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IMPACT OF CORPORATE TAX PLANNING ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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ABSTRACT

The study assessed the impact of corporate tax planning on financial performance of listed consumer goods firms in Nigeria. The study employed a causal research design. The population comprised 21 listed consumer goods firms on the Nigerian Exchange Group (NGX) as at 31st December, 2024. A sample size of 16 listed consumer goods firms was selected, and secondary data were obtained from annual reports covering the period from 2015 to 2024. Descriptive, correlation and regression analyses were conducted. The findings of the study show that Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR) have insignificant impact on the financial performance of listed consumer goods firms in Nigeria. The research concluded that the Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR), do not have a statistically significant influence on the financial performance of listed consumer goods firms in Nigeria. The study recommended the management of listed consumer goods firms in Nigeria should avoid overreliance on reducing Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR) as a strategy to enhance firm financial performance. Instead, they should focus on strengthening internal operations, minimizing costs, and improving product competitiveness.

Key words: *Cash Effective Tax Rate, Effective Tax Rate, Firms' Performance, Tax Planning.*

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INTRODUCTION

Financial performance is a critical measure of an organization's success, reflecting its earnings, profitability, and overall financial health. It encompasses various indicators such as net earnings, return on investment (ROI), return on equity (ROE), and annual turnover. These measures help stakeholders evaluate the efficiency and effectiveness of business operations. According to Egwurube and Lateef (2020), financial performance can be classified into profit performance and investment performance measures. Profit performance is the monetary representation of profits, which is the difference between revenue and expenses. These financial factors are influenced by firm-specific characteristics, industry trends, and macroeconomic conditions (Appah & Tebepah, 2023). Investment performance, on the other

hand, can be observed in two dimensions. First, it refers to the return on assets employed within the business, excluding cash holdings. Second, it involves the returns on investment operations from surplus cash earned through various levels of business activities. These performance indicators help businesses assess the effectiveness of their financial strategies. According to Appah and Tebepah (2023), financial performance measures include return on total assets, net profit margin, expenses-to-sales ratio, capital employed turnover, and return on shareholders' equity. The ability to measure financial performance accurately is crucial for firms to determine their competitive position in the market and make informed strategic decisions. Firm financial performance can be influenced by a wide range of interrelated factors, of which tax planning may be just one component. While tax planning through strategies that legally minimize tax liabilities can potentially improve net income and cash flow, it is often not the sole or dominant determinant of a firm's overall financial success.

Tax planning is a strategic financial management practice aimed at reducing tax liabilities through lawful means. It involves structuring financial activities to minimize tax obligations without violating the law. Ado et al., (2021) define tax planning as the systematic arrangement of financial affairs to maximize tax exemptions, allowances, concessions, deductions, and rebates as permitted by the law. Effective tax planning helps firms optimize their financial resources and enhance profitability. Chukwudi et al. (2020) argue that tax planning is an essential strategy for corporate entities seeking to reduce avoidable and unnecessary costs while ensuring compliance with tax regulations. However, corporate tax planning must be carefully executed to avoid crossing legal boundaries into tax evasion. One of the key responsibilities of corporate tax managers is to strategize on minimizing the overall tax liability while maintaining compliance with tax laws. Since corporate tax liability is proportionally related to profitability, firms must adopt various tax planning strategies to maximize profitability without engaging in unethical practices. Theoretical perspectives suggest that effective tax planning leads to improved financial performance by reducing tax expenses, thereby increasing net income and shareholders' wealth (Kayode & Folajinmi, 2020).

In respect of listed consumer goods firms in Nigeria, tax planning plays a significant role in determining financial performance. Consumer goods firms operate in a highly competitive environment where financial efficiency is paramount to sustaining growth and profitability. These firms produce essential goods such as food, beverages, personal care products, and household items, which are crucial to everyday life (Eneisik et al., 2020). Given the high level

of regulatory scrutiny and taxation policies in Nigeria, effective tax planning has become an essential tool for financial sustainability. They must navigate complex tax regulations while seeking ways to enhance profitability and maintain shareholder value.

Consumer goods firms in Nigeria face unique challenges regarding tax compliance and financial performance. The regulatory framework governing taxation in Nigeria is often complex and subject to frequent changes. Firms must adopt proactive tax planning strategies to mitigate the adverse effects of high taxation on profitability. According to Nongomin (2022), consumer goods firms are under increasing pressure from stakeholders, including investors, customers, and regulatory agencies, to maintain financial stability and enhance transparency in tax-related matters. Therefore, understanding the relationship between tax planning and financial performance is crucial for firms operating in this sector. Since corporate tax planning plays a crucial role in influencing a firm's financial health and operational sustainability by minimizing tax burdens and optimizing liquidity. However, despite its growing relevance and the diverse strategies employed by companies, limited research has specifically examined the impact of corporate tax planning on the financial performance of consumer goods firms in Nigeria. Existing studies (Lawrence et al., 2021) has predominantly focused on developed economies, where taxation systems and business environments differ significantly from those in developing countries like Nigeria. Tax planning impacts financial performance in various ways. Firms that effectively manage their tax obligations tend to experience improved financial performance due to the savings generated from reduced tax expenses. These savings can be reinvested into business operations, research and development, and expansion strategies, ultimately leading to higher profitability. Conversely, poor tax planning can result in excessive tax liabilities, reducing net profits and diminishing a firm’s competitive edge.

Research has shown that tax planning impacts financial performance in various ways. Olaniun et al. (2022) suggest that firms that effectively manage their tax obligations tend to experience improved financial performance due to the savings generated from reduced tax expenses. These savings can be reinvested into business operations, research and development, and expansion strategies, ultimately leading to higher profitability. Conversely, poor tax planning can result in excessive tax liabilities, reducing net profits and diminishing a firm’s competitive edge (Madugb et al., 2020). Studies has been conducted in both Nigeria and outside Nigeria, at local level the studies the evaluate the impact of corporate tax planning on financial performance include Fagbemi et al. (2020), Umeh et al. (2020), Ado et al. (2021), Olurankinse

et al. (2021),Onyeka (2021),Muhammed (2022), Devid et al. (2023), Eneisik (2023), Jackson et al. (2023), Eche (2024), Iniobong (2024) and Oyewobi and Shittu (2024). At international level the studies on the impact of corporate tax planning on financial performance include Laurencia et al. (2020), Thuita et al. (2020), John (2021), Anged (2022), Arvin (2022), Simeon (2022), Aiyesan (2023) and Yeboah et al. (2024). These studies contribute to the global understanding of how corporate tax planning influence financial performance of consumer goods firms. While several studies have explored the impact of corporate tax planning on financial performance, many have focused on sectors other than consumer goods firms. This highlights a gap in the existing literature, as the impact of cost corporate tax planning on financial of listed consumer goods firms in Nigeria remains underexplored.

Objectives

The main objective is to assess the impact of corporate tax planning on financial performance of listed consumer good firms in Nigeria. The specific objectives are to:

1. ascertain the impact of effective tax rate on financial performance of listed consumer goods firms in Nigeria.
2. evaluate the impact of cash effective tax rate on performance of listed consumer goods firms in Nigeria.

LITERATURE REVIEW

Financial Performance

Financial performance is the measure of how well a company uses its assets, resources, and operations to generate profits and create value for its stakeholders over a specific period. It reflects a firm's ability to achieve financial goals such as profitability, liquidity, solvency, and operational efficiency. It is complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue and overall profitability (Umo, 2022). For internal users, financial performance is examined to determine their respective companies' wellbeing and standing, among other benchmarks (Guendez & Kerrouche, 2020). For external users, it is analysed to dictate potential investment opportunities and determine the worth of the company. Financial performance signifies a firm's ability to manage its finances and a subjective measure of how effectively a firm can use its business assets to generate revenue (Umo, 2022). Firm performance can be measured either by financial or non-financial or both.

Olayiwola and Okoro (2021) classified financial performance into two categories, (1) absolute measure and (2) the relative measure. The absolute performance measure is used to assess

performance based on the quantum of profit. While the relative performance measure is use for inter firm comparison. Prior studies used different measures of performance but the ones that have been used extensively are Return on Asset (ROA), Return on Equity (ROE) and Net Interest Margin (NIM) (Umo, 2022). Net interest margin measures the spreads between the rates paid on deposits and rates charged on loans. Adejumo and Sanyaolu (2020) describe NIM as an imperfect measure of performance because it does not factor in how the manufacturing firms are run. Return on Asset (ROA) and Return on Equity (ROE) are the most widely accepted measure of performance. This study employed return on asset as a measure of financial performance.

This ratio measures the amount of return earned on every N1 invested on assets. Return on assets (ROA) is the ratio of Net Income (profit after tax) to total assets (Umo, 2022). Return on assets shows how effective and efficient the managers of firms are using the firm's assets to generate profits. Thus, a higher ratio shows a higher performance of a manufacturing firm (Umo, 2022). A substantial number of researchers have used ROA as a measure of firm performance (Inger, 2022). ROA was preferred as a better measure of financial performance because ROA measures how effectively a company is utilizing its assets to generate profits. By incorporating both the income statement (profits) and the statement of financial position (assets), ROA provides a comprehensive view of a company's operational efficiency and financial health. According to Gideon et al, (2019), it allows for easier comparison of financial performance across companies of different sizes and industries. Since it is a ratio that standardizes performance relative to total assets, ROA can be used to compare companies within the same industry or track a company's performance over time. ROA focuses on the core operations of a business by assessing how well assets are being used to generate earnings. It indicates how efficiently management is using resources to generate profits and can help identify areas for improvement in asset utilization or cost control (Umo, 2022). By linking profitability with asset management, ROA provides a holistic picture of a company's financial performance. Omesi and Appah (2021) noted that it highlights the relationship between profitability and the level of investment in assets, which is crucial for sustainable growth and long-term success. Investors and analysts often use ROA as a key metric to evaluate a company's financial performance and potential for future profitability.

A high ROA indicates that a company is generating strong returns on its investments, which can attract investors and drive stock performance. The metric also provides a good line of sight into net margins and assets turnover. However, one major drawback of return on asset is that it is distorted by the off-statement of financial position items (assets acquired through

lease) of the firm which understate the value of assets (Kayode & Adegbie, 2020; Umo, 2023). The author further explained that, this can create a positive bias where ROA is overstated in the evaluation of firm performance. Nevertheless, Omesi and Maccarthy (2022) argue that ROA is one of the most important measures of performance. As an alternative measure of performance, the Return on Equity (ROE) is computed as the ratio of net income to equity. It measures the income earned on each unit of shareholder's capital. Return on equity gives an indication of management performance. The shortfall of this measure is that manufacturing firms with high financial leverage tend to generate high ratio. Firms with high financial leverage may be associated with a high degree of risk although these manufacturing firms may register high ROE. ROE is commonly used in conjunction with ROA. To evaluate the performance of consumer goods firms, return on asset (ROA) is used as a measure of financial performance (Umo, 2023).

Corporate Tax Planning

Tax planning is legitimate activities undertaken by firms to manage their income and expenses with the objectives of eliminating, minimising and deferring tax within the ambit of the tax laws (Kayode & Adegbie, 2020). According to Akintoye et al. (2020) defined tax planning as the process of structuring one's affairs in order to defer, reduce or eliminate the amount of taxes payable to government. Tax planning could be the legal steps taken by tax payers to lessen their tax burden in order to obtain tax savings benefits. Tax planning has also been defined as the preparation to pay tax completely, correctly, and economically. Escaping from taxation and lessening the payment of a tax by legal means are also deemed as tax planning (Akintoye, et al, 2020). It involves arranging affairs to ensure that the maximum allowances, exemptions, and reliefs are enjoyed. Tax planning should be done before and during business. Proper tax planning will not only lower amounts of tax payment with respect to basic taxes but will also create a wealth stream for achieving long term goals.

According to Omesi (2021), tax planning involves those strategies designed to reduce the corporate tax liability of a company and the cash flow effect on the business in terms of when it is most advantageous for a business to settle its tax liability without incurring any penalty (Chukwudi et al., 2020). Kirkpatrick and Radicic (2020) suggest that effective corporate tax planning practices do minimize the effective tax rate to the level that it falls below the statutory tax rate. They further argued that tax planning practices provide positive effects on the cash flow of companies and hence improves firms after tax rate of returns. Chukwudi et al. (2020) noted that tax planning is a practice consistent with the relevant tax laws to

minimize the tax liability of companies using the effective tax rate. Chukwudi et al. (2020) defined Tax planning as any action that must be taken by a business entity to inflate taxable income or reported earnings in a given period before tax loss expires. It posited that Tax planning is a tool at the disposal of tax player to reduce the burden of tax paid or payable. It also viewed Tax planning as the arrangement of one's financial affairs in such a way that without violating the legal provisions, full advantage is taken to allow tax exemptions, deductions, concessions, rebates, allowances, and other benefits permitted under the Income Tax Act. It noted that the inability of the tax payers to plan their taxes leads to high tax liabilities and companies in an attempt to avoid tax, end up paying more than what is statutorily required to tax fraudsters as well as tax authorities by way of penalties because they lack adequate knowledge of tax planning.

Tax planning refers to the conscious efforts taken to consider the tax that will be payable by a taxpayer at a future date and how to minimise such tax liability (Ishola, 2020). Tax managers, tax consultants and tax compliance officers utilize tax planning as a strategy to reduce the amount of tax burden payable by their organisations. Tax planning involves the application of relevant incentive provisions for corporate tax payers based on enabling laws such as the CITA, PITA, VAT and other enactments. These laws provided some incentives such as pioneer status incentive, commencement rule, cessation rule, investment allowance, roll-over loss relief tax exemptions, deductions, rebate and other tax concessions allowed by tax statutes, which tax planning by organization can be built on. Tax planning involves making conscious efforts to consider the tax that will be payable by a taxpayer at a future date and how such tax can be minimised. Tax planning could also be said to be the measures taken by a taxpayer to arrange one's affairs in such a way as to reduce taxes while still acting within the law (Akinbobola, 2021). Tax planning (TP) is not only limited to the strategies brought to bear in minimising tax liability, but it also encompasses the strategies aimed at avoiding penalties by planning timely settlement of tax liability within the stipulated period for tax settlement.

Tax planning also connotes the actions taken within the law by taxpayers to reduce their tax liability and generate tax savings. The use of suitable incentive provisions for corporate taxpayers based on enabling laws such as the Company Income Tax Act, Personal Income Tax Act, Value Added Tax Act, and other enactments is referred to as tax planning. Tax planning are strategic measures and tools that the taxpayer meticulously adopts to minimise the incidence of tax paid or payable. It is cognitive steps taken to take full advantage of tax exemptions, deductions, concessions, rebates, allowances and other permissible benefits as

enshrined in the Tax Act. Tax planning actions can be active or passive depending on the taxpayer's goals in executing a transaction. Furthermore, Omesi (2021) confirmed that active tax planning strategies is relevant when a transaction is carried out with the goal of lowering the tax burden without any prior intent or intention to decrease the tax burden is known as passive tax planning. Tax planning enable companies to take advantage of the provisions tax avoidance. According to Ishola (2021) tax avoidance is the deliberate act of the taxpayer to pay less than he ought to pay legally. It is an art of winning games without actually cheating. It is permissible under the law. Tax avoidance is practiced by taxpayers who take advantage of the loopholes in tax laws, i.e. those who take advantage of circumstances that are not clearly defined in the law or can bear different interpretations. For example, if a taxpayer declares that he has children or aged dependents when he has none that action is tax avoidance. Tax planning can be measured in different ways; however, for the purpose of this study, it is measured using Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR) because these two indicators provide practical and reliable insights into a firm's actual tax burden and tax-saving strategies.

Effective Tax Rate (ETR)

This is a measure that reflects the total tax provision as a percentage of pre-tax income and gives an indication of how much a company actually pays in taxes relative to its earning. Effective tax strategy that results in a lower effective tax rate can significantly improve the company's financial performance by increasing net income, enhancing cash flow, boosting profitability, creating competitive advantage and thus enhances shareholders' value. Effective tax rate (ETR) has been used extensively by prior researchers to measure the extent to which firms take advantage of tax incentives and different rules between financial reporting and tax reporting (Wang, 2020). The effective tax rate is the percentage of a company's tax burden that is reduced without a negative impact on its accounting income.

In Nigeria, tax rate (CITA) is 30% of assessable profit (Akinbobola, 2021). The statutory tax rate minus the effective tax rate is the tax savings. Cash tax savings is a notable concept that denotes the amount of money saved from using the effective tax rate instead of the statutory rate. It arises from the difference between effective tax rate and statutory tax rate multiplied by the profit before tax (Kportorgbi, 2023). A higher effective tax rate indicates a larger tax burden, whereas a lower effective tax rate suggests a lower tax burden relative to the taxable income. However, effective tax rate is determined by a number of factors, including local tax

rules and regulations, an individual's or company's financial status, and the use of available tax planning measures.

Based on the objectives of this study, the following null hypotheses (H0) were formulated.

H_{01}: *Effective tax rate have no significant impact on financial performance of listed consumer goods firms in Nigeria.*

Cash Effective Tax Rate (CETR)

The cash effective tax rate (CETR) is a financial metric that assesses the proportion of a firm's earnings before tax (EBT) that is actually paid in cash to tax authorities (Umeh et al., 2020). Unlike the Effective Tax Rate (ETR), which is based on the accounting tax expense reported in the income statement, the CETR focuses on actual cash outflows for taxes. CETR plays a critical role in financial performance, liquidity, investment decisions, and shareholder value. Firms with a lower CETR often have more cash retention**,** allowing them to reinvest in growth opportunities such as expanding operations, research and development (R&D), or acquiring new assets**.** For instance, a company utilizing capital allowances or R&D tax credits can reduce its cash tax outflows, increasing free cash flow and improving overall financial flexibility.

A high CETR**,** on the other hand, can strain liquidity**,** particularly for firms that rely on internal financing. When a significant portion of earnings is allocated to tax payments, the firm may struggle with cash shortages, leading to potential delays in investment projects, increased reliance on external borrowing, or reduced dividend payouts (Gina et al., 2021)**.** This can negatively impact stock prices and investor confidence, especially for publicly traded firms. Moreover, CETR is an important measure of tax planning efficiency**.** Firms that effectively utilize tax deferrals and incentives tend to report lower CETRs**,** which can enhance their profitability and competitive advantage (Igbinovia, 2024)**.** However, aggressive tax planning leading to an extremely low CETR can raise regulatory concerns and reputational risks**.** Governments and tax authorities closely monitor companies that report consistently low cash tax rates**,** as this may indicate aggressive tax avoidance strategies, which could result in penalties, legal scrutiny, or reputational damage.

H_{02}: *Cash effective tax rate have no significant impact on performance of listed consumer goods firms in Nigeria.*

Conceptual Framework

Moreover, based on the hypotheses formulated in this study, the conceptual framework of this study shows the impact of corporate tax planning on financial performance diagrammatically, in Figure 1.

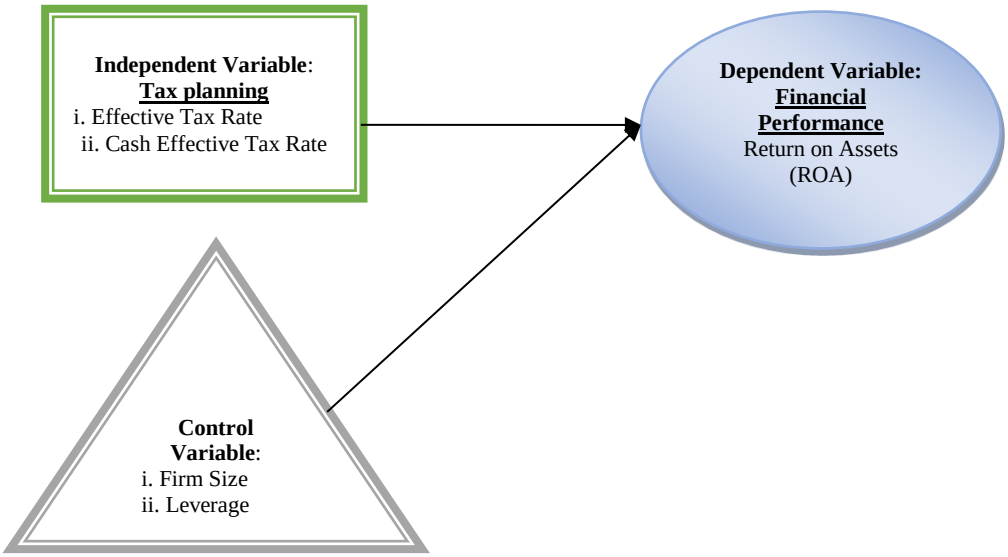

Figure 1: Conceptual Framework of the Study

Source: Developed by Researcher from the Literature Reviewed (2025)

Empirical Review

Empirical studies on the impact of corporate tax planning on the financial performance have provided significant insights into how tax strategies influence business profitability and sustainability. Various researchers have employed different methodologies, including case studies, survey research, and regression analysis, to examine the relationship between corporate tax planning and financial performance. While some studies focus on specific aspects such as tax avoidance, tax incentives, and effective tax rates, others analysis the broader financial strategies of multinational corporations operating in Nigeria. Moreover, prior studies have revealed two contrasting perspectives regarding the effect of corporate tax planning on financial performance, leading to ongoing debate in the literature.

The first school of thought such as Laurencia et al. (2020), Thuita et al. (2020), Umeh et al. (2020), John et al. (2021), Olurankins et al. (2021), Onyeka (2021), Angad (2022), Akpanowo et al. (2024) and Eche et al. (2024) argues that corporate tax planning positively influences financial performance, suggesting that effective tax strategies such as exploiting allowable deductions, utilizing tax incentives, or engaging in income shifting can minimize tax

liabilities, thereby freeing up additional resources for investment, expansion, or distribution to shareholders. Proponents of this view assert that tax savings enhance net income and overall firm value, making tax planning a strategic tool for improving performance and competitiveness (Aiyesan et al., 2023, David et al., 2023 and Jackson et al., 2023). This is in line with Hoffman's tax planning theory, which emphasizes that rational corporate tax behavior aims to reduce tax burdens within the legal framework to maximize shareholders' wealth. According to this theory, tax planning is not only a means of compliance but also a deliberate financial strategy employed by firms to improve efficiency and enhance value creation (Hoffman, 1961). Hoffman argues that corporate managers act in the best interest of the firm by minimizing tax liabilities, provided such actions remain within the bounds of legality and ethical standards. Thus, from this perspective, tax planning is viewed as a value-adding activity, contributing to improved financial outcomes and strategic growth, especially in competitive markets where efficient resource allocation is crucial.

On the other hand, the second position maintains that corporate tax planning may have a neutral or even negative effect on financial performance (Fagbemi et al., 2020; Ado et al., 2021; Arvin 2022; Muhammed 2022; Simeon et al. 2022; Eneisik et al., 2023; Iniobong 2024; Oyewobi et al., 2024 and Yeboah et al., 2024). Critics argue that aggressive tax planning may attract regulatory scrutiny, result in reputational damage, or involve complex structures and costs that outweigh the potential benefits. Furthermore, excessive focus on minimizing taxes might lead to misalignment with corporate governance objectives or undermine transparency and stakeholder trust (Desai & Dharmapala, 2006). This perspective is in line with agency theory, which posits that conflicts of interest can arise between managers (agents) and shareholders (principals) when managers pursue strategies that serve their own interests rather than maximizing shareholder value. In the context of tax planning, agency theory suggests that managers may engage in overly aggressive or opaque tax strategies to boost short-term results or obscure personal benefits, such as performance-linked compensation, without considering long-term consequences for the firm. Such actions may increase agency costs and expose the firm to legal, regulatory, and reputational risks, ultimately harming financial performance (Jensen & Meckling 1976 and Zogning, 2022). Therefore, from an agency theory perspective, tax planning particularly when not subject to strong oversight can create opportunities for managerial opportunism and reduce the overall effectiveness of corporate governance, thus negatively impacting firm value.

These divergent findings indicate that the relationship between tax planning and financial performance is context-dependent, potentially influenced by factors such as industry characteristics, regulatory environment, firm size, and governance structure. Hence, there is a need for further empirical investigation particularly in emerging markets like Nigeria to better understand the real-world implications of tax planning practices on firm performance using listed consumer goods firms in Nigeria.

MATERIAL AND METHODS

The study assessed the impact of corporate tax planning on financial performance of listed consumer goods firms in Nigeria over a period of ten years (2015-2024). For the purpose of this study, correlational research design is employed to determine the impact of explanatory variables on the dependent variable of the study. The population of this study comprised twenty-one (21) consumer goods firms listed on the Nigerian Exchange Group (NGX) as at 31st December, 2024. Table 1 present the consumer goods listed on NGX with sample size.

Table 1: Population of the Study and Sample Size

S/No.	Name of Company	Year of listening	Sample Size
1	BUA Foods Plc.	2022	Nil
2	Cadbury Nigeria Plc.	1976	1
3	Champion Breweries Plc.	1983	2
4	Dangote Flour Mills Plc.	2008	3
5	Dangote Sugar Refinery Plc.	2007	4
6	Flour Mills of Nigeria Plc.	1978	5
7	Guinness Nigeria Plc.	1965	6
8	Honeywell Flour Mills Plc.	2009	7
9	International Breweries Plc.	1995	8
10	McNichols Plc.	2009	Nil
11	Multi Trex Integrated Food Plc.	2010	Nil
12	Nascom Allied Industries Plc.	1992	9
13	Nestle Nigeria Plc.	1979	10
14	Nigeria Breweries Plc.	1973	11
15	Nigerian Enamelwale Plc.	1979	12
16	Northern Nigeria Flour Mills Plc.	1978	13
17	PZ Cusson Nigeria Plc.	1974	14
18	Unilever Nigeria Plc.	1973	15
19	Union Dicon Salt Plc.	1993	Nil
20	UTC Nigeria Plc.	1972	Nil
21	Vitafoam Nigeria Plc.	1970	16

Source: Nigeria Exchange Group, 2024.

For a company to qualify as sample for the study, the following criteria were established: (i) the firm must have been in operation for the whole periods of study (2015 to 2024), (ii) the

firm must remain quoted without being delisted between the periods covered. As a result of these two filters, the number of the listed consumer goods companies in the population was reduced to sixteen (16) out of the twenty-one (21) listed on the NGX. Table 2 presents the variables description and measurement.

Table 2: Variables Description and Measurement

S/No.	Definitions	Type of Variable	Measurement	Sources
1	Return on Asset (ROA)	Dependent	Net income divided by total assets	Adebayo and Olatunji (2025), Sweetwilliams et al. (2023), Fagbemi et al. (2020) and Onyeka (2021).
2	Effective Tax Rate (ETR)	Independent	Corporate income tax expense divided by profit before tax.	Akpanowo et al. (2024), Yeboah et al. (2024) and Eneisik et al. (2021).
3	Cash Effective Tax Rate (CETR)	Independent	Cash tax paid divided by profit before tax	Sweetwilliams et al. (2023), Angad (2022) and Onyeka (2021).
4	Financial Leverage (FL)	Control	Total debts divided by total assets	Isaac et al. (2020), Fagbemi et al. (2020) and Eneisik et al. (2021).
5	Firm Size (FS)	Control	Natural logarithm of total assets	Adebayo and Olatunji (2025), Jackson et al. (2023) and Angad (2022).

Source: Generated from Literature Review, (2025)

A multiple regression models were used to determine impact of corporate tax planning on financial performance. Data for the variables were extracted from the published annual report and accounts of the sample companies. Thus, in order to achieve the objectives of this work, a linear regression model was formulated. The functional relationships among the variables are defined as:

ROA = f(ETR, CETR, FL and FS)……Eqn 1.

This equation can be transformed into a linear function thus:

$ROA_{it} = \beta_0 + \beta_1 ETR_{it} + \beta_2 CETR_{it} + \beta_3 FL_{it} + \beta_4 FS_{it} + \sum_{it}$ ……Eqn 2.

Where:

ROA_{it} = Return on assets of firm ‘i’ in year ‘t’.

ETR_{it} = Effective tax rate of firm ‘i’ in year ‘t’.

$CETR_{it}$ = Cash effective tax rate of firm ‘i’ in year ‘t’.

FL_{it} = Financial leverage of firm ‘i’ in year ‘t’.

FS_{it} = Firm size of firm ‘i’ in year ‘t’.

β_0 = the constant

$\beta_0 - \beta_4$ = the coefficients of the explanatory variables

$\sum_{it}$ = Error term.

RESULT AND DISCUSSIONS

Descriptive Statistics

Descriptive Analysis

In this section, description of the data collected for the study is presented and discussed. The summary of the descriptive statistics of the data collected is presented in Table 3 as follows:

Table 3: Descriptive Analysis

Variables	Obs	Mean	Std. Deviation	Minimum	Maximum
ROA	160	0.0437	0.1872	-0.9904	0.3681
ETR	160	0.1897	0.4604	-4.7152	0.8875
CETR	160	0.1350	0.1988	-0.8896	0.6955
FS	160	0.14203	0.9113	7.8355	11.7933
FL	160	10.5626	0.1656	0	0.6999

Source: STATA 14 Version Output

The descriptive statistics for the given variables Return on Assets (ROA), Effective Tax Rate (ETR), and Cash Effective Tax Rate (CETR) provide insights into their distribution across 160 observations. ROA has a mean of 0.0437 with a standard deviation of 0.1872, indicating that, on average, firms have a return on assets of approximately 4.37%, with considerable variability around this value. The minimum ROA of -0.9904 suggests that some firms experienced significant losses, while the maximum of 0.3681 indicates the highest recorded profitability. The ETR has a mean of 0.1897 and a standard deviation of 0.4604, revealing an average effective tax rate of 18.97%, but with a wide range spanning from a minimum of -4.7152 to a maximum of 0.8875. This large variability could be due to tax adjustments, losses carried forward, or deferred tax effects among firms. CETR also exhibits variation, with a mean of 0.1350 and a standard deviation of 0.1988. The values range from -0.8896 to 0.6955, indicating that some firms had significant negative or low cash tax payments relative to their pre-tax income. Firm Size (FS), expressed in logarithmic form, has a mean of 0.14203 and a standard deviation of 0.9113, with a minimum of 7.8355 and a maximum of 11.7933, suggesting variability in firm scale among the sampled firms. Financial Leverage (FL) has a mean of 10.5626 and a relatively low standard deviation of 0.1656, with values ranging from 0 to 0.6999, indicating some firms have no debt while others are moderately leveraged.

Correlation Analysis

Table 4 displays the correlation matrix which shows the direction of the relationship between the dependent variable and the independent variables. Pearson's correlation is used to assess the relationship between these variables.

Table 4: Correlation Matrix

Variables	ROA	ETR	CETR	FS	FL
ROA	1.0000				
ETR	0.2146	1.0000			
CETR	0.3394	0.3426	1.0000		
FS	0.5354	0.0743	0.3011	1.0000	
FL	0.0862	-0.1442	0.0270	0.2011	1.0000

Source: STATA 14 Version Output

Table 4 shows the correlation result of dependent variable ROA, independent variables ETR and CETR as well as control variables FL and FS. The relationship between ROA and independent variable ETR is positive, this means that, all things being equal the higher the ETR the higher the ROA. Similarly, the relationship between ROA and independent variable CETR is positive, this means that all things being equal the higher the ROA the higher CETR. More so, the relationship between financial leverage and ROA is positive, this means that, all things equal the higher the financial leverage the higher the ROA. Lastly, the relationship firm size and ROA is positive, this implies that all things being equal the higher the firm size the higher the ROA.

Regression Analysis

Regression analysis was conducted to examine the impact of the explanatory variables on the dependent variable in testing the hypotheses formulated in chapter one of this study. Table 5 presents the result of random effect regression for the study.

Table 5: Regression Analysis (Dependent Variable: ROA)

Variables	Coefficient	Std. Error	z-value	P>|z|
ETR	0.0436	0.0262	1.66	0.096
CETR	0.0677	0.0673	1.01	0.314
FS	0.0770	0.0228	3.38	0.001
FL	-0.0124	0.0871	-0.14	0.887
Constant	-0.7851	0.2387	-3.29	0.001
R^2 Within	**0.0001**			
R^2 Between	**0.6784**			
R^2 Overall	0.3331			
OBS	160			
Prob > chi2	0.0010			

Hausman	0.1152
LM test for random effects Prob > chibar2 =	0.0000

Source: STATA 14 Version Output

Table 5 shows that the R-squared overall value is 0.3331, which implies that 33% of the variation in ROA is explained by the model, while the remaining 67% is due to other factors not included in the analysis. This suggests a moderate level of explanatory power. The p-value of 0.0010, this indicates that the overall model is statistically significant at the 5% level. This means the combination of ETR, CETR, FL, and FS has a meaningful collective influence on financial performance, even though some individual predictors are not significant on their own.

The coefficient for ETR is 0.0436, suggesting a positive relationship between ETR and ROA; however, this relationship is not statistically significant at the 5% level, as indicated by a p-value of 0.096 (greater than 0.05). This implies that variations in the effective tax rate do not significantly explain changes in firm profitability measured by ROA. The 95% confidence interval ranges from -0.0078 to 0.0950, which crosses zero, further confirming the insignificance of the result. This supports the null hypothesis (H01) that ETR has no significant effect on financial performance. This result aligns with studies such as Muhammed (2022) and Yeboah et al. (2024), which also found no significant relationship between effective tax rates and financial performance. It suggests that while firms may adopt tax planning strategies to manage liabilities, such strategies do not automatically translate into higher profitability. It could also imply that firms might be benefiting from tax incentives or loopholes without necessarily improving operational performance. However, this contradicts the findings of Maharana and Panda (2025), Akpanowo et al. (2024), David et al. (2023) and John et al. (2021), who reported a significant relationship between ETR and financial performance in Nigeria and Ghana respectively.

Similarly, the coefficient for CETR is 0.0677, also indicating a positive, albeit weak, relationship with ROA. CETR is also not statistically significant, with a p-value of 0.314 (greater than 0.05). This implies that the actual cash tax paid relative to pre-tax income does not significantly impact the firms' return on assets. The 95% confidence interval is -0.0642 to 0.1996, which includes zero, reinforcing the insignificance. Hence, the null hypothesis two is also failed to reject, and CETR is not considered a significant predictor of ROA. This result supports the studies by Eneisik et al. (2023) and Musa and Bello (2022), who observed that CETR do not always exhibit direct effects on financial outcomes. However, it opposes

findings from Ado et al. (2021) and Oladipo and Fashola (2022), who found tax planning (CETR) significantly, affect firm performance.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the study has provided empirical evidence that corporate tax planning, as measured by Effective Tax Rate (ETR) and Cash Effective Tax Rate (CETR), does not have a significant effect on the financial performance of listed consumer goods firms in Nigeria during the period under study. This implies that tax planning strategies employed by these firms neither enhanced nor impaired their financial outcomes, suggesting that tax minimization alone may not be a decisive factor in driving firm profitability or market value in the consumer goods sector in Nigeria. It may also reflect that these firms operate within a relatively stable and compliant tax environment where the room for aggressive tax planning is limited, or that other factors such as operational efficiency, market dynamics, and cost control have a stronger influence on financial performance.

The findings highlight the need for firms to adopt a more holistic approach to performance improvement, rather than relying primarily on tax planning. Based on the study's findings that corporate tax planning measured through ETR and CETR does not significantly impact the financial performance of listed consumer goods firms in Nigeria, it is recommended that management should not overly prioritize tax planning as a core strategy for driving firm performance. Instead, they should focus on strengthening operational efficiency, cost management, product innovation, and market expansion, which are likely to yield more substantial and sustainable improvements in financial outcomes. Additionally, investors and stakeholders may consider focusing on broader indicators of firm health beyond tax efficiency when evaluating firm performance.

Furthermore, while maintaining tax compliance is essential, resources allocated to aggressive or complex tax planning schemes may be better redirected towards initiatives that enhance productivity, customer engagement, and supply chain efficiency. Management should also ensure that tax strategies are aligned with transparent corporate governance practices to maintain stakeholder trust and avoid regulatory risks. In addition, management should consider integrating tax planning as part of a broader strategic and risk management framework, rather than treating it as a stand-alone performance lever. Emphasis should be placed on long-term value creation through ethical financial practices, operational excellence, and sustainable growth initiatives.

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