

**CORPORATE TAX PLANNING AND FIRM VALUE OF CONSUMER GOODS
COMPANIES IN NIGERIA**

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BEING A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF
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FEBRUARY,,2025

DECLARATION

I **Oghenemine Melvin EJOGHARADO** do hereby declare that this project is based on study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City. This work has not been previously submitted for the award of a degree elsewhere, all the ideas and views expressed herein are product of my personal research, and where the views of others have been expressed (cited), they were duly acknowledged. All litigation (error and omission) arising this work is to be borne by me and wholly and not that of the supervisor.

Oghenemine Melvin EJOGHARADO

DATE

CERTIFICATION

We certify that this work was carried out by **Oghenemine Melvin EJOGHARADO** in the Department of Accounting, University of Benin, Benin City.

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Head of Department

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DEDICATION

This project is dedicated to God almighty for the unfathomable wisdom and grace bestowed upon me to start and finish strong in my academic pursuit for the period I spent in University of Benin.

I also dedicate this work to my beloved parents and my lovely siblings

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ABSTRACT

The general objective of this study is to examine the relationship that exist between Corporate Tax planning and firm value of Consumer Goods Companies listed on the Nigerian Exchange Group (NGX). To achieve the general objective, the following specific objectives are to; examine the relationship that exist between effective tax rate and firm value of listed companies on the Nigerian Exchange (NGX), evaluate the relationship that exist between tax saving and firm value of listed companies on the Nigerian Exchange (NGX), assess the relationship that exist between financial leverage and firm value of listed companies on the Nigerian Exchange (NGX), identify the relationship that exist between firm size and firm value of listed companies on the Nigerian Exchange (NEX).

The data used in this study were secondary in nature picked from; the Nigerian Statistical Bulletin (NSB) and the Central Bank of Nigeria Statistical Bulletin (2023). The data is collected on the variables of interest for six-year period beginning 2018 to 2023.

From the result of the regression, it was observed that ETR was found to have a positive impact on firm value. It was also not statistically significant at 5% level; Leverage was found to impact negatively on firm value. It was also not statistically significant at 5% level; Firm size was found to have a positive impact on firm value. It was also found to be statistically significant When tested at 5% level of significance

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Tax is one of the major instruments of fiscal policy for regulating the economy of any nation. At various times, successive governments in Nigeria have employed the instrument of tax policy to encourage industrial and corporate growth in the private sector (Nwaobia,2013). On the opposing side, taxation and tax policies in Nigeria do equally act as disincentive to manufacturing firms to create value for stakeholders and enhance the value of the firms. As noted by Gatsi et al. (2013) taxation, observably, plays a role in the misfortunes of the manufacturing sector because tax policies, apart from generating revenue for the state, serve several other purposes. It can be used as an avenue to protect infant industries, create incentive for investors to invest in certain areas of the economy or to create is incentive for other activities (Gatsi et al, 2013). For example, Ihendinihu (2009) in Dickson and Nwaobia (2012) noted that unfriendly tax policies are one of the many reasons for the growth of the underground economy, where law-abiding individuals and corporate citizens seek refuge from wrongs inflicted on them by government.

The major challenge of corporate entities, and in particular Consumer Goods Companies, come in a midst of high corporate tax rates and multiples of other taxes that lead to high effective tax rates far above the statutory company income tax rate. With the introduction of the Information Technology tax, there are about forty different taxes levied on companies and individuals (Taxes and Levies, Approved List for Collection Act 2015). Many of these taxes from the different levels of government overlap and are forcefully extracted from

corporate organizations. The effect of these exactions of course is high-cost structure for firms (Nwaobia, 2013). One will not fail to agree with Nnadi and Akpomi (2008) that a tax policy defines the cost structure of firms as it is factored into pricing. In addition, tax costs and eventual payout deplete the disposable income of individuals as well as the distributable profits of corporate organizations. These taxes in fact, do translate to a substantial cost to organizations and if not properly planned and managed can have adverse impact on the bottom line, cash flow and capacity to invest.

Tax planning is the process of analyzing a financial plan or a situation from a tax perspective. The objective of tax planning is to make sure there is tax efficiency. With the help of tax planning, one can ensure that all elements of a financial plan can function together with maximum tax-efficiency. Tax planning is a significant component of a financial plan. Reducing tax liability and increasing the ability to make contributions towards retirement plans are critical for success. Tax planning comprises various considerations. Considerations such as size, the timing of income, timing of purchases, and planning are concerned with other kinds of expenditures. Also, the chosen investments and the various retirement plans should go hand-in-hand with the tax filing status as well as the deductions in order to create the best possible outcome.

To mitigate the effect of taxes on liquidity and profitability of corporate bodies and by extension firm value, tax planning becomes imperative. But unfortunately, many companies are ignorant of the strategies they can adopt to legally mitigate their tax burdens. Over the years, experience has shown that the tax authorities can dip the largest possible shovel into the resources of an organization if left vulnerable. Fortunately, the law supports a tax payer if he

arranges his affairs in such a way that the tax chargeable is minimized or even avoided (Ayrshire Pullman Motor services and David, Ritchie. Commissioner of Inland Revenue (1929) in TC 745. In this case, the Lord President (Lord Dennis) stated as follows: *"No man in this country is under the smallest obligation, moral or otherwise, so as to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores. And the taxpayer is in like manner entitled to be astute to prevent so far as he honestly can the depletion of his means by the Revenue."*

This view was reiterated in IRC V. Duke of Westminster (1936) 19 TC 490 by Lord Temlin when he averred that: *"Every man is entitled if he can, to order his affairs so that the tax attracting under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity he cannot be compelled to pay an increased tax."*

Therefore, a company is not a bad corporate citizen if it can organize its business or trade in a legal manner to minimize its tax liability. Tax planning in essence involves the application of relevant incentive provisions for corporate tax payers based on enabling laws such as the CITA, PITA, VAT and other enactments. An in-depth understanding of the tax policies and other regulations as clearly stated in the nation's government fiscal policies is required for effective tax planning. The Corporate tax planning incentives as contained in the CITA, PPTA and other laws include: pioneer status incentive, commencement rule, cessation rule, investment allowance, and roll-over loss relief. Others include business location or area of operation (free trade zone, rural area investment allowances), tax exemption benefits on

interest on a loan granted by a foreign company to any business in Nigeria, asset acquisition timing for claims of capital allowances. Several other tax shelters and incentives which a company can take advantage of based on the provisions of CITA CAP C21 LFN 2004, (Fowokan,2009; Ezejelue & Ihendinihu, 2006). Indeed, Companies Income Tax Act, LFN 2004 contain varying provisions that give the corporate tax manager the opportunity to mitigate the company's tax liability. One of the most important responsibilities for corporate tax manager is to strategize on minimizing a company's overall-tax liability.

Theoretically, firm's tax liability is proportionally related to its profitability; attaining firm's wealth maximization objective through diverse means of increasing profitability poses more challenge on firm's ability to reduce its tax liability. Consequently, the tax planning strategy tends to give a positive impact on a firm's cash flow and its after tax rate of returns; however, tax planning strategies have a negative impact on the government's revenue and further, increase the compliance cost of collecting taxes. Corporate tax planning is among the major strategic tools use by tax managers to minimize the amount of tax liability by their company. Taxation has remained the major bottleneck in modern corporations as it involves the application of predetermine rate against the profitability of the companies.

Firm value is generally taken to mean an economic measure reflecting the market value of a whole business. It is a summation of the claims of all contributors to the assets of a firm namely: creditors (secured and unsecured) and equity holders. In finance literature, firm value is the sum of the market value of equity and the market value of debt (Nwaobia et al. 2016). Firm value is enhanced when shareholders' wealth is increased through profits and improved cash flow; hence the importance of tax planning as an integral part of the

financial planning programme of any entity. Tax planning is an integral part of financial planning and the area of financial structure decisions offers a tax manager and the company an opportunity to mitigate the company's tax liability and improve on the financial performance of the firm.

1.2 Statement of the Problem

Despite the relevance of tax planning to companies, very limited studies were conducted in the area of corporate tax planning and firm market value in emerging economy. Previous studies have concentrated in the developed economy. In African context, studies on corporate tax planning and firm value were mixed and inconclusive. [Desai & Hines, 2002; Chen, Chen, Chen & Shevlin, 2010]. Desai and Dharmapala (2009) supported the assertion that tax planning enhances the financial performance of an entity; while Kawor and Kportorgbi (2014) found that tax planning enhanced when tax earnings did not reflect on the firm's value, this allied with the studies of Abdul-Wahab et al. (2012) and Ftouhi, Ayed and Zemz

(2014). Overall, the results of the joint effects of the tax planning proxies on firm value are inconclusive for various studies, the individual effects of the tax planning strategies on firm value for each of the studies is also considered below.

Firm's profitability can influence effective tax rate especially when profitability is measured based on pre-tax income; we expect more profitable firms to have higher earnings and hence pay more taxes. Gupta and Newberry (1997); Minnick and Noga (2010); found a positive relationship between firms' profitability and ETR. Rego (2003) and Derashid and Zhang (2003) opined that more profitable firms have a lower cost associated with managing taxes because they have more resources to invest in the planning activities that contribute to lower effective tax rates which therefore indicates a positive relationship between ETR and firm value. Even though, Bryant-Kutcher, Guenther and Jackson (2011) found a negative correlation between ETR and firm value. According to them, differences in company income tax rate are not completely offset by non-tax expenses. The negative correlation is justified on the ground that, there are constraints on analysts' forecast in conveying earnings information in the short-run, and this leads to omission of value related information in the prediction.

Age is the length of time during which a being or thing has existed. We defined firm age as the number of years of incorporation of the company; even though some believe that listing age, should define the age of the company (Shumway, 2001). According to him, listing age is more economical since listing is a defining moment in the company' life. Shumway's argument is debunked from the perspective of the company as a legal personality (Waelchi & Pufferer. 2011). As a legal person, a company is born through incorporation (Gitzmann, 2008; Pickering, 2011). Hence our preference for the year of incorporation as the definition of the

age of the company. The relationship between firm age and profitability is contentious. While some reported the positive and significant relationship between age and profitability (Halil & Hasan, 2012; Papadogonas, 2007; Akinyomi & Olagunju, 2012). Others have reported negative relationship (Majumdar, 1997; Dogan, 2013 and Coad et al. 2007). This mixed reaction has made the debate inconclusive.

The leverage ratio is widely used to measure the portion of long-term debts towards total assets of business organization's activities. It means the capability of a business organization in financing its total assets with long-term debt (Danelova and Sarka, 2011). Fama and French (2002) found a positive relationship between leverage and firm value. On the contrary, Rajan and Zingales (1995) found a negative relationship between leverage and profitability. The study result is consistent with De Wet (2006) who opined that a significant amount of value can be unlocked in moving closer to the optimal level of gearing. Modigliani and Miller (1963) conclude that the cost of equity of a firm increases the debt of the firm increases. The combination of negative and positive results on the relationship between leverage and firm value shows that the issue is largely unsettled, and this creates a gap which requires further clarification. Hence, we propose an insignificant relationship between leverage and firm value.

There are different measures of firm size such as the number of employees, log of revenue, log of total assets and value added. The relationship between firm size and firm value is mixed. Hall and Weiss (1967), Majumdar (1997), Josson (2007), Serrasqueiro and Nunes (2008), Stierwald (2009), Saliha and Abdessatar (2011) found a positive relationship between firm size and profitability because profitability increases as the size of the firm expand. Big

firms have more competitive power when compared to small firms and because they have a bigger market share, they have the opportunity to make more profit (Stierwald, 2009). On the contrary, Banchuenvijit (2012), Becke et al. (2010) found a negative relationship between profitability and firm size because organization costs increase with firm size, at some points, these costs will outweigh the benefits from economies of scale and hence profitability will fall. These inconsistencies in results and extant literature of scholars on corporate tax planning and firm value present a knowledge gap which forms a reasonable motivation for further study.

1.3 Research Questions

The study research questions are formulated below:

- i. What is relationship exists between effective tax rate and firm value of listed companies on the Nigerian Exchange (NGX)?
- ii. Does any relationship exists between tax saving and firm value of listed companies on the Nigerian Exchange (NGX)?
- iii. How does financial leverage affects firm value of listed companies on the Nigerian Exchange (NGX)?
- iv. What relationship exists between firm size and firm value of listed companies on the Nigerian Exchange (NGX)?

1.3 Objective of the Study

The general objective of this study is to examine the relationship that exist between Corporate Tax planning and firm value of Consumer Goods Companies listed on the Nigerian Stock Exchange Market (NSE). To achieve the general objective, the study specific objectives are to;

- i. examine the relationship that exist between effective tax rate and firm value of listed companies on the Nigerian Exchange (NGX).

ii. evaluate the relationship that exist between tax saving and firm value of listed companies on the Nigerian Exchange (NGX)

iii. assess the relationship that exist between financial leverage and firm value of listed companies on the Nigerian Exchange (NGX).

iv identify the relationship that exist between firm size and firm value of listed companies on the Nigerian Exchange (NGX).

1.4 Research Hypotheses

Ho1: There is no significant relationship between effective tax rate and firm value of listed companies on the Nigerian Exchange (NGX)?

Hoz: There is no significant relationship between tax saving and firm value of listed companies on the Nigerian Exchange (NGX).

Ho3: There is no significant relationship between financial Leverage and firm value of listed companies on the Nigerian Exchange (NGX).

Ho4: There is no significant relationship between firm size and firm value of listed companies on the Nigerian Exchange (NGX).

Scope of the Study

The main objective of this study is to determine the possible effect of corporate tax planning (effective tax rate, firm age, financial leverage and firm size) on firm value on listed companies on the Nigerian Stock Exchange. The research will focus on the annual report of fifteen (15) Consumer Goods Companies listed on the Nigeria Stock Exchange covering a period of 10 years (2013-2023).

1.6Significance of the Study

The findings of this study will be important to managers of listed companies in formulating appropriate Tax planning strategies and taking advantages of loopholes in the tax laws.

The study of the effect of corporate tax planning on the performance of listed Consumer Goods Companies in Nigeria is expected to be beneficial to a number of parties such as policy makers. It is hoped that the study will provoke policy makers to give more attention to the tax planning given its contribution to the performance of firms. Examples of interested policy makers include Federal Inland Revenue Service Board (FIRSB) and other relevant tax authorities.

The study will contribute to the body of knowledge and hence will be of interest to both researchers, academics and other necessary third party who seek to explore the relationship between tax planning and firm value and pave way for new era of further research.

Also, the result to be gathered from this piece of work will be applicable for accounting regulators to use in making rules that will enhance the preparation of qualitative financial statement.

In addition to the extant literature on corporate tax planning in most developed nations, the finding from this study will shed more light on the attributes of the corporate tax planning in developing economies such as Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher will explore literature related to the effect of tax planning on firm value. It will also consider the theoretical and empirical evidence on this subject. Finally, this chapter will provide an exposition of the research gap and the summary of the chapter in general.

2.2 Conceptual Review

2.2.1 Corporate Tax Planning

Corporate tax planning is among the major strategic tools use by tax managers to minimize the amount of tax liability by their company. Taxation has remained the major bottleneck in modern corporations as it involves the application of pre determine rate against the profitability of the companies. Bruce, Deskins, & Fox, 2005states that tax planning activities consist some element of tax avoidance and evasion schemes that affect only financial arrangements of firms due to variation in state tax regulation. According to Boulton et al. (2012), Tax planning strategies are often legal, but some may fall into a legally dark area and some are obviously illegal such as underreporting taxable income or overstating tax deductions. Murphy (2007) states firms that has effective tax planning generate better benefit and perform better than companies without effective tax planning.

In Nigeria, many companies have not been able to tap the benefit of various tax incentive provided by government (Oyeyemi et al, 2016). For instance, a pioneer companies investing in specified industrial activities may, on application, be granted a

tax holiday for three years initially, which may be extended for up to two years upon satisfaction of specified conditions. Examples of economic activities that may be granted a tax holiday include glass and glassware manufacturing, manufacturing of fertilizers, and steel manufacturing (NIPC,2014).

Despite the relevance of tax planning to companies, very limited studies were conducted in the area of corporate tax planning and firm market value in emerging economy. Most of prior studies have concentrated in the developed economy. For examples (Abdul Wahab et al,2012; Kawor & Kportorgbi,2014; Lestari & Wardhani,2015). In African context, studies on corporate tax planning and firm performance were mixed and inconclusive. Mucai et al. (2014) conclude that tax planning has significant influence on performance of small and medium scale ventures. Similarly, Oyeyemi, Babatunde, & State (2016) established that aggressive tax planning such as thin capitalization, tax law incentives and other benefits of loopholes in Nigerian tax laws have not been fully utilized by the Nigerian firms.

According to Uchendu et al. (2016), 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). Nwaobia et al. (2016) suggest that effective corporate tax planning practices do minimize the effective tax rate to the level that it falls below the statutory taxrate. 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, Okonkwo & Asika (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. Soufiene et al. (2016) state that tax planning practices involve the minimization of corporate income tax for the purpose of maximization the after-tax income. Izevbekhai and Odion (2018) provide that tax planning can be active or passive. An active tax planning involves a situation when financial transactions are carried out with the intention of minimizing tax liability. On the other hand, passive financial planning entails no intention of reducing tax liability in the financial reporting process. Ilaboya et al. (2016) noted that tax planning applies exemptions, deductions, rebates, reliefs and other tax incentives allowed in the tax laws for the sole aim of reducing corporate tax liability. Chen, Chen, Cheng and Shevin (2010) opine that tax planning is an important practice employed by managers of corporations to minimize tax liabilities that reduces the returns of companies and shareholders. Izevbekhai and Odion (2018); Chukwudi et al. (2020) maintain that tax planning practices can be measured using effective tax rate. Izevbekhai and Odion (2018) further noted that the ability of a company to conduct proper tax planning is derived from the effective tax rate and tax savings.

Corporate tax managers have a responsibility to minimize company tax liability. A firm's tax liability has an impact on their profitability. This means that to increase a company's profitability will create difficulty in lowering their tax liabilities (Oyemimi & Onakoya,2016). According to Nike et. al. (2014), there are several ways to reduce tax liability, including: tax planning, tax avoidance, and tax evasion. Tax planning and tax avoidance are safer options, as neither contravene applicable tax regulations. On the other hand, tax evasion expressly contravenes those laws. According to Suandy (2011), tax planning refers to the effort made to

save and minimize tax payments, without violating the tax regulation. In addition, tax planning can be used to increase firm value because it increases shareholder wealth. Nike et. al. (2014). Wahab and Holland (2012), Winanto and Utoyo (2013) all state that tax planning does not affect firm performance, because tax planning activities are considered as earnings management practices.

According to Pohan (2013), tax planning refers to the process of organizing personal and corporate taxpayer businesses by making use of loopholes in applicable taxation regulations. According to Zemzem and Ftouhi (2016), Oyeyemi and Babatunde (2016), Zemzem and Ftouhi (2013), and Fajrin et. al. (2018), tax planning has a negative effect on firm value. This means that the smaller the tax payment a company is required to make, the higher the firm's value will be. This is because money that is not being spent on corporate taxes is being used within the company and the increase in firm value will necessarily attract investors, who also add value to the company.

2.2.2 Firm Value

There are several interpretations given to the meaning of value. Adegbie et al. (2019) stated that value can be explained from the concept of fair market value, fair value, investment value, and intrinsic value. Adegbie et al. (2019) noted that the increase of the share price shows the confidence of the investors to the firm, so they are willing to pay more with aim for higher financial returns. Chukwudi, Okonkwo & Asika (2020) opine that firm value is the price paid by affluent investors once a company is sold and they further stated that it is the value from the eyes of the public in terms of the corporate survival of business. Therefore, the value of a firm is the total assets owned. It consists of the market value

of share and liabilities. Hidayat, et al (2019) maintained that investors view firm value from stock prices, stock returns, earnings per share (EPS), price earnings ratio (PER), Tobin's Q, and price to book value (PBV). Adegbe, Akintoye and Isiaka (2019) further stated that firm value can be measured using accounting-based indicators such as return on asset, return on equity, price earnings ratio and price to book value while the market valued based indicator usually applies Tobin's Q. It is defined as (total assets plus market value of ordinary shares minus book value of ordinary shares minus deferred tax) divided by total assets. Tobin's Q is used to measure firm value which shows management performance in managing the firm assets. Its value describes a condition of investment opportunities owned by the firm or the firm growth potential (Adegbe, Akintoye & Isiaka, 2019; Hidayat et al, 2019).

2.2.3 Tax Planning and Firm Value

The nexus between tax planning and firm value can be explained from two angles. The first angle noted that tax planning increases the after tax profits and it is of interest to shareholders (Wahab and Holland, 2012). The second angle suggests the tax planning is complex and can possibly allow for managerial opportunism. This can lead to a decrease in firm value when managers under report accounting profit and the incentive to minimise corporate income tax liability by understating taxable income of a firm (Wahab and Holland, 2012). Previous empirical studies revealed both positive and negative association between tax planning and firm value. Oeta, et al, (2019); Razali et al. (2018); Kirkpatrick & Radicic (2020) showed a positive relationship between tax planning and firm value while other studies showed a negative relationship between tax

planning and firm value (Izevbekhai and Odion. 2018; Oeta,Kiai & Muchiri,2019; Chukwudi, Okonkwo & Asika,2020; Nafti et al, 2020).

Firms engage in tax planning activities with the aims of minimizing their tax liability and increases their after-tax profit. Tax planning can positively or negatively affect the value of the firm. This made the issue of tax avoidance and firm performance a debatable topic for both researchers and practitioners. Chen, Hu, Wang, & Tang (2013) examines whether corporate tax avoidance behavior increases firm value in Chinese context, using a large sample of Chinese listed-firms' data for the period 2001-2009 and fixed effects regression mode were used to analyzed the data collected, the study found that tax avoidance increase reduce firm value as part of benefit are encroached by opportunistic of managers. This implies that tax avoidance behavior can only lead to increase agency cost not shareholders value. According to Desai and Dharmapala (2009) tax avoidance has significant influence on firm market but the effect depends on firm's governance structure. The study suggest that tax avoidance is not the best way of transferring from benefit to shareholder as it's characterized by agency problems between management and shareholders.

In the African context, the study of Kawor & Kportorgbi (2014) states that tax avoidance influences the performance of listed non-financial companies in Ghana but pre suppose the perception that every cdi of tax saving as a result of tax planning activities reflect in the pocket of shareholders. These findings lend it support to agency cost of tax planning in the sense that tax saving alone can-not mitigate the agency cost between management and shareholders. However, the study of Mucai et al. (2014) provides a contrary finding that tax planning has no relationship with performance and value of small and medium

enterprises in Kenya. This is due to level of corruptions and the lack of effective regulatory to salvage the affairs of small and medium ventures.

On the other hand, Ftouhi et al (2014) examined whether corporate tax planning behavior increases firm value of 73 firm listed in the Euronext 100 index for the period of four years (2008-2012). Generalized least square methods (GLS) were used to analyze the data. The results of the study shows negative and significant relationship between the tax planning and firm value due to high agency cost. The outcomes of the studied was consistent with shareholders concerns of moral hazard risk in tax. The study also found tax planning activities as a mechanism through which a firm generate permanent tax saving. While the study of Chen et al.(2013) examined whether corporate tax avoidance behavior increases firm value in Chinese context, using a large sample of Chinese listed-firms over the period of eight years from 2001-2009. Generalized least square regression (Fixed effects) model were used to analyze the data collected. The study found that, tax avoidance behavior increases agency cost and reduce firm value and concluded that tax avoidance does not necessarily increase firm value, part of gains is encroached by self-serving managers.

This argument assumes that, tax avoidance behavior can only lead to increase agency cost but does not increase shareholders value, may be the managers do not usually pursue the goals of tax planning in the best interest of the firm.

Oyeyemi & Babatunde (2016) advocates the need for companies in Nigeria to engage in aggressive tax planning in order to benefit from the loopholes in the Nigerian legal systems. The study indicates significant relationship between tax planning and value of manufacturing companies in Nigeria. Given the many contradicting findings regarding the influence of tax

avoidance on the firm's market value and paucity of researches in Nigerian concerning the effect of corporate tax planning and firms value have inform the need for this research.

Akintoye et al. (2020) investigated tax planning strategies and profitability of listed manufacturing firms in Nigeria for the period 2008 to 2017 using ex post facto research design. The population of the study consisted of fifty-two (52) firms with a sample size of forty-six (46) firm calculated using Taro Yamini's model. The study employed secondary sources of data collection from the annual reports of the sample firms. The data obtained from the published financial statements was analysed with descriptive and inferential statistics. The multiple regression analysis revealed no significant association between tax planning and return on assets (ROA) of listed manufacturing firms in Nigeria. Their study further suggested that tax planning strategies have both positive and negative association on the financial performance of listed manufacturing firms in Nigeria.

Timothy et al. (2020) examined corporate tax planning, board compensation and firm value in Nigeria for the period 2008 to 2015. The study adopted ex post facto research design. The study population consisted of non-financial and non-oil and gas firms listed on the Nigerian Stock Exchange (NSE) while the sample consisted of 71 firms from the population of the study for the period under review. The data for the study was obtained from the published financial statements of sample firms. The dependent variable (return on assets) and independent variable (effective tax rate) while the control variables (firm size and leverage). The secondary data was analysed with descriptive and inferential statistics such as correlational and regression analysis. Their result suggests a positive and significant

association between tax planning practices and firm value of listed non-financial firms in Nigeria.

Levin & Widell (2007) examined tax evasion in Kenya and Tanzania. While Transparency International Corruption Perceptions Index shows that Kenya is more corrupt than Tanzania, the study found that the coefficient on tax is higher in Tanzania compared to Kenya implying that tax evasion on imported goods is higher in Tanzania compared to the Kenya. They introduced a third country into the analysis, the United Kingdom, and tax evasion seemed to be more severe in trade flows between Kenya and Tanzania compared to trade flows between the United Kingdom and Kenya/Tanzania. Finally the study found that the tax evasion coefficient was lower in the Kenya-United Kingdom case compared to the Tanzanian-United Kingdom case.

Desai & Dharmapala (2009a) examined whether corporate tax avoidance activities advance shareholder interests. The Ordinary Least Squares (OLS) estimates indicated that the average effect of tax avoidance on firm value is not significantly different from zero, but is positive for well-governed firms as predicted by an agency perspectives on corporate tax avoidance. The independent variable (IV) estimates yield larger overall effects and reinforce the basic result that higher quality firm governance leads to a larger effect of tax avoidance on firm value. Taken together, the results suggest that the simple view of corporate tax avoidance as a transfer of resources from the state to shareholders is incomplete given the agency problems characterizing shareholder-manager relations.

Wang (2012) used a self-constructed opacity index and multiple measures of tax avoidance to examine how corporate transparency relates to tax avoidance. The study found

that transparent firms, which potentially have less severe agency problems, avoid more tax relative to their opaque counterparts. This result suggests that managers engage in tax avoidance transactions mainly to enhance shareholder wealth. Further, the study found that investors place a value premium on tax avoidance, but the premium decreases with corporate opacity. This is consistent with the notion that corporate transparency facilitates the monitoring of managerial actions and thus alleviates outside investors' concern about the hidden agency costs associated with tax avoidance.

Kamau et al. (2012) describe tax avoidance and evasion as one of the major factors influencing creative accounting practice in Kenya. The researchers randomly collected and analysed data from thirty-six accountants working for various companies in Kenya. The results of the study established that tax avoidance and evasion is indeed one of the major factors contributing to practice of creative accounting among companies in private sector in Kenya.

Katz et al. (2013) examined whether firm managers invest the savings from tax avoidance in positive net present value projects that enhance future profitability or divert them towards perquisite consumption, rent extraction, and value destroying projects. Consistent with the negative implications of tax avoidance (e.g. rent extraction) the study documented that, on average, the main components of current profitability: margins, utilization of assets and operating liability leverage, result in lower future profitability for tax aggressive firms as compared to firms that are not tax aggressive. Further, the negative effect of lower margins is more robust and persistent than the impact of inefficient asset utilization and operating liability leverage. These results persist in various contexts that mitigate or exacerbate rent extraction,

such as the existence of foreign operations, better governance structure, more transparency, industry leadership position, and across corporate life cycle stages.

Goh et al.(2014) examined the relation between firm's cost of equity and corporate tax avoidance using three measures that capture less extreme forms of corporate tax avoidance: book-tax differences, permanent book-tax differences, and long-run cash effective tax rates. The study found that less aggressive forms of corporate tax avoidance significantly reduce a firms cost of equity. Further analyses reveal that this effect is stronger for (i) firms with better outside monitoring, (ii) firms that likely realize higher marginal benefits from tax savings, and (iii) firms with better information quality.

Lestari (2014) analysed the impact of tax planning on firm value with board diversity as moderating variable. The research was conducted for non-banking and financial firms in Indonesia Stock Exchange for 2010 to 2011. The study found evidence of positive relationship between tax planning and firm value. The study also found that board diversity could increase the positive influence of tax planning into firm value.

Hasan et al. (2014) examined the effect of corporate tax avoidance on the cost of bank loans. They found that firms with greater tax avoidance incur higher spreads when obtaining bank loans. Firms with greater tax avoidance also incurred more stringent non-price loan terms, incurred higher at-issue bond spreads, and preferred bank loans over public bonds when obtaining debt financing. Overall, these findings indicate that banks perceive tax avoidance as engendering significant risks. Chukwudi et al. (2020) investigated tax planning and firm value of listed consumer goods companies on the Nigerian Exchange for the period 2009 to 2018. Their

research employed ex post facto research design and the population comprised all consumer goods sector while a sample size of twenty one companies. The data for the study was obtained from secondary data from the published financial statements and accounts for the sampled firms. The data collected was analysed using descriptive and inferential statistics. The inferential statistics was guided by a panel multiple regression model. The empirical analysis revealed that tax planning proxied by effective tax rate negatively and significantly affects firm value while book tax difference showed a positively and significant influence on firm value.

Oeta et al. (2019) carried out a study of tax planning and financial performance of listed companies at Nairobi Stock Exchange for the period 2010 to 2017. Their study employed positivism research and exploratory research design. The data for this research was obtained from the published annual reports of the sampled companies and the data obtained was analysed with descriptive and inferential statistics of multiple regression analysis. The research outcome revealed that there is no significant statistical relationship between tax planning and corporate financial performance of listed manufacturing companies in Kenya. Hence the study concluded that tax planning does not influence the level of financial performance of quoted companies in Kenya.

Fagbemi et al. (2019) conducted an investigation of corporate tax planning and financial performance of deposit money banks in Nigeria for the period 2006 to 2016. The study adopted ex post factor research design and the population consisted of all the listed banks on the Nigeria Stock Exchange for the period under review. The data for the study was obtained from the published annual reports of the sampled banks while the data collected were analysed using descriptive, diagnostic and inferential statistics. The inferential statistics

was guided by pooled ordinary least square model. The findings revealed that effective tax rate negatively and significantly affects banks financial performance. The study further revealed that capitalization has a positive significant effect on financial performance while capital intensity and lease option suggested an insignificant effect on financial performance. They concluded that corporate tax planning influences financial performance of banks based on the tax planning strategy utilized.

Silvy (2019) examined corporate tax planning and firm value of manufacturing firms listed on the Indonesian Stock Exchange for the period 2014 to 2016. The study employed ex post facto and correlational research design. The study population consisted of all manufacturing firm while purposive sampling was employed to arrive at a sample size of 43 firms. Secondary sources of data were collected from the annual reports and accounts of the sampled firms. The secondary data was analysed using descriptive and inferential statistics of multiple regression analysis. The regression result revealed that tax planning (cash effective tax) has a negative influence on firm value.

Razali et al. (2018) carried out an investigation of tax planning and firm value in Malaysia for the period 2014 to 2016. The study used ex post facto and correlational research design. The secondary data was obtained from the financial statements of 387 sampled firms. The dependent variable (firm value) and the independent variables (effective tax rate and book tax differences) while the control variables consisted of firm size, leverage, asset tangibility, firm age and dividend. Descriptive and inferential statistics was employed for the purpose of data analysis. The result of the multiple regression analysis showed that effective tax rate positively and significantly influences firm value while book tax

difference revealed a significant negative association with value of a firm. The control variables of leverage, asset tangibility, dividend and age of firm showed a negative association. Their study concluded that effective tax rate suitably influences firm value.

Izevbekhai & Odion (2018) analysed tax planning and firm value of companies listed on the Nigerian Exchange for the period 2010 to 2016. The study utilized ex post facto research design. The population of their study comprised of all companies quoted on the Nigerian Exchange and the sample consisted of eighty-nine (89) firms. The data was obtained from the published financial statement of the sample firms. The dependent variable was (TobinQ) while the independent variables (Effective Tax Rate and Tax Savings) and several control variables. The data collected from the firms were analysed using descriptive, diagnostic and inferential statistics. The inferential statistics was guided by a panel regression model. The result of the panel regression analysis suggested a negative association between effective tax rate and value of a firm while tax savings showed both positive and negative association with value of a firm. The control variable of firm size showed a positive association with firm value while leverage and capital intensity revealed a negative association with firm value.

Salawo et al. (2017) investigated corporate tax planning and firm value of non-financial firms listed on the Nigerian Stock Exchange for the period 2004 to 2014. The study employed ex post facto and correlational research design with a population of one hundred and fifty-one (151) and a sample of fifty (50) companies using stratified sampling technique. The study used secondary sources of data from the published financial statements of the sampled companies and the data collected was analysed with econometric models such as stationarity test, panel cointegration test, vector autoregression and granger causality. The

dependent variable was (Tobin Q) while the independent variable (tax planning). The result showed that there is a significant non-directional causality between tax planning (ETR) and Firm Value.

Nwaobia et al. (2016) conducted a study on tax planning and firm value of listed consumer goods industrial sector in Nigeria between 2010 and 2014. Their study employed ex post facto research design with a population of 80 listed consumer goods firms and the sample consisted of ten (10) firms. The data for their study were obtained from the published financial statement and accounts of the ten sample companies for the period under review. The secondary data obtained were analysed using descriptive and inferential statistics. The inferential statistics was guided by a panel regression model. The result of the analysis suggests a positive significant association between effective tax rate, dividend and firm age on firm value. Also, the study revealed a negative association between firm size, tangibility and financial leverage on firm value.

Lestari and Wardhani (2015) investigated tax planning and firm value of listed non-banking and financial firms in Indonesia for the period 2010 to 2011. Their study employed ex post facto and correlational research designs. The population consisted of all listed non-banking and financial firms while the purposive sampling was adopted to arrive at a sample of 221 firms. The study collected data from the financial reports of sampled firms. The dependent variable of the study was firm value; the independent variable was tax planning, and board diversity as the moderator variable. The data obtained from the annual report was analysed using descriptive and inferential analysis of multiple regression model. The result suggest that

a positive association between tax planning and firm value. Also that board diversity increases the positive influence of tax planning and firm value.

2.3 Determinants of Firm Value

The literature on firm value has shown that it is influenced by a number of factors. These include firm size, capital structure, ownership structure, age of the firm, and asset tangibility, among other factors. In this section, these factors are reviewed on how they influence firm value

2.3.1 Effective tax rate

This is used to explain how much firms pay for taxes as a percentage of pre-tax incomes (Johnson et al. (2012). Izevbekhai and Odion (2018) state that the effective tax rate for companies is derived as the total tax expense divided by the earnings before tax. There are several empirical studies on effective tax rate and firm value. These previous studies (e.g. Minnick & Noga, 2010; Timothy et al. 2020) exhibit a positive relationship between effective tax rate and tax planning while other studies (e.g., Nank & Ratna, 2015; Izevbekhai & Odion, 2018) showed a negative relationship.

2.3.2 Tax Savings

This is the difference between statutory tax rate and effective tax rate (Ftouhi et al. 2010; Izevbekhai & Odion, 2018; Ilaboya et al. (2016). It is used as a measure for tax planning to reveal that managers have the ability to minimize tax expense in the annual financial reports because tax is viewed as a tool through which companies can generate permanent tax savings and/or temporary tax savings through tax deferrals (Izevbekhai & Odion, 2018). Lisowsky et al (2013) revealed a positive association between tax savings and financial performance. This is because the amount incurred on tax planning is

less than tax saving. Contrary, Armstrong, Blouin and Larcker (2012), found a negative association between tax savings and firm value because the providers of capital lacks sufficient knowledge of the tax planning practices of the managers of firms.

Tax payments naturally reduce the amount of profit or income available for distribution. Hence, the desire by taxpayers to ensure that the extent to which their profit or income is reduced by taxes will be very minimal. Tax savings behaviors is used here to mean the methods employed by taxpayers to calculate tax payments in such a way to legally curtail the amount of tax paid. The Government on the other hand is anxious to generate revenue for smooth administration of government hence stiff penalties are imposed on taxpayers for non-compliance with tax laws. Such penalties may include imposition of levies. penalty payments, forfeiture of property or in extreme cases of violation of tax and penalties may mean imprisonment as may be decided by a court of competent jurisdiction (Isola et al, 2015;Lawal et al 2018a; 2019a). However, there is no tax legislation that compels its citizens to pay more than required therefore it is rational that taxpayers may wish to explore relevant provisions in the tax laws to reduce the amount of tax that they pay to the relevant tax authorities. Consequently, tax payer behavior often tends towards engaging in tax avoidance to ensure that less possible tax is paid without infringement and thereby make tax savings. Ariwodola (1991), “posit that tax saving is concerned with maximizing opportunities created in tax legislations to trim down or reschedule tax payment within the scope of tax law”. Hanlon and Heitzman (2010) stated that tax savings is any diminution in explicit taxes. It embraces all legal means employed by individual or corporate taxpayers with the objective of maximizing allowances, exemptions and reliefs are fully browbeaten.

It is trite to aver that one of these strategies usually adopted is the timing of acquisitions and disposals of fixed assets. This is to ensure that the date when a profit is earned and when such profit is subjected to tax leads to maximum tax advantage of the taxpayer. In addition, the date at which a business ceases operation will also impact on its tax liability. A cognizant taxpayer with a professional skill of tax policy can exploit such prospect to diminish the tax charge that otherwise would be billed. Therefore, the management of business organizations needs scrupulous facts of tax laws and their appliance to fastidious condition in recognizing and winning advantages of the rules to maximize tax savings .However, the issue of tax saving and the best suitable scheme to be employed that would not violate the law has been the dilemma of tax payers since time immemorial and such behaviours are common in everywhere taxes are imposed. Much concerned are corporations considering how taxes obviously trim down their distributable earnings and this could be the ideology for the incessant seek for tax reduction. While the payment of more taxes help to increase the funds available to the government for the improvement of the society, Firms need not pay their fair share in order to minimize effect of tax on the affluence of equity holders (Frank & Rego, 2009, Fisher & Warpole, 2005, Egger et al , 2010, Isola et al, 2015, Fashina et al, 2018, Lawal et al, 2018, Dahunsi et al, 2019a, 2019b).

Armstrong, Blouin et al. (2013) opined that tax saving is a crucial investment decision that business managers ought to make to improve shareholders value. Well, it is expected that factors that influence firms' overall investment strategy and position would most likely affect its size; it is however uncertain whether tax savings determine firm sizes or whether the size of firms informs about the tax saving behaviour. Even as the direction

of causality is uncertain there may be several other causative factors that could drive tax saving strategy. An understanding of these factors would be a plus to properly position corporate decision makers to take advantage of the possibilities for increasing value for the investors.

One good strategy to reduce higher income tax is using debt instruments and leverage because it shields income from taxes (Myres1984, Shun 1996 and Graham 2003, Okere et al,2019). Graham and Alan (2006) opined those differences in marginal tax rate for corporations 'influence decision about equity and debt financing. Tax considerations affect an organizations financing decision but the level of such an effect is mostly not significant (Graham,2003). Besides shielding tax with debt or leverage structure, it has also been established that tax strategy could also involve using non-monetary saving such as depreciation to reduce the amount of taxes paid by corporation. This implies that investment in fixed asset is a good strategy that can be employed with much success (Onaolapo & Kajola, 2010, Otekunrin et al,2018).

It is apposite to assert that due consideration of the growth of firms can only be sustained through the provision of value-added services in the operating activities as this has a direct effect on revenue generation. This however can only meaningfully create shareholder value when complemented by the tax savings behaviour of the firm. Given the increasingly difficult business environment of Nigeria which is negatively affected by the fluctuation and decline in oil prices in the international market a study of tax saving behaviour of firms could reveal the strategies employed to navigate the harsh economic climate. Several authors have engaged the issues of tax competition etc in developed countries such as United States, Australia and Japan (Zimmerman, 1983; Gupta & Newberry,1997; Buijink, Janssen & Schols,

2002; Feeny, Harris & Gillman, 2002; and Janssen, 2005). However, despite the passionate and belligerent tax planning activities of firms in developing countries like Nigeria where commitment to tax payment is very low, researchers are becoming more curious as to the tax savings behaviour. It is particularly imperative to study tax savings behaviour of firms in Nigeria considering the complaint over high tax rates which reduces their profitability and shareholder value creation.

In extant literature are studies of Rego (2003), Miraz & Javed (2013) Rego & Wilson (2012), Wang (2010) Wilson (2009) and Mills (1996) which are in developed countries of the world. The study of Kiabel and Akenbor (2014) though in Nigeria did not use the same variables and focused only on the manufacturing sector. Hence, the need for this research to assess the relationship of firm size and tax saving behavior of quoted firms in Nigeria.

2.3.3 Firm Size

The size of a company influences firm value once proper strategic tax planning exists. Corporate tax planning is a practice that involves proper skill and competences. Hence, the size of a firm and capacity in terms of the availability of human resources available to the firm is believed to directly influence the extent tax planning practice (Nwaobia et al. 2016). According to Salawu and Adedeji (2017), the effectiveness of the board depends on its size. This is because the size of the board does influence the management policy of the company. Ftouhi et al. (2014) in Nwaobia et al. (2016) argue that bigger firms can achieve better tax planning practice due to the amount of resources and incentives available to them. Oeta, Kiai and Muchiri, (2019); Timothy et al. (2020) findings suggest a positive insignificant relationship between firm size and value of a

firm. On the contrary, Banchuenvijit (2012); Nwaobia et al. (2016) showed a negative association between firm size and value of a firm. This is because big size creates additional costs arising from diseconomies of scale. Firm size is proxied as the natural log of total assets.

The nature of the relationship between firm size and firm value has received considerable attention in the literature and has provoked vigorous debate. Several arguments favour larger firm sizes in attaining higher firm value. Existing empirical evidence has not been unambiguous, lending support to both a positive and a negative impact of firm size on performance. Yang and Chen (2009) compared the technical efficiency of SMEs with that of large firms and were inconclusive about the relationship when choosing different estimation methods. In a study on Portuguese companies Serrasqueiro and, Nunes (2008) found that size is related positively to performance but only for the sample of SMEs and not for large firms. A similar finding by Diaz and Sanchez (2008) in the Spanish context suggested that SMEs were more efficient than large firms lending support to earlier studies that identified an inverse relationship between size and performance. These studies imply a relationship between firm size and performance that might not necessarily be linear, as illustrated in Barrett et al.(2010),Yoon (2004),and Risseeuw (1997), which conclude that company growth beyond optimal level can deteriorate performance.

A positive relationship between firm size and profitability was found by Vijayakumar and Tamizhselvan (2010). In their study, which was based on a simple semilogarithmic specification of the model, the authors used different measures of size (sales and total assets) and profitability (profit margin and profit on total assets) while applying model on a sample of

15 companies operating in South India. Papadogonas (2007) conducted analysis on a sample of 3035 Greek manufacturing firms for the period 1995-1999. After dividing firms into four size classes, he applied regression analysis which revealed that for all size classes, firms' profitability is positively influenced by firm size. Using a sample of 1020 Indian firms, Majumdar (1997) investigated the impact that firm size has on profitability and productivity of a firm. While controlling for other variables that can influence firm performance, he found evidence that larger firms are less productive but more profitable.

One of the goals of any company is to create value by providing returns for the shareholders of the company. On one hand, the company's long-term goal is to maximize the shareholders' value which results from sustainable financial performance. On the other hand, the company's value is the key concern to investors. Therefore, it is important to understand that shareholders and investors need assurance upon their funds which they have already invested and returns upon their investment. The company will try to maximize the value of all the stakeholders' investment, by increasing the company financial performance. Philipp and Nadine (2017) further maintained that the increase of company value is the reflection of shareholders' funds optimization, which is frequently valued by Price to Book Value (PBV). This ratio shows the willingness of investors to buy shares with the price at above or below the nominal value. The higher the value of a company the more prosperous the owners are. Thus, the value of company in investors' and creditors' view is very important that they become more selective in investing and providing credit for the company.

In contemporary business, value of the firm indicates the extent towards maximizing the investors' and stakeholders wealth. This is because they have interest in the return on their

investment and this can be achieved if the resources of the organization is fully utilized properly (Bintara, 2018). Therefore, this will serve as the basis for upcoming investors and financial providers to invest more in the business. Specifically, Kartikasari et al. (2016) came up with the notion that, firm value is of dynamic significance for economic development. In this regard, investors need high returns on their investment and well-organized managers that monitored firm performance could bring long-term profits for its stakeholders, shareholders and investors. Importantly, firm value signifies as economic measure of firm performance through which the worth of business and economic resources can be ascertained. In finance literature, it is very clear that firm value represents the assets of the business that are readily provided by the two parties. That is, debt financiers and equity shareholders. Hence, it is more important to understand that, value of the firm will attract investors to patronize the company more. Unlike the firms' financial performance which is the effort of managers' from their own internal perspective. FV is used as the main focus in making decisions by investors to invest in a company (Bintara, 2018).

However, companies that are large do enjoy economic of scale because of their size. Specifically, some firms increase their size in order to have competitive advantages over other rivals. This practice will go a long way to increase companies' market share as they reduce the cost of production. Thus, large companies are in better position to produce items at much lower costs than smaller companies. Indeed, Danaei and Abdi (2015) asserted that firms that are large in nature increases because of some reasons which includes; market of large capitalization; consistent in book value and high revenue. Investors tend to be more interested in companies with large scale. Therefore, all these factors will make large firms more stable in terms of

operation. More importantly, firms' consistency entices investors to own portions of the total investment in the company. This will in turn serve as the basis of increase in share price in the capital market. Generally, size has an impact greatly on firm values and enhancing their standard of living. From these scenarios it is clear that size of the firm could contribute to firm value (FV) in many ways. Kartikasari and Merianti (2016) argue that FV has potential to enhance organizational performance through economy of scale, increasing efficiency and growth and financial performance.

Generally, Nigeria Insurance Industry (NII) has contributed to the development of the Nigeria economy. However, from 2007 to 2014 the industry witnessed problem of stagnation and growth. It is evidently clear that the report on NII indicates that the industry was facing two main setbacks. Firstly, the report indicated that the industry accounted for only 0.4% to the Nigerian Growth Domestic Product (GDP). Suggesting that, despite many favorable changes in the economy especially in the Agricultural sector and downstream oil and gas sector, is not adequate. Secondly, as at 2011, the industry revealed only 0.03% to the contribution to the world global premium. More specifically, the NII's performance indicators seem to be poor. Indeed, this has called for the attention of Central Bank of Nigeria (CBN) and Nigerian Insurance Commission (NAICOM) on the performance of the firms in the industry. Also new guidelines were issued by the NAICON which include the need to recapitalize the industry (Nwagbara, 2017& Victor, 2013). In addition, insurance has remained one of the least purchased items in the Nigeria financial market and records revealed that only about 10% of Nigerian population has insurance of any kind (Ebitu, Ibok, &Mbum 2012). However, it is ha

been established that this low patronage of insurance products has become a problem not only to the insurance industry, but also has affected economic development in Nigeria (Atubi, 2015). However, it was reported by Thisday Live (2018) revealed the position of performance of the NII. Thus, it was observed that by 2014, Banking Industry was already recapitalized to the tune of N25 Billion, yet the NII composite insurance firms was only having N5Billion as capital base. Recently, National Insurance Commission, (2020) reported that NII was capitalized with the tune of #30Billion. Though, there is improvement in the industry performance. From this scenario, there is need for reinvestment in the industry to go in line with need of Nigerian economy especially in the agricultural sector and downstream oil sector. This prompts the need to understand factors determining the firm value of companies in Ninth organization as a system would be weak and could break down without those proper and functioning systems. Thereby, stressing the importance of financial performance, growth, and firm size to the progress of firm value. Therefore, the study evaluates the effect of financial performance and firm size on firm value of Insurance firms in Nigerian.

2.3.4 Financial Leverage

Financial leverage is also another dimension employed by previous studies to examine firm value. Ftouhi, Ayed and Zemzem, (2014) observed that companies with higher debt-to-equity ratios are more efficient at reducing corporate income tax. They provided that better-leveraged companies have lower effective tax rate as they employ debt deductions to positively reduce the payment of corporate income tax. According to Nwaobia, Kwarbai and Ogundajo (2016), financial leverage provides tax shield as a tax planning practice which improves shareholders earnings which in turn expands the value of the firm. Oeta, Kiai and Muchiri

(2019); Timothy et al, (2020) findings suggest a negative insignificant relationship between financial leverage and value of a firm.

In general context, financial leverage is the use of debt in a firm's capital structure. In finance, capital structure refers to the way a corporation finances its assets through combination of equity, debt or hybrid securities. A firm's capital structure is then the composition of its liabilities. For example, a firm that sells N20 billion in equity and N80 billion in debt, is said to be 20% equity financed and the firm's ratio of debt to total financing 80% in this example is referred to as the firm's leverage. Hence, a firm's capital structure is an indicator of the proportion of debt to equity.

Ross, Westerfield and Jordan (1998), retreated that the use of debt in a firm's capital structure is called financial leverage. The more debt a firm has, the greater is its degree of financial leverage. To them (Ross et al 1998), debt acts as a lever in the sense that using it can greatly magnify both gains and losses. Hence, financial leverage increases the potential rewards to shareholders, but it also increases the potential for financial distress and business failures.

According to Horne (2002), the change in capital structure that is caused by an increase or decrease in the ratio of debt to equity is referred to as financial leverage. When a firm includes debt as a proportion of funds employed to finance its project, financial leverage is brought into being. Financial leverage is a company practice of the acquisition of part assets of the company with fixed interest capital with the hope of increasing ends results of the common stock holders. (Oloyede, 2000). Every firm whether small scale firms or large scale firms need funds to operate; especially large scale firms, they need funds to expand their operations and activities. The

motive of every firm is to make profit, maximize owner's wealth, and to achieve this motive they need to source for funds in order to finance their operations and activities. Firms have multiple financing sources to finance their investment. Basically, financing sources can be categorized into two; the internal financing sources which include reserves and retained earnings; external financing which includes long-term loans, bond issuance, ordinary and preferred stock issuance. (These sources are long-term sources of finance).

Firms must choose the best financing sources to reach the optimal capital structure so that they can make suitable financing decision that would enable them achieve positive returns. Financial leverage is the extent to which fixed income securities (debt) are used in a firm's capital structure. A firm's capital structure is the composition or structure of its liabilities. Furthermore, financial leverage reflects the amount of debt used in capital structure of the firm. Debt carries fixed obligation of interest payment. Thus, financial leverage increases as the fixed financial expenses of a firm increases i.e. interest expenses increases as higher amount of debt is incurred. Also, with a high level of debt relative to equity, a small percentage change in earnings before interest and tax (EBIT) will lead to a large percentage change in net income.

Technically, financial leverage is defined as the percentage change in earning after tax (EAT) divided by percentage change in EBIT. An example of financial leverage is when a firm is financed with \$100,000 having a capital structure of \$20,000 owner equity and \$80,000 loan debt having an interest rate of 5% annually. A firm can be either highly levered (having more debt than equity than debt in its capital structure) or lowly levered (having more equity than debt in its capital structure). Furthermore, having debt in a firm's capital structure is beneficial to a firm; this is because a firm with debt in its capital structure enjoys tax savings as interest

is paid before tax is deducted from the firm's income. Financial experts also stated that financial leverage is a financial tool that is widely used to improve a firm's rate of return and its value. However, financial leverage irrespective of its benefit to a firm, also creates financial risk such as risk to the company; if a highly levered firm is unable to make sufficient EBIT, such firm might go into liquidation as it may not be able to meet its interest obligations and also finance other expenses of the firm.

Another risk is to the stockholder; if the firm incurs losses, this will cause greater volatility in earnings and therefore greater volatility in the stock price and also such firm may not be able to pay any dividend to its ordinary stockholders as it would have to pay preferred stockholders prior to ordinary shareholders. However, the objective of a firm according to Horne (1974) is to maximize its value to its shareholders. Value of a firm is represented by the market value of the company's ordinary shares, which in turn is a reflection of the firm's investment, financing and dividend decisions. And since financial leverage affects the cost of capital of a firm, it will also affect the value of the firm.

2.3.5 Firm age and firm value

The relationship between firm age and survival has also been investigated by many researchers (Mata and Portugal, 2004; Bartelsman et al., 2005), but the results have not been clear-cut. An early contribution coined the term liability of newness to describe how young organizations face higher risks of failure (Stinchcombe, 1965). Authors have referred to the liability of adolescence (Fichman and Levinthal, 1991) to explain why firms face an initial 'honeymoon' period in which they are buffered from sudden exit by their initial stock of resources. Still others have identified liabilities of senescence and obsolescence (Barron et al.,

1994) according to which older firms are expected to face higher exit hazards once other influences (such as firm size) are controlled for.

More recently, researchers have begun to take more interest in the role age plays in the performance of surviving firms. Some authors have investigated age effects by focusing specifically on samples of young firms (Stam and Wennberg, 2009). Some researchers have focused on the functional form of the aggregate age distribution, showing that the empirical density is well approximated by an exponential distribution (Coad,2010), while others have tracked the evolution of the FSD over time, for cohorts of ageing firms (Cirillo, 2010).

Other research has focused on differences in performance and behaviors across firms of different ages. For instance, it has been suggested that the age of a firm is positively related to its productivity levels (Haltiwanger et al., 1999). Brown and Medoff (2003) investigate whether older firms pay higher wages. Bartelsman et al. (2005) compare the post-entry growth rates of North American and European firms. Bellone et al. (2008) examine how pressures related to market selection (i.e. firm survival) change as firms age. Others have investigated how probability of innovation and productivity growth change across the firm age distribution (Huergo and Jaumandreu¹, 2004a, b). Autio et al. (2000) observe that young international firms - born global firms - experience faster growth in international sales than their older counterparts. They interpret this finding as evidence that younger firms are better able to develop export capabilities because they are better able to learn how to succeed in uncertain environments.

Also, the growth in age has an influence on profits because of the cumulative experience of the firm and the generation of a purchasing and negotiating power. And according to the

experience curve, the company benefits from the economies of scale and experienced performance among its life. So, we expect older firms to be more profitable because managing the licensing process yields significant experience in pre-empting market capacities, which can then yield superior profitability because of market capture (Majumdar 1997). Some of the studies have been made related to the relationship between the age and the profitability referred the existence of a negative relationship between the two variables, like Majumdar 1997, who has found that older firms in India are more productive and less profitable. But other studies in this topic have concluded a non-significant relationship between age and profitability such as: Stierwald (2010).

Onaolapo and Kajola (2010) conducted a research entitled "capital structure and firm performance" and examined the impact of capital structure on firm's financial performance using sample of thirty non- financial firms listed on the Nigerian Stock Exchange during The seven-year period,2001-2007.They also assessed the relationship between firm size,age and performance. Their findings show that there is a significant relationship between firm size,capital structure and firm's financial performance, while there is no significant relationship between firm age and performance.

Coad et al. (2010) examined the impact of age on firm's performance in Spanish manufacturing firms in the period between 1998 and 2006. They found that firms improve with age, and argue that ageing firms are observed to have steadily increasing levels of productivity, higher profits, larger size, lower debt ratios, and higher equity ratios. Furthermore, older firms are better able to convert sales growth into subsequent growth of profits and productivity.

Abayie et al (2011) conducted research entitled "The Measurement and Determinants of Economic Efficiency of Microfinance Institutions in Ghana". The results indicated the age of Microfinance institutions have a positive effect on their performance in terms of efficiency, sustainability and profitability. Akbas and Karaduman (2012) have studied the effect of firm size on profitability on the firms operating in manufacturing sector, listed in ISE between the years 2005-2011. Results of the study showed that firm size has a positive effect on profitability. Dogan (2013) examined the impact of size, age, liquidity and leverage on profitability for 200 companies listed in Istanbul Stock Exchange for the years 2008 to 2011. The results indicated a positive effect for both the size and the liquidity on the profitability. While found a negative impact for age and leverage on the profitability. Kipesha (2013) examined the impact of Size and Age on Firm Performance in Tanzania Microfinance Institutions. The results indicated both firm size and age have an impact on Microfinance performance in Tanzania in terms of efficiency, sustainability, profitability and revenue generation capacity. Ehi-Oshio et al. (2013) conducted research entitled "Determinants of Corporate Profitability in Developing Economies". The results indicated a positive relationship

exist between firm size and corporate profitability, and financial leverage and corporate profitability.

2.4 Theoretical Review

Under this section, the researcher will analyse three major theories relevant to tax planning, namely, the resource-based theory, the agency theory, and the political power theory.

2.4.1 Resource Based View

Resource Based View (RBV) holds that firms can earn sustainable super-normal returns if and only if they have superior tangible resources that are protected by some form of isolating mechanism preventing their diffusion throughout industry. According to Wernerfelt (1984) & Rumelt (1984), the fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Barney, 1991; Peteraf, 1993).

Essentially, these valuable resources become a source of sustained competitive advantage when they are neither perfectly imitable nor substitutable without great effort (Barney, 1991). In a nutshell therefore, to achieve these sustainable above average returns, the firm's bundle of resources must be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). The extent to which external and internal factors affect managerial discretion will depend on, among other factors, the manager's locus of control, perception of discretion and the amount of power that people perceive the manager to possess.

Foreign shareholders are endowed with good monitoring capabilities, but their financial focus and emphasis on liquidity results in them unwilling to commit to a long-term relationship with the firm and to engage in a process of restructuring in case of poor performance. These shareholders prefer strategies of exit rather than voice to monitor management (Aguilera & Jackson, 2003). Consequently, foreign shareholders are postulated to have a moderate impact on firm performance. Domestic shareholders possess characteristics that represent the worst of both worlds. Their financial focus leads to short-term behaviour and a preference for liquid stocks while their domestic affiliation often results in a complex web of business relationship with the firm and other domestic shareholders (Claessens et al., 2000; Dharwadkar et al., 2000). Therefore, these shareholders are expected to have a negative influence on firm performance. Thus, tax avoidance behaviour of some firms may be explained by the RBV theory as studies have shown that large firms may avoid more tax than small firms especially in non-state-owned firms.

2.4.2 Political Power Theory

From a political economy perspective, tax burden could be linked to company size. In some studies, it was found that small businesses may suffer in terms of average cost of capital because they cannot benefit from economies of scale. On the other hand, large firms may have more political power to negotiate their tax burden, particularly through trade unions, because they are more mobile and have a greater impact on employment when moving or leaving a market. This theory of political power (Siegfried, 1972) predicts that large companies face lower effective tax rates. On the other hand, political cost theory (Watts and Zimmerman, 1978) argues

A review on the determinants of firm value has revealed a number of factors which affect performance such as debt, ownership structure, and size of the firm. Studies on ownership structure, debt, and size of the firm have shown mixed results suggesting that there is an avenue for more studies to examine how these factors influence firm value. Thus, the present study will model these factors to control for their effects on firm value.

The empirical review on the effect of tax planning/avoidance on value of firms shows that there are mixed results on how these two concepts are related. Further, no study is available on the Nigerian environment that specifically focuses on how tax planning/avoidance affects firm value. This is a gap which the present study exploits. This is done by examining how tax planning influences the value of listed firms in Nigeria..

2.6 Summary Review of Literature

S/N	Authors	Topic	Methodology	Findings
1	Chen,Hu, Wang,& Tang(2013)	Corporate tax avoidance behavior and firm value in Chinese context,using a large sample of Chinese listed-firms data for the period 2001-2009	Fixed effects regression	They found that tax avoidance increase reduce firm value as part of benefit are encroached by opportunistic of managers

2	Akintoye,Adegbeie,& Iheme-Onyeka (2020)	Tax planning strategies and profitability of listed manufacturing firms in Nigeria for the period 2008 to 2017	Multiple regression analysis	Their findings revealed that there is no significant association between tax planning and return on assets (ROA) of listed manufacturing firms in Nigeria
3	Timothy,Izilin &Ndifereke (2020)	Corporate tax planning,board compensation and firm value in Nigeria for the period 2008 to 2015	Correlational and regression analysis	Their result suggests a positive and significant association between tax planning practices and firm value of listed non-financial firms in Nigeria.
4	Desai &Dharmapala (2009)	Corporate tax avoidance activities advance shareholder interests	Ordinary Least Squares (OLS)	They found out that simple view of corporate tax avoidance as a transfer of resources from the state to shareholders is incomplete given the agency problems characterizing shareholder-manager relations
5	Chukwudi,Okonkwo & Asika(2020)	Tax planning and firm value of listed consumer goods companies on the Nigerian Stock Exchange for the period 2009 to 2018	Panel multiple regression model	Tax planning proxied by effective tax rate negatively and significantly affects firm value while book tax difference showed a positively and significant influence on firm value
6	Oeta,Kiai &Muchiri (2019)	Tax planning and financial performance of listed companies at Nairobi Stock Exchange for the period 2010 to 2017	Multiple regression analysis	There is no significant statistical relationship between tax planning and corporate financial performance of listed manufacturing companies in Kenya
7	Silvy (2019)	Corporate tax planning and firm value of manufacturing firms	Multiple regression analysis	Tax planning (cash effective tax)has a negative influence on firm value

		listed on the Indonesian Stock Exchange for the period 2014 to 2016		
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Source: *Researcher's Computation, 2025*

From the review literature capital expenditure are forms of education, health, agriculture, various social services and so on in which case it will lead to an increase in consumption rather than savings.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter addresses the various methods, steps and procedures that were adopted in the empirical analysis in order to ensure that the results of the study are reliable, accurate, and valid. The software that was used in this is Eview 9.0. The steps include research design, population and sampling procedure, sources of data, model specification, method of data analysis and operationalization of variables.

3.2 Research Design

This study was designed to explain tax planning and firm value of listed consumer goods companies in Nigeria. The study adopted a combination of ex post facto and correlational research design. Ndiyo (2005) observed that ex post facto research design is a systematic empirical study in which the researcher does not in any way controls or manipulates independent variables because the situation for study already exists or has already taken place. Ndiyo (2005) contend that correlational design shows the relationships between independent and dependent variables. These research designs were considered appropriate because they facilitate a comprehensive perspective of the major research questions and hypotheses in the study.

3.3 Population and Sampling Procedure

The population consists of all companies quoted on the Nigerian Stock Exchange (NGX) as at December 31st, 2024. They were one hundred sixty-nine (169) companies listed on the Nigerian Exchange (NSE Factbook, 2024). The sample size for this study was

based on the availability of data, and simple random sampling technique was used in selecting the sampled companies.

In considering the sample size, Sauders, Lewis and Thornill (2003) suggested that a minimum number of thirty (30) firms for statistical analysis provide a useful rule of thumb. However, because of the peculiarity of this study, we used thirty (30) sample quoted companies in the Nigerian Exchange (NSE) from 2019-2023. The sample will be selected with the aid of simple random sampling techniques, to ensure statistically valid generation

3.4 Sources of Data

The data used in this study were sourced from secondary data such as; the Nigerian Statistical Bulletin (NSB) and the Central Bank of Nigeria Statistical Bulletin (2024). The secondary data were used due to availability and reliability of data. The data is collected on the variables of interest for six-year period beginning 2019 to 2023.

3.5 Model Specification

The model of analysis follows a linear combination of explanatory time series variables, and the dependent variable which is Firm Value as the proxy for economic growth of Nigerian Companies. To estimate the effect of the tax planning on the firm value of Nigerian companies, we have identified several expenditure variables that could capture the impact of the various transmission channels. This study adapted approximate firm value as used in Nwaobia et al. (2015). Thus, the structural model to estimate the relationship between tax planning and firm value is stated thus:

$$FV= F(ETR,TS,FS,LEV) \quad (3.1)$$

Hence, the econometric form of the model is as follow:

$$FV_t = \beta_0 + \beta_1 ETR_t + \beta_2 TS_t + \beta_3 FS_t + \beta_4 LEV_t + U. \quad (3.2)$$

Where:

FV = Firm market value

ETR = Effective Tax Rate for 6 years

TS = Tax Savings

FS = Firm Size

LEV = Leverage

U = Terms,

β_0 = constant

The a priori of the explanatory variables are $\beta_1, \beta_2, \beta_3, \beta_4 > 0$

3.6 Method of Data Analysis

The method of data analysis which the study employed is ordinary least square. The study adopted these techniques to ascertain tax planning on firm value of listed Consumer Goods Companies in Nigeria. The data was analyzed using Eviews 9.0 and the outcome was used to test the hypotheses of the study after conducting necessary test. It is based on the minimization of the sum of squares residuals of the model. Hence, the estimation technique of time series data that is employed in this study is the Ordinary Least Squares (OLS) method that easily estimates the behavioural relationships among time series variables. The coefficients obtained from the estimation are then used to verify the working hypotheses of the study.

3.7 Operationalization of Variables

Operationalization is the process by which a researcher defines how a concept is measured, observed or manipulated within a particular study. This process translates the

theoretical, conceptual variables of interest into a set of specific study. The main regression model examined tax planning characteristics (Effective Tax Rate, Leverage, Firm Size and Tax Saving). (Table 3.1).

Table 3.1: Operationalization of Variables

Variable Definition	Variable Name	Measurements	Sources	Expected Sign
Regressand: Tobin's Q (Firm Value)	FV	Market value of firm's total assets divided by the replacement cost of assets.	Izevbekhai & Odion (2018); Adegbe, Akintoye & Isiaka,2019	
Regressors: Effective Tax Rate	ETR	Total tax expenses/pretax accounting income.	Chytis,Tasios, Georgopoulos and Hortia (2019);Oeta, Kiai, & Muchiri,(2019); Chukwudi, Okonkwo & Asika(2020)	+ 2
Tax Savings	TSAV	Statutory tax rate- Effective tax rate.	Izevbekhai & Odion (2018)	+
Firm Size	FSIZE	Firm size was measured as log of industry total assets.	Zhu,Mbroh, Monney and Bonsu (2019);Oeta, Kiai, &Muchiri, (2019)	+
Leverage	LEV	Total debt/total asset.	Chytis, Tasios, Georgopoulos and Hortia (2019);Zhu, Mbroh, Monney and Bonsu(2019); Oeta,	+

			Kiai,& Muchiri,(2019)	
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Source: *Researcher's Computation, 2021*

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND EMPIRICAL RESULTS

4.1 Introduction

This chapter contained the presentation, analysis and interpretation of the data collected from the Nigerian Statistical Bulletin (NSB) and the Central Bank of Nigeria Statistical Bulletin (2024). The study adopted these techniques to ascertain tax planning on firm value of listed Consumer Goods Companies in Nigeria. The data was analyzed using Eviews 9.0 and the outcome was used to test the hypotheses of the study after conducting necessary test. It is based on the minimization of the sum of squares residuals of the model. Hence, the estimation technique of time series data that is employed in this study is the Ordinary Least Squares (OLS) method that easily estimates the behavioural relationships among time series variables. The coefficients obtained from the estimation are then used to verify the working hypotheses of the study.

4.2 Data Presentation and Analytical Technique

Descriptive statistics

	TOBINQ	ETR	TXS	LEV	FS
Mean	0.465687	0.462894	3.959832	0.503973	5.382620
Median	0.451754	0.448970	3.989426	0.506476	5.944216
Maximum	2.230000	1.487795	7.992629	0.995837	12.32769
Minimum	0.000000	0.003797	0.065187	0.000649	0.070474

Std.Dev.	0.308267	0.295648	2.397505	0.299938	2.796775
Skewness	0.693653	0.281542	-0.013484	-0.019039	-0.207614
Kurtosis	5.110604	2.155250	1.743222	1.749210	2.341024
Jarque-Bera	78.67758	12.71154	19.48935	19.31309	7.482181
Probability	0.000000	0.001737	0.000059	0.000064	0.023728

Source:Eviews,8.0

The table 4.1 gives the result of the descriptive statistics that was carried out to ascertain the measure of central tendency as well as measure of dispersion of the variables in the study. From the result in the table above TobinQ was found to have a mean value of 0.46. The value of the return was found to be high therefore indicating that the firm has successfully utilized its resources. The standard deviation was found to have a value of 0.30, therefore, indicating that the variables are well spread. The Jarque Bera which measures the normality of the distribution with an associated probability value of 0.00, therefore, indicating that the variable is normally distributed when tested at the 5% significant level. With respect to the various independent variable judging by their various Jarque Bera statistic that measures the normality of the distribution revealed that they are all normally distributed when tested at 5% level.

Correlation Result

	TOBINQ	ETR	TXS	LEV	FS
TOBINQ	1.000000				

	296				
ETR	0.076922	1.000000			

	0.1869	-----			
	296	296			
TXS	-0.009900	0.007704	1.000000		
	0.8653	0.8950	-----		
	296	296	296		
LEV	-0.022026	-0.004462	-0.043581	1.000000	
	0.7059	0.9391	0.4551	-----	
	296	296	296	296	
FS	-0.049019	-0.021908	-0.013524	0.020115	1.000000
	0.4007	0.7074	0.8168	0.7304	-
	296	296	296	296	296

Source: Researchers compilation, 2025

The correlation analysis was carried out to ascertain the relationship that exists between the dependent and independent variables. From the result of the analysis it was observed that ETR was found to have a positive relationship with firm value. It was also not found to be statistically significant when tested at 5% level of significance. Tax savings was found to have a negative impact on firm value as revealed by the negative coefficient value. It was also found to be statistically significant when tested at 5% level of significance. Leverage was found to have a negative relationship with firm value (TobinQ). It was also not found to significant at 5% level of significance.. Firm size was found to have a negative impact on firm value as revealed by the negative coefficient value. It was however not found to be statistically significant at 5% level of significance.

Correlation analysis only show mere relationship that exists between estimating parameters due to the fact that it does not take into account causal relationship. This therefore led to regression output that is presented in the table below.

Diagnostic test

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.465061 (0.0627)	0.162896 (0.6865)	3.627957 (0.0568)
Honda	1.861467 (0.0313)	-0.403604 --	1.030865 (0.1513)
King-Wu	1.861467 (0.0313)	-0.403604 --	0.280897 (0.3894)
Standardized Honda	2.015947	-0.149779 --	-3.842638
Standardized King-Wu	2.015947	-0.149779 --	-3.239770 --
Gourierioux,et al.*	(0.0219)	--	3.465061
	(0.0219)		
*Mixed chi-square asymptotic critical values:			
		1%	7.289 (0.10)
		5%	4.321
		10%	2.952

Source: Researchers compilation,2025

The Breusch pagan test was carried out to ascertain if the Pooled ordinary least square regression analysis is the best suit model for the study. From the result of the Breusch pagan test carried out it was observed that the cross-section was found to have a probability value which was less than the threshold value of 5% this therefore lead to the rejection of the null hypothesis which states that there is no effect. This therefore necessitates the need to utilize

the fixed effect (FEM) or random effect (RAM) model and not the pooled OLS (POLS) The results are discussed below

Hausman Test

Correlated Random Effects-Hausman Test
Equation:Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq.d.f.	Prob.
Cross-section random	19.909493	4	0.0005

Source:Researchers compilation,2025

This test was carried out to see if the random effect model will be more appropriate for estimation so as to choose between the random and fixed effect model. From the result given above since the estimated chi-square value is highly statistically significant, we reject the hypothesis that there is no significant difference in the estimated coefficients of the two models. It seems there is no correlation between the error term and one or more repressors. Hence, we can reject the random effects model in favor of the fixed effect mode

Regression Result: Fixed effect model

Dependent Variable: TOBINQ

Method: Panel Least Squares

Date: 10/01/25 Time: 04:48

Sample (adjusted): 2019 2023

Periods included: 5

Cross-sections included: 43

Total panel (unbalanced) observations: 210

White cross-section standard errors & covariance (d.f. corrected)

Convergence achieved after 8 iterations

WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.560237	0.017025	32.90657	0.0000
ETR	-0.090357	0.060839	-1.485190	0.1394
LEV	0.096120	0.051862	1.853385	0.0656
TS	0.259904	0.033535	7.750143	0.0001
FS(-1)	-0.018168	0.005434	-3.343421	0.0010
	-0.294539	0.071853	-4.099166	0.0001

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.288990	Mean dependent var	0.467052
Adjusted R-squared	0.088336	S.D. dependent var	0.324025
S.E. of regression	0.309383	Akaike info criterion	0.685786
Sum squared resid	15.60197	Schwarz criterion	1.434900
Log likelihood	-25.00749	Hannan-Quinn criter.	0.988625
F-statistic	1.440244	Durbin-Watson stat	2.150457
Prob(F-statistic)	0.050951		

Inverted AR Roots -.29

Source: Researchers compilation, 2025

This model was employed to test the causal relationship that exists between the variables.

From the result of the analysis carried out it was observed that effective tax rate was found to have a negative impact on firm value. This therefore indicates that tax planning could

influence the value of a firm. The variable was also found to be non-statistically significant at 5% level of significance.

Leverage was found to impact positively on firm value. It was also non-statistically significant when tested at 5% level of significance. Firm size was found to have a negative impact on firm value. It was also found to be statistically significant when tested at 5% level of significance.

The coefficient of determination depicted has R² was found to have a value of 0.28 indicating that the model accounts for 28% of the systematic variation exhibited by the dependent variable. This low value is as a result of the heterogeneous nature of the data used for the study. Fstat value was also found to be statistically significant at 5% level of significance. Therefore indicating that the model can be relied upon to explain the actual interaction that exists in reality amongst these variables. The Durbin Wastson statistics also showed that no autocorrelation exist in the model (D=2.1) so therefore the element of biasness is void in the model.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The objective of the study was to examine Corporate Tax planning and firm value of Consumer Goods Companies listed on the Nigerian Stock Exchange Market (NSE).

The chapter concludes on the findings of the study and highlights salient policy recommendations and recommendations for future studies

5.1 Summary Of findings

From the result of the regression, it was observed that

1. ETR was found to have a positive impact on firm value. It was also not statistically significant at 5% level
2. Leverage was found to impact negatively on firm value. It was also not statistically significant at 5% level
3. Firm size was found to have a positive impact on firm value. It was also found to be statistically significant When tested at 5% level of significance

5.2 Conclusion

This study was carried out to ascertain the impact of tax planning on firm value. In achieving this data was collected from annual reports and accounts of quoted companies for a period of five years ranging from 2019-2023. The data was arrayed in a table comprising of rows and columns, thereafter the regression analysis was employed to ascertain the causal relationship among the estimating parameters. Hypotheses were also

raised in the introductory section of this study which will be answers to enable use take a stand. It was therefore concluded that tax planning has an impact on firm value

5.1 Recommendations

1. Effective tax rate was found to be signed negatively on firm value. This therefore indicates that the presence of tax avoidance in a firm could improve the value of the firm. It is therefore recommended that management should examine their tax saving activities so as to ensure that it does not affect the performance of the firm negatively
2. Leverage was found to be negatively related with firm value. It can therefore be recommended that companies who are levered should ensure that strategic planning culture is imbibed in order to ascertain the long term financial mix capital structure is beefed up through gradual retention of profit which could be a long term benefit to shareholder in terms of returns and retention of control
3. Tax savings was found to have a positive impact on firm value. It was also found to be statistically significant at 5% level of significance. It is therefore recommend that Tax saving which is the difference between the statutory tax rate and the effective tax rate actually improve the value of a firm due to the fact that extra income is saved after tax expenses have been reduced.
4. Firm size was found to have a negative impact on firm value. It was also found to be statistically significant at 5% level of significance. It is therefore recommended that the size of firms should be looked out for in any organization. This is because in large organisation it takes longer period be for decisions are made due to the size of the firm. This could hinder vital decision that that would have improved firm value.

5. Recommendation for further studies

1. The time frame and sample size could be increased in order to cover more longer time frame and more representative sample size in order to enhance the quality of the results.
2. More variables of a technical nature that impinge directly on firm value measurement could also be introduced into the model for more robustness

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Appendices

	TOBINQ	ETR	TXS	LEV	FS
Mean	0.465687	0.462894	3.959832	0.503973	5.382620
Median	0.451754	0.448970	3.989426	0.506476	5.944216
Maximum	2.230000	1.487795	7.992629	0.995837	12.32769
Minimum	0.000000	0.003797	0.065187	0.000649	0.070474
Std.Dev.	0.308267	0.295648	2.397505	0.299938	2.796775
Skewness	0.693653	0.281542	-0.013484	-0.019039	-0.207614
Kurtosis	5.110604	2.155250	1.743222	1.749210	2.341024
Jarque-Bera	78.67758	12.71154	19.48935	19.31309	7.482181
Probability	0.000000	0.001737	0.000059	0.000064	0.023728
Sum	137.8434	137.0167	1172.110	149.1759	1593.256
Sum Sq. Dev.	28.03345	25.78525	1695.669	26.53905	2307.476
Observations	296	296	296	296	296

Covariance Analysis: Ordinary

Date: 10/09/21 Time:04:53

Sample:2014 2020

Included observations: 296

Balanced sample (listwise missing value deletion)

Correlation Probability Observations	TOBINQ	ETR	TXS	LEV	FS
TOBINQ	1.000000				
	296				
ETR	0.076922	1.000000			
O	0.1869	-----			
	296	296			
TXS	-0.009900	0.007704	1.000000		
	0.8653	0.8950			
	296	296	296,		
LEV	-0.022026	-0.004462	-0.043581	1.000000	
	0.7059	0.9391	0.4551		
	296	296	296	296	

FS	-0.049019	-0.021908	-0.013524	0.020115	1.000000
	0.4007	0.7074	0.8168	0.7304	
	296	296	296	296	296
