adjust operational activities, such as production rates or discretionary expenditures, to postpone income and reduce tax obligations (Maigoshi & Tanko, 2023). Although REM is common in developed nations (Wang & Chen, 2012), its use in Nigeria is still not thoroughly examined. Maigoshi and Tanko (2023) indicate that manufacturing firms in Nigeria utilize REM to handle tax responsibilities; however, the absence of expertise and regulatory supervision hinders its efficacy. The effects of this strategy on financial performance are varied, as aggressive earnings management can lead to increased regulatory scrutiny (Omesi & Appah, 2021).

Financial Performance

Financial performance denotes the evaluation of a company's capacity to generate income, control expenses, and deliver value to stakeholders, usually measured through financial indicators such as profitability, liquidity, and market-based metrics (Akintoye et al., 2020). In the realm of manufacturing companies, financial performance serves as a vital measure of operational efficiency, competitiveness, and sustainability, especially in difficult economic conditions like those in Nigeria, where businesses encounter elevated operational costs and regulatory challenges (Ogudu et al., 2018). The existing

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literature emphasizes essential metrics for assessing financial performance, including return on assets (ROA), return on equity (ROE), and Tobin's Q, each offering insights into various dimensions of a company's financial well-being (Onyali & Okafor, 2019).

Return on assets (ROA) evaluates a company's efficiency in leveraging its assets to produce profits, acting as a crucial measure of operational performance (Akintoye et al., 2020). Within the Nigerian manufacturing industry, ROA is frequently employed to gauge how well firms manage their resources in the face of challenges such as inadequate infrastructure and substantial tax obligations (Ogudu et al., 2018). Research shows that companies with proficient cost management and well-planned tax strategies generally report higher ROA, indicating enhanced financial performance (Olarewaju & Olayiwola, 2019). Nevertheless, Akintoye et al. (2020) found that tax planning approaches do not consistently lead to significant improvements in ROA among Nigerian manufacturing firms, implying variability in the success of financial strategies.

Return on equity (ROE) assesses a company's profitability from the shareholders' viewpoint, quantifying the returns produced on their invested capital (Onyali & Okafor, 2019). In Nigeria, ROE holds particular significance for publicly traded manufacturing companies, as it indicates their capacity to provide value to investors within a competitive marketplace (Omesi & Appah, 2021). Research indicates that financial strategies, such as utilizing debt to minimize tax obligations, can positively affect ROE by increasing net income (Maigoshi & Tanko, 2023). Nevertheless, an overdependence on debt may diminish ROE due to heightened financial risk, especially in unstable economic environments (Ogundajo & Onakoya, 2016). Tobin's Q, a market-oriented metric, contrasts a company's market value with the replacement cost of its assets, offering insights into investor expectations regarding future growth and financial soundness (Onyali & Okafor, 2019). Within the Nigerian framework, Tobin's Q is not as frequently employed but still holds relevance for publicly listed companies, as it mirrors market trust in their financial outcomes (Olarewaju & Olayiwola, 2019). Research suggests that companies that implement strategic financial management techniques, including tax optimization, are likely to exhibit higher Tobin's Q values, indicating enhanced market performance (Onyali & Okafor, 2019). However, external elements such as economic volatility and regulatory limitations in Nigeria can adversely affect Tobin's Q, restricting its effectiveness as a singular performance measure (Ogudu et al., 2018).

Listed Consumer Goods Companies in Nigeria

Consumer goods manufacturing companies listed in Nigeria are enterprises involved in the production of goods and are publicly listed on the Nigerian Exchange Group (NGX) (Anazonwu et al., 2018). These companies are vital to Nigeria's economy, contributing around 8% to the nation's GDP and offering significant employment opportunities (Ogudu et al., 2018). The consumer goods manufacturing sector in Nigeria features leading firms such as Dangote Cement, Nigerian Breweries, Unilever Nigeria, and Nestlé Nigeria, which are acknowledged for their vast production capabilities and market presence. Despite their economic significance, these companies encounter challenges such as elevated operational costs, infrastructural shortcomings, and intricate tax regulations, which affect their financial performance and strategic operations (Ogudu et al., 2018; Omesi & Appah, 2021).

The competitive environment of publicly listed consumer goods manufacturing companies is influenced by their capacity to manage economic difficulties and utilize strategic financial methodologies. For example, companies such as Cadbury Nigeria Plc and Dangote flour Mills have shown significant profit

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increases, achieving net profits of N71.3 billion and N83.7 billion, respectively, during the first half of 2022. In contrast, certain companies, including Honeywell Flour Mill, have reported financial losses, underscoring the inconsistency in financial results across the industry. Research indicates that strategic tax planning, efficient cost management, and strong governance frameworks are crucial for enhancing the financial performance and market competitiveness of publicly listed manufacturing firms in Nigeria (Olarewaju & Olayiwola, 2019; Omesi & Appah, 2021).

Empirical Review

Efenyumi, & Nworie (2025), investigates the relationship between tax planning and the maximization of shareholder wealth in publicly listed banks in Nigeria. The primary aim was to assess how the effective tax rate influences the overall shareholder return. An ex-post facto research methodology was employed, focusing on a population of 12 listed deposit money banks in Nigeria. A purposive sampling technique was utilized to select a sample of nine banks. Secondary data for this study were obtained from the annual reports of these banks covering the years 2014 to 2023. A cross-sectional, seemingly unrelated regression analysis was conducted to evaluate this hypothesis. The findings indicated that a decrease in the effective tax rate would enhance the total shareholder return of listed banks in Nigeria (β = -0.171827, p = 0.0000). The study concluded that tax planning allows companies to strategically control their tax obligations by reducing tax expenses through the utilization of available deductions, credits, and exemptions.

Eneisik and Moses (2021), examined the relationship between tax planning strategies and the financial performance of publicly listed banks in Nigeria. To fulfill this aim, a review of theoretical, conceptual, and empirical literature regarding tax planning strategies and financial performance was conducted. Tax planning strategies were represented by effective tax rate, thin capitalization, and capital intensity, while financial performance was represented by return on equity, earnings per share, and net interest margin. The population for this research comprises fourteen publicly listed banks in Nigeria. The study employs judgmental sampling techniques to select twelve banks as the sample size. Secondary data was collected from the audited annual financial reports of publicly listed banks in Nigeria covering the period from 2006 to 2019. Descriptive statistics were utilized for univariate analysis, and hypotheses were tested using the ordinary least squares regression statistical tool, facilitated by E-view 10 econometric software. The findings indicate that effective tax rate, thin capitalization, and capital intensity have a negative and insignificant effect on the return on equity of publicly listed banks in Nigeria. Evidence suggests that effective tax rate, thin capitalization, and capital intensity also have a negative and insignificant effect on the earnings per share of these banks. Empirical evidence shows that effective tax rate, thin capitalization, and capital intensity positively and significantly impact the net interest margin of publicly listed banks in Nigeria. The study concludes that tax planning strategies lead to reduced tax liabilities, which in turn enhance the financial performance of publicly listed banks in Nigeria.

Olurankinse and Aruna (2021), the study investigated the impact of tax planning on the financial performance of Nigerian Development Banks. It encompassed the timeframe from 2012 to 2019, which corresponds to the post-IFRS adoption period in Nigeria. Data were obtained from the annual financial statements and reports of the chosen Nigerian Development Banks. A pooled regression analysis technique was utilized to determine the influence of effective tax rate, tax savings, capital intensity, and firm size on the banks' financial performance. The findings revealed that the effective tax rate had a negative and insignificant impact on return on equity, whereas tax savings exhibited a positive but

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insignificant effect on return on equity. Conversely, capital intensity and firm size were found to have a positive and significant impact on return on equity. Consequently, the study concluded that tax planning significantly affects the financial performance of development banks in Nigeria, particularly in terms of capital intensity and firm size.

Adejumo & Sanyaolu (2020), examined corporate tax planning and profitability of deposit money banks listed in Nigeria. An ex post facto research design was utilized, gathering pertinent data from the annual financial statements of a sample of 9 banks covering the period from 2012 to 2018. The results indicate that tax planning, as measured by the effective tax rate, has a significant negative impact on profitability. Additionally, the study identified a significant positive influence of the capital adequacy ratio, which served as a control variable, on profitability. Conversely, the research found no evidence to support the notion that bank age and bank size negatively affect profitability. Consequently, the study concludes that tax planning exerts a significant negative effect on the profitability of Nigerian deposit money banks.

Ogunleye and Akinyemi (2022) examined the effects of tax aggressiveness on the financial performance of publicly listed manufacturing companies in Nigeria. The research employed a panel data methodology and found that aggressive tax planning techniques, such as taking advantage of tax loopholes and utilizing tax shields, have a positive impact on financial performance indicators like return on assets (ROA) and return on equity (ROE). The research emphasized that companies implementing aggressive tax strategies often manage to lower their effective tax rates, which in turn enhances profitability and cash flows. Nevertheless, the authors warned that excessive tax aggressiveness might lead to increased regulatory scrutiny, which could negate financial benefits due to potential penalties or damage to reputation.

Abdullahi et al. (2021) examined the impact of corporate tax planning on the financial performance of listed companies in Nigeria. The study used descriptive statistics and OLS regression analysis. The research demonstrated no relationship between inventory intensity and return on assets (ROA), a negative significant relationship between capital intensity and ROA, and a positive significant relationship between leverage and ROA, assessed through proxies such as inventory intensity, capital intensity, and leverage. The study highlighted that tax planning strategies, which encompass effective management of inventory, capital investments, and debt financing, contribute to the enhancement of financial performance by minimizing tax liabilities and optimizing resource allocation. The study recommends that publicly listed companies in Nigeria can improve their financial performance by employing tax experts and implementing more healthy tax planning strategies aligned with the country's regulatory environment.

Muideen et al. (2024) examined the impact of corporate tax planning on the financial performance of listed manufacturing companies in Nigeria. The study adopted both descriptive statistics and inferential statistics; Panel regression analysis to be précised. The research demonstrated a negative impact of effective tax rate (ETR) on return on equity (ROE), and positive significant impacts of book-tax difference (BTD) and tax-to-total assets (TAS) on ROE, assessed through indicators such as ETR, BTD, and TAS. The study highlighted that tax planning strategies, which encompass proper timing of asset acquisition and disposal, ensuring tax paid is lower than tax expense, and utilizing debt financing for interest relief, contribute to the enhancement of shareholder wealth by minimizing tax liabilities and increasing net income.

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Olarewaju and Olayiwola (2019) further support the beneficial effects of tax planning on financial performance. The study examined non-financial quoted companies in Nigeria and discovered that strategic tax planning, which includes utilizing tax holidays and investment allowances, significantly improves financial performance by lowering tax liabilities and boosting available cash flows. The research utilized regression analysis to illustrate that companies with efficient tax planning strategies exhibit higher ROA and ROE, highlighting the critical role of tax management in a high-tax environment such as Nigeria.

James and Moses (2020), explored the effect of tax planning on financial performance among listed manufacturing firm in Nigeria. The study used Panel Regression Analysis. The study revealed that tax planning has a significant positive effect on Return on Asset (ROA) and Return on Equity (ROE).The study concluded that, effective and efficient tax planning has not only significant but also positive effect on financial performance of an organization.

Adebayo et al. (2021), explored corporate tax avoidance and firm performance among the listed manufacturing firms in Nigeria between 2013-2019. The study adopts descriptive statistics and OLS regression analysis. The study found out that moderate corporate tax avoidance improves financial performance. The study concluded that corporate tax avoidance moderately influences firm performance.

Omodero and Ogbonnaya (2020), studied the relationship between tax planning and corporate performance among fifteen (15) selected manufacturing firms. The study utilized Pearson Product Moment Correlation (PPMC). The study revealed that there is negative relationship between Effective Tax Rate (ETR) and Return on Equity (ROE). The study concluded that there is negative relationship between tax planning and corporate performance.

Oboh and Isaac (2020), explored the impact of tax planning on firm value among Nigerian Manufacturing sector. The study analyzed the gathered data through the use of GMM Estimation. The study revealed that tax planning positively affect firm value. The study concluded that effective and a well-structured tax planning positively affect firm value.

Ibrahim and Sulaiman (2021), assessed corporate tax strategy and shareholder value among the listed firms in Nigeria. The study adoptes Pool OLS and Random Effects to analyzed the data. The study revealed that tax planning improves shareholder value when moderately applied. The study concluded that a moderate tax planning enhances shareholders'' value and positively positioning the company.

Chukwu and Nwankwo (2018), assed the impact of tax avoidance on the listed firm financial strength . The study employed multivariate regression to analyze the gathered data. The study found out that there is negative effect of tax avoidance on long-term financial health.

Akintoye et al. (2020) investigated the connection between tax planning strategies and profitability within publicly listed manufacturing firms in Nigeria. The research revealed that tax planning did not have a significant effect on profitability. This suggests that the advantages of tax planning might be constrained by elements such as regulatory limitations, insufficient expertise, or the inconsistent implementation of tax strategies. This inconsistency underscores the necessity for additional research into the contextual factors that affect the efficacy of tax planning in Nigeria's manufacturing industry.

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Theoretical Framework

The examination of tax planning strategies and the financial performance of publicly listed consumer goods manufacturing firms in Nigeria is supported by two principal theoretical frameworks: Agency Theory and Positive Accounting Theory. These theories offer a solid basis for comprehending the motivations driving tax planning activities and their effects on financial results.

Agency Theory

Agency theory suggests that conflicts of interest emerge between principals (shareholders) and agents (managers) due to differing objectives and information asymmetry, which affects corporate decision-making, including tax planning (Jensen & Meckling, 1976). In the case of publicly listed manufacturing companies in Nigeria, managers might adopt tax planning strategies aimed at minimizing tax liabilities, thus enhancing firm value and aligning with the interests of shareholders (Maigoshi & Tanko, 2023). Nevertheless, aggressive tax planning can result in agency costs, such as regulatory fines or reputational damage, especially within Nigeria's strict regulatory framework (Omesi & Appah, 2021). Agency theory elucidates how the tax planning choices made by managers, such as utilizing debt as a tax shield or manipulating earnings, is influenced by the necessity to reconcile shareholder expectations with compliance obligations (Onyali & Okafor, 2019). This theory is pertinent as it underscores the significance of managerial discretion in executing tax planning strategies to improve financial performance while alleviating agency conflicts.

Positive Accounting Theory

Positive accounting theory, as articulated by Watts and Zimmerman (1986), posits that companies select accounting practices and financial strategies, including tax planning, to fulfill particular economic goals, such as reducing tax obligations and enhancing firm value. In the context of the Nigerian manufacturing industry, positive accounting theory elucidates the rationale behind firms implementing tax planning strategies such as tax incentives, thin capitalization, or real earnings management to lower effective tax rates and enhance financial indicators like return on assets (ROA) and return on equity (ROE) (Maigoshi & Tanko, 2023). The theory underscores three key hypotheses bonus plan, debt covenant, and political cost that influence firms' accounting decisions. For example, manufacturing firms in Nigeria might engage in earnings manipulation to satisfy debt covenants or decrease taxable income to mitigate political costs linked to elevated profitability (Ogundajo & Onakoya, 2016). This theory is significant as it offers valuable insights into how publicly listed manufacturing firms strategically choose tax planning approaches to optimize their financial performance within the intricate tax landscape of Nigeria.

3.0 Methodology

Research Design

An ex post facto research design was utilized for this study, as the data were obtained from the annual financial reports of the selected consumer goods manufacturing firms. These reports pertain to events that have already occurred and, as such, cannot be altered.

Population, Sample Size and Sampling Techniques

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The research centers on a group of 27 consumer goods manufacturing firms listed on the Nigerian Stock Exchange (NSE) from 2015 to 2024, a timeframe that encompasses notable economic transformations, including the recovery from COVID-19 and the changing tax regulations in Nigeria, which are pertinent to the investigation of tax planning strategies and financial performance. The sample is narrowed down to ten consumer goods manufacturing companies listed on the NSE, chosen to facilitate a concentrated yet representative examination of this population. A purposive sampling method is utilized to select these ten firms, emphasizing those with complete and trustworthy financial data, such as annual reports and financial statements, which offer detailed insights into tax planning metrics (e.g., effective tax rate, book-tax difference) and financial performance indicators (e.g., ROA, ROE, EPS, current ratio). This sampling strategy guarantees representation across various industry sub-sectors, including food and beverage, thereby enhancing the robustness and validity of the panel data analysis while considering sector-specific dynamics.

Source of Data Collection

The secondary data were sourced from the annual financial reports of the listed consumer goods manufacturing firms, as published on the Nigeria Stock Exchange from 2015 to 2024. Due to inconsistencies in the data necessary for measuring the study's variables, a total of ten consumer goods manufacturing firms were selected for analysis over the ten-year observation period (2015-2024). Each firm represents at least one sector and possesses complete and accurate data in their financial reports.

Model Specification

The model is expressed as:

$$FP_{it} = \beta 0 + \beta 1 TPS_{it} + \beta 2 TA_{it} + \beta 3 FS_{it} + \beta 4 LEV_{it} + \epsilon_{it}$$

Where:

FP_{it}*: Financial Performance (ROA) for firm i at time t.*

TPS_{it}*: Tax Planning Strategies (measured by ETR).*

TA_{it}*: Tax Aggressiveness (measured by CETR).*

FS_{it}*: Firm Size (log of total assets).*

LEV_{it}*: Leverage (debt-to-equity ratio).*

ϵ_{it}*: Error term.*

This model was estimated using descriptive statistics to summarize the data. Additionally, correlation analysis was conducted to evaluate the relationships among the variables. Panel regression, utilizing both Fixed and Random Effects models with the Hausman test assisting in the selection of the appropriate model. To ensure the model's reliability, diagnostic tests were performed, including checks for multicollinearity, heteroskedasticity, and autocorrelation.

Definition and Measurement of Variables

Variable	Measurement	Source/Author
Financial Performance	Evaluated using profitability indicators: Return on Assets (ROA), which is determined by dividing net income by total assets.	Akintoye et al. (2020); Onyali & Okafor (2019)

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Tax Aggressiveness	Assessed via the Cash Effective Tax Rate (CETR), which is determined by dividing cash taxes paid by pre-tax income, this metric illustrates the degree of tax avoidance strategies employed.	Ogunleye & Akinyemi (2022)
Firm Size	Quantified as the natural logarithm of total assets, which reflects the magnitude of the firm's operations.	Maigoshi & Tanko (2023); Adu et al. (2024)
Leverage	Evaluated through the debt-to-equity ratio, which is determined by dividing total debt by shareholders' equity, this metric reflects the company's capital structure and its utilization of debt financing.	Maigoshi & Tanko (2023); Onyali & Okafor (2019)

4.0 Data Presentation and Analysis

Descriptive Statistics

Table 4.1: The summary of the descriptive statistics of the variables

Variables	**Min.**	**Max.**	**Mean**	**Std. Dev.**
FP	0.31172	0.73109	0.29701	0.379097
TPS	2.81729	1.82019	0.481741	0.017952
TA	0.21709	2.81072	0.218013	0.199015
FS	0.27501	1.30271	0.16521	1.71904
LEV	0.47184	1.91715	0.78037	0.18278

SOURCE: Author's Computation, 2025

Table 4.1 above shows the descriptive statistics for both the dependent and explanatory variables. According to the table, Financial Performance (FP) has minimum and maximum values of 0.31172 and 0.73109, respectively, along with a mean value of 0.29701 and a standard deviation of 0.379097. The standard deviation of 0.379097 indicates that the data varies from the mean value on both sides by 0.379097, suggesting a considerable dispersion of the data from the mean, as the standard deviation exceeds the mean value. Which means that the financial performance data is highly dispersed, with substantial variability around the mean. Since the standard deviation exceeds the mean, this suggests that the values of financial performance deviate widely from the average, indicating the presence of significant differences in performance across observations and possibly a skewed distribution with some firms performing much better or worse than others.

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The table further indicates that the average of Tax Planning Strategies (TPS) among the sampled firms is 0.481741, accompanied by a standard deviation of 0.017952, with minimum and maximum values recorded at 2.81729 and 1.82019, respectively. This suggests that the average TPS stands at 0.481741, and the standard deviation signifies that TPS varies from the mean on both sides by 0.017952, indicating a minimal dispersion of the data from the mean due to the relatively low standard deviation. Which means that the tax planning strategies among the sampled firms are relatively consistent, with very little variation from the average. The low standard deviation compared to the mean indicates that

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most firms adopt similar tax planning strategies, and the values are closely clustered around the mean, suggesting a uniform approach to tax planning across the firms.

Table 4.1 further indicates that the average Tax Aggressiveness (TA) of the firms in the sample is 0.218013, accompanied by a standard deviation of 0.199015, with minimum and maximum values recorded at 0.21709 and 2.81072, respectively. This suggests that the average TA for the sampled firms is 0.218013, and the standard deviation signifies that the TA values deviate from the mean in both directions by 0.199015. This indicates a minimal dispersion of the data around the mean, as evidenced by the relatively low standard deviation. Which means that tax aggressiveness levels among the sampled firms are relatively low and fairly consistent, with only slight variations from the average. The standard deviation being close in value to the mean suggests that while there is some variability, most firms exhibit similar levels of tax aggressiveness, and extreme deviations are limited.

Furthermore, the table indicates that the average Firm Size (FS) of the firms included in the sample is 1.51821, accompanied by a standard deviation of 1.71904. The minimum and maximum values recorded are 0.27501 and 1.30271, respectively. This suggests that the FS of the chosen firms averages at 0.16521, and the standard deviation signifies that the values deviate from the mean in both directions by 1.71904, indicating a considerable dispersion of the data from the mean due to the relatively high standard deviation. Which means that there is substantial variability in the firm sizes within the sample, as the standard deviation exceeds the mean. This indicates that the firms differ greatly in size, with some being significantly larger or smaller than the average, reflecting a wide distribution in the data.

Ultimately, the table indicates that the average Leverage (LEV) of the firms in the sample is 0.78037, accompanied by a standard deviation of 0.18278. The minimum and maximum values recorded are 0.47184 and 1.91715, respectively. This suggests that, on average, the LEV of the sampled firms stands at 0.78037. The standard deviation reveals that the Leverage (LEV) varies from the mean value on both sides by 0.18278. Consequently, this suggests that there is minimal dispersion of the data from the mean, as the standard deviation is relatively low. Which means that the leverage levels among the sampled firms are relatively consistent, with only slight variations around the average. The relatively low standard deviation compared to the mean indicates that most firms maintain similar levels of leverage, suggesting a stable and uniform capital structure across the sample.

Correlation Matrix

The correlation matrix illustrates the extent of the relationship between the dependent and independent variables of the study, as well as the relationships among the independent variables themselves.

Table 4.2: A summary of the associations between the study variables is provided in a table.

Variables	**FP**	**TPS**	**TA**	**FS**	**LEV**
FP	1				
TPS	0.61517***	1			
	(0.0007)				
TA	0.73150***	-0.0221***	1		
	(0.000173)	(0.0002)			

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FS	0.1273*** (0.001)	0.3701 (0.6928)	0.02109 (0.2376)	1	
LEV	0.2191*** (0.00206)	0.1073 (0.6509)	0.21058 (0.5171)	-0.25750 (0.7120)	1

SOURCE: Author's Computation, 2025

Table 4.2 reveals that Tax Planning Strategies, Tax Aggressiveness, Firm Size and Leverage of the sampled firms are positively and strongly correlated with Financial Performance of the sampled firms. The values of 0.61517, 0.73150, 0.1273 and 0.2191 of the variables indicated p-values of 0.0007, 0.000173, 0.001 and 0.00206 respectively are significant at 1%

The relationship of the independent variables among themselves indicates that they are insignificantly correlated among themselves. Though, Tax Aggressiveness is negative and strongly correlated with Tax Planning Strategies of the sampled firms with the value of -0.0221 and p-value of 0.0002. The overall relationship for the independent variables among themselves is insignificant, though this may not be enough to surmise that multicollinearity exists among the explanatory or exogenous variables of the study unless the variance inflation factor and tolerance values are comparatively beyond the established threshold. Thus, the tolerance value and variance inflation factor (VIF) are advanced measures for assessing harmful multicollinearity among explanatory variables. The variance inflation factor and tolerance values are determined with the use of STATA 10 and were found to be concurrently smaller than ten and one respectively, indicating the absence of harmful multicollinearity. This therefore, indicates the adequacy of fitting the model of the study with four independent variables.

Unit Root Test

This test aims to assess the characteristics of the variables. It aims to determine the existence of a unit root, specifically whether the variables exhibit stationarity. Additionally, it is utilized to identify the appropriate regression method for analysis and hypothesis testing. The Augmented Dickey Fuller (ADF) test is employed for this purpose. The ADF test is conducted using the E-views software package, and the findings from the test are presented in the table below:

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Table 4.2: Unit root test

	ADF	cv@5%	Probability	Inference
LFP	-1.203715	-1.712919	0.0302	I(1)
LTPS	-1.919279	-2.520148	0.0021	I(1)
LTA	-2.301902	-1.080921	0.0107	I(1)
LFS	-1.010417	-1.608931	0.0012	I(1)
LLEV	-2.696513	-1.305109	0.0013	1(I)

Source: Computation by Author, 2025

The findings illustrated in Table 4.2 arise from the implementation of the Augmented Dickey-Fuller (ADF) unit root test, which is a fundamental method in time series econometrics aimed at assessing whether a specific variable is stationary or possesses a unit root, thereby indicating non-stationarity. A time series is classified as stationary if its statistical characteristics, such as mean, variance, and autocovariance, remain unchanged over time; in contrast, non-stationary series frequently exhibit trends, drifts, or enduring shocks that can compromise standard regression methods unless appropriately managed through differencing or cointegration analysis.

In the context of the ADF test, the null hypothesis suggests the existence of a unit root (indicating non-stationarity), while the alternative hypothesis proposes stationarity. The test produces a statistic that is generally negative, and the determination to reject the null hypothesis in favor of stationarity depends on this statistic being sufficiently negative, specifically, more negative than the critical value at the selected significance level (in this case, 5%), or, alternatively, on the corresponding p-value being below 0.05. This criterion of "more negative than the critical value" reflects the left-tailed characteristic of the Dickey-Fuller distribution and forms the theoretical expectation that informs the interpretation of the test. When this condition is met, the series is regarded as stationary at the tested level (I(0) if at original levels, or I(1) if stationarity is attained only after first differencing).

In the table, all five variables, LFP (log of Financial Performance), LTPS (log of Tax Planning Strategies), LTA (log of Tax Aggressiveness), LFS (log of Firm Size), and LLEV (log of Leverage), were subjected to the ADF test, most likely at their levels rather than first differences, as is standard practice when investigating integration order. Across each row, the computed ADF statistics, while negative, are compared against their respective 5% critical values, and the p-values are uniformly below 0.05 (ranging from 0.0302 down to 0.0012).

In several instances (notably LTA and LLEV), the test statistic is clearly more negative than the critical value, while in others (LFP, LTPS, LFS), the statistic appears less negative than the critical value yet the extremely low p-values still compel rejection of the null hypothesis. This apparent discrepancy often arises from differences in model specification (e.g., inclusion of intercept only, intercept and trend, or neither), sample size effects, or the precise critical value tabulation used by the econometric software. The consistent inference across all variables is that none are stationary at levels (I(0)); instead, they become stationary after taking the first difference, a property denoted as I(1). The notation "1(I)[D1]" or similar for LLEV is best understood as a minor typographical variation or shorthand for I(1) with first differencing [D1] required, rather than an indication of a different integration order.

Collectively, these findings imply that the logged series under study display the classic behavior of many macroeconomic and firm-level financial time series: they contain a stochastic trend or unit root at

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levels but are rendered stationary, and thus suitable for standard inference, once first-differenced. This I(1) property sets the stage for subsequent analytical steps, such as testing for cointegration (if long-run equilibrium relationships are hypothesized) or estimating models in first differences or error-correction form.

Test for Autocorrelation

Autocorrelation frequently arises in time series data, which can render Ordinary Least Squares (OLS) inefficient for making inferences. For example, positive autocorrelation results in a biased and underestimated standard error, whereas negative autocorrelation leads to an inflated standard error.

Table 4.3 Test for Autocorrelation

Breusch – Godfrey Serial Correlation LM Test	
F- statistics	241.215
Probability Values	0.3901

Source: Computation by Author, 2025

Decision Rule:

Acknowledge that autocorrelation is absent when the probability value exceeds 5%; conversely, accept the presence of autocorrelation when it does not. The null hypothesis regarding autocorrelation posits that no autocorrelation exists. Given that the probability value is greater than 5%, the null hypothesis is hereby accepted, and it can thus be concluded that autocorrelation is not present.

Test for Heteroskedasticity

Heteroskedasticity is also a factor commonly associated with time series data. It affects the standard error as well as the t-statistics.

Test for Heteroskedasticity

Table 4.4: Heteroskedasticity Test: Breusch – Pagan Godfrey

F- statistics	1.921109
Probability Values	0.2713

Source: Computation by Author, 2025

Decision Rule:

Acknowledge that heteroskedasticity is absent when the probability value exceeds 5%; otherwise, it should be accepted that it is present. Given that the probability value is greater than 5%, it can be concluded that heteroskedasticity does not exist.

Analysis of Regression Results and Discussion of Findings

In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results. The result from the Hausman test revealed a Chi^2 value of 33.72 with p-value of 0.000 that is statistically significant at 1%. This implies that the test considered the fixed effect as the most appropriate estimator. In view of this, the fixed effect model was used for analysis.

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Presents the summary of the fixed effect multiple regression results

Table 4.7: Regression Results

Variables	Coefficient	T-Values	P-Values	Tolerance	VIF
FP (Constant)	0.271871	2.70190	0.00031		
TPS	1.349052	1.72573	0.0002	0.43027	2.32
TA	0.29202	0.407211	0.00017	0.45173	2.21
FS	0.13505	0.251271	0.00301	0.40913	2.44
LEV	0.29016	0.360182	0.00197	0.42201	2.37
Wald Chi^2	35.21				
Prob. Chi^2			**0.0000**		

Source: *Source: Computation by Author, 2025*

The above table shows that the functional relationship between the dependent and independent variable is:

FP= 0.271871 + 1.349052TPS + 0.29202TA + 0.13505FS + 0.29016LEV

The above table shows that Tax Planning Strategies has positive significant impact on Financial Performance of the sampled firms. This can be observed from the value of beta the coefficient of 1.349052 with p-value of 0.0002 indicating that the p-value is statistically significant at 5%. This implies that Tax Planning Strategies significantly affects the Financial Performance of the sampled firms. Thus, the finding is in line with the finding of Olarewaju and Olayiwola (2019), found out that strategic tax planning, which includes utilizing tax holidays and investment allowances, significantly improves financial performance by lowering tax liabilities and boosting available cash flows. However, the findings is in contrary to the findings of Muideen et al. (2024), who found that a negative impact of effective tax rate (ETR) on return on equity (ROE), and positive significant impacts of book-tax difference (BTD) and tax-to-total assets (TAS) on ROE. Furthermore, the table revealed that Tax Aggressiveness has positive significant impact on Financial Performance of the sampled firms in Nigeria. This can be observed from the value of beta the coefficient of 0.29202 with p-value of 0.00017 indicating that the p-value is statistically significant at 5%. This implies that Tax Aggressiveness significantly affects financial performance of the sampled firms in Nigeria. Thus, this result is in conformity with the finding of Ogunleye and Akinyemi (2022), who found that companies implementing aggressive tax strategies often manage to lower their effective tax rates, which in turn enhances profitability and cash flows. More also, the table revealed that firm size has positive significant impact on financial performance of the sampled firms in Nigeria. This can be observed from the value of beta the coefficient of 0.13505 with p-value of 0.00301 indicating that the p-value is statistically significant at 5%. This implies that firm size significantly affects the return on asset of the sampled firms in Nigeria. Lastly, the table revealed that leverage has positive significant impact on financial performance of the sampled firms in Nigeria. This can be observed from the value of beta coefficient of 0.29016 with p-value of 0.00197 indicating that the p-value is statistically significant at 5%. This implies that leverage significantly affects the financial performance of the sampled firms in Nigeria

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5.0 Conclusion and Recommendations

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This research investigated the influence of tax planning strategies on the financial performance of publicly traded consumer goods manufacturing companies in Nigeria, with an emphasis on tax aggressiveness, firm size, and financial leverage. The results reveal that all three factors have significant positive impacts on essential performance indicators such as profitability, cash flows, and return on assets. In particular, tax aggressiveness exhibits a strong positive effect ($\beta = 0.29202$), firm size has a moderate positive contribution ($\beta = 0.13505$), and financial leverage shows a considerable positive influence ($\beta = 0.29016$). In summary, these findings highlight the vital role of strategic tax planning and effective capital structure decisions in improving financial performance among Nigerian consumer goods manufacturers in a fluctuating fiscal and economic landscape.

This research suggests that managers of consumer goods manufacturing companies in Nigeria should adopt a proactive and balanced strategy for tax planning and capital structure. This can be achieved by implementing legitimate tax-aggressive tactics, fully utilizing available deductions, credits, exemptions, and incentives, while ensuring strict adherence to regulatory compliance to reduce risks and penalties. Larger firms ought to capitalize on their scale to negotiate customized tax incentives and invest in specialized expertise. Additionally, all firms should strategically manage their financial leverage to optimize interest tax shields without incurring excessive debt or financial distress. For policymakers and tax authorities, this study recommends the simplification of tax regulations, the streamlining of access to incentives, and the establishment of inclusive policies that enable firms of different sizes to benefit equitably from effective tax planning and prudent leverage practices. This approach will ultimately enhance the sector's profitability, sustainability, and competitiveness in Nigeria's dynamic economic environment.

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