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CORPORATE TAX LIABILITY AND PERFORMANCE OF LISTED CONGLOMERATES IN NIGERIA

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ABSTRACT
The study examined the effect of corporate tax liability on the financial performance of listed conglomerates in Nigeria. The study utilized secondary data collected from the audited annual reports and financial statements of the conglomerate firms over a ten-year period from 2015 to 2024. The study employed descriptive statistics to summarize the distribution of variables. For the hypotheses testing, the study applied the Robust Least Squares (RLS) regression analysis. The study found that: Total Tax Expense has a significant positive effect on return on assets of listed conglomerate firms in Nigeria (β = 0.013827, p = 0.0000); Effective Tax Rate has a significant negative effect on return on assets of listed conglomerate firms in Nigeria (β = -0.013586, p = 0.0000); Cash Tax Paid has a significant positive effect on return on assets of listed conglomerate firms in Nigeria (β = 0.014166, p = 0.0000).In conclusion, firms that are more profitable and operationally efficient tend to incur and pay more taxes in nominal terms, reflecting the positive association between tax remittance and return on assets. The study among others recommends that Tax Planning Units of Conglomerate Firms should develop and adopt effective tax planning mechanisms that minimize the tax burden without violating regulatory standards, ensuring that operational resources are not eroded by inefficient tax exposures.

Keywords: Corporate tax Liability, Financial Performance

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1. INTRODUCTION

In Nigeria, corporate tax liabilities are intended to contribute to national development and wealth redistribution by ensuring that businesses, especially large corporations, pay their fair share toward public goods and services. However, the structure and rates of corporate tax can have unintended consequences, especially for businesses operating in a challenging environment like Nigeria (Adebimpe & Dahiru, 2024). Factors such as corruption, a lack of infrastructure, and a complex tax administration system can complicate the tax obligations of firms. In addition, frequent changes in tax laws and regulations can result in uncertainties that affect business planning, profitability, and competitiveness. A clear understanding of how corporate tax liabilities influence the performance of conglomerates is vital for guiding policy reforms that strike a balance between encouraging investment and ensuring sufficient revenue generation for the government.

The Nigerian corporate tax system, which comprises several layers of taxes, including the Companies Income Tax (CIT)and Withholding Tax, places a significant burden on these businesses, especially considering the volatile economic conditions and infrastructure deficits within the country (Kwara, 2024). As such, understanding the relationship between tax liability and firm performance in the context of listed conglomerates is crucial for policymakers seeking to ensure that the tax system is both effective and equitable.The relationship between corporate tax liability and firm performance is multifaceted and often subject to varying interpretations depending on the nature of the business, its market position, and the broader economic environment (Adu, Oguntuase & Williams, 2024). For conglomerates in Nigeria, tax liability impacts firm performance in a number of ways. First and foremost, the payment of taxes reduces the after-tax profits available to shareholders and reinvestment in business operations (Bala, Mustapha& Bassey, 2021). High tax liabilities can lead to lower profitability, reducing the resources available for expansion, innovation, or paying dividends to shareholders. As such, high taxes can serve as a disincentive for investment, which, in turn, affects the company's ability to scale and compete in the market. This is particularly relevant for large conglomerates with diverse operations, as the combined effect of various taxes can accumulate and lead to substantial financial pressure on the organization.

Corporate tax liability can also influence a company's competitive position in the market. Firms that are subject to higher tax burdens may face increased operational costs, which can affect their pricing strategies (Adu, Oguntuase& Williams, 2024). This, in turn, can lead to a loss of competitive advantage, particularly in industries where price sensitivity is high, such as consumer goods or telecommunications. On the other hand, companies that effectively manage their tax liabilities and optimize their tax strategies can reduce their costs, improve their profitability, and position themselves more favorably in the market (Bala, Mustapha& Bassey, 2021). In this sense, managing corporate tax liabilities is not just about compliance; it is a strategic component of overall business performance.

Furthermore, the impact of corporate tax liability on firm performance extends to long-term planning and corporate strategy (Habila, Jim-Suleiman & Uchendu, 2024). Firms with higher tax obligations may be forced to reduce expenditures on research and development, marketing, or capacity building, which are key drivers of future growth. In contrast, firms that face lower tax burdens may have more resources at their disposal to invest in innovation, diversify their portfolios, or expand into new markets. Given the competitive nature of conglomerates, especially in emerging markets like Nigeria, the ability to strategically manage tax liabilities can be a key determinant of a company's ability to grow, innovate, and remain competitive in both local and international markets.

However, corporate tax instead of serving as a fair and efficient mechanism for revenue generation, the tax system has devolved into a tool of economic suppression, where excessive and poorly structured taxation drains businesses of vital resources. Unlike developed economies where taxation is transparent and structured to support business expansion and innovation, the weight of the corporate tax liabilities in Nigeria has the tendency of forcing firms into financial distress (Bala, Mustapha& Bassey, 2021), limiting their ability to reinvest profits, expand operations, or remain competitive. Thus, the failure to strike a balance between government revenue generation and corporate financial sustainability has led to a hostile business environment, where taxation is perceived more as a punitive measure than a development strategy.

Companies may also face reputational damage, as tax avoidance tactics can erode trust with stakeholders. Ultimately, the negative consequences of these tax-related challenges can lead to underperformance, financial instability, and, in extreme cases, a decline in shareholder value. This study is therefore conducted in view of proffering solution to the above.

1.1 Objectives of the Study

The main aim of the study is to examine the effect of corporate tax liability on the financial performance of listed conglomerates in Nigeria. The specific objectives include:

1. To ascertain the effect of total tax expense on the return on assets of listed conglomerate firms in Nigeria.
2. To determine the effect of effective tax rate on the return on assets of listed conglomerate firms in Nigeria.
3. To analyze the effect of cash tax paid on the return on assets of listed conglomerate firms in Nigeria.

1.2 Hypotheses

The following hypotheses in null form would be tested in this study:

$H0_1$: Total tax expense has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

$H0_2$. Effective tax rate does not significantly affect the return on assets of listed conglomerate firms in Nigeria.

$H0_3$. Cash tax paid has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

2 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1. Corporate Tax Liability

Corporate tax liability refers to the legal obligation of a corporation to pay taxes to the government based on its earnings or other taxable activities (Habila, Jim-Suleiman & Uchendu, 2024). This concept is central to corporate finance and accounting because it represents the amount a business is required to remit to the government as a result of its income, profits, or activities subject to taxation. A company's tax liability is calculated according to the applicable tax laws in the jurisdiction where it operates (Zizzo, 2024). This tax responsibility is not a one-time payment but a recurring obligation that businesses must manage, ensuring compliance with tax regulations to avoid penalties or legal actions.In this context, corporate tax liability is not just an accounting figure but a key component of corporate responsibility, ensuring that businesses contribute to public finances, support infrastructure, and help fund various public services. Thus, it is a crucial financial concept that shapes a company’s fiscal practices, governance, and strategic decision-making.

2.1.2Total Tax Expense

Total tax expense represents the total amount of tax liability incurred by an entity for a given period, as reported in its financial statements (Dhaliwal, Kaplan, Laux & Weisbrod, 2013). It is a comprehensive measure that includes both current tax liabilities, which represent taxes payable to tax authorities for the current year, and deferred tax components, which arise due to temporary differences between financial reporting and taxable income recognition. Investors and analysts use total tax expense as a key indicator when evaluating a company's profitability and financial stability (Marg ERP, 2023). A consistently high total tax expense relative to earnings may indicate that a firm operates in high-tax jurisdictions or lacks effective tax planning strategies. On the other hand, unusually low tax expenses could suggest the use of tax shelters or artificial profit shifting, raising concerns about sustainability and regulatory compliance. Furthermore, changes in total tax expense over time can provide hints into a company's exposure to tax law amendments, shifts in corporate structure, and the effectiveness of its tax management strategies.

2.1.3 Effective Tax Rate

Effective tax rate is a financial metric that represents the average rate at which an entity is taxed on its pre-tax earnings (Tennant & Tracey, 2019). It is calculated as the total tax expense divided by pre-tax income and provides a more accurate picture of the overall tax burden than statutory tax rates (AnalystPrep, 2023). The effective tax rate is crucial in assessing a company's financial health and operational efficiency. A lower effective tax rate suggests that an entity benefits from tax incentives, deductions, or strategic tax planning, while a higher effective tax rate may indicate limited tax-saving opportunities or operations in high-tax environments (Inua, 2018).

From an investor’s perspective, analyzing a company’s effective tax rate is critical in understanding earnings quality and profitability sustainability. A company with a highly volatile effective tax rate may be exposed to changing tax policies or reliance on temporary tax advantages. Conversely, a consistently low effective tax rate might indicate aggressive tax avoidance, which could pose regulatory risks if tax authorities scrutinize the company’s tax strategies. Additionally, when comparing firms within an industry, variations in effective tax rates can indicate differences in tax planning efficiency, geographical revenue distribution, and corporate structuring.

2.1.4 Cash Tax Paid

Cash tax paid refers to the actual amount of taxes that a company or individual remits to the government during a specific accounting period (Asien, 2022). It is the real cash outlay for taxes, reflecting the immediate tax burden on an entity (Fathom, 2025). The cash tax paid figure is found in the statement of cash flows under operating activities, as it is a direct payment related to business operations (Sahay, 2022).

Companies often use accrual accounting, where tax expenses recorded in financial statements include estimated liabilities that may not be paid immediately. Conversely, cash tax paid represents the amount settled with tax authorities within a given period, irrespective of when the related income was earned or recognized (Asien, 2022). Cash tax paid is a critical metric in financial analysis, particularly for investors and analysts assessing a company's actual tax burden and cash flow health. Since it reflects real cash outflows (Fathom, 2025), it is often compared with operating cash flows to determine the proportion of earnings consumed by tax payments. This measure also plays a role in evaluating the effectiveness of a company's tax planning strategies. Firms that consistently report low cash tax paid relative to their earnings may be utilizing aggressive tax avoidance strategies, whereas those with high cash tax

outflows may be operating in high-tax jurisdictions or failing to optimize tax-saving opportunities.

2.1.5 Firm Performance

Firm performance refers to the assessment and evaluation of how well a business is achieving its objectives, operating efficiently, and generating value for its stakeholders, including owners, employees, and customers (Habila, Jim-Suleiman & Uchendu, 2024).

The concept of firm performance is often assessed through a variety of financial and non-financial metrics. Financial performance is indicated using financial metrics which provide an objective view of the company's profitability, operational efficiency, and overall financial health (Eneisik, Obara & Uwikor, 2023). On the other hand, non-financial indicators may include customer satisfaction, employee engagement, brand reputation, and innovation capacity. These factors, while not directly related to financial outcomes, are crucial for sustaining long-term success in competitive industries. By evaluating both financial and non-financial performance, businesses can gain a comprehensive understanding of their strengths and weaknesses.

Consequently, evaluating and improving firm performance is an ongoing process that requires continuous monitoring, strategic planning, and flexibility. Firm performance can be measured using Return on Asset (ROA), Return on Equity (ROE), Earnings Per Share (EPS) and Net Profit Margin (NPM), but for the study, firm performance is measured using the metric: Return on Asset.

2.1.6Return on Asset

Return on Asset (ROA) is a financial performance metric that measures a company's profitability relative to its total assets. It is calculated by dividing net income by total assets and is expressed as a percentage. ROA assesses how efficiently a firm utilizes its assets to generate earnings, providing hints into operational efficiency and asset productivity. A higher ROA indicates that a company effectively uses its assets to generate profits, while a lower ROA suggests inefficiencies or underutilized resources.

2.2 Theoretical Framework

2.1 Ability to Pay Theory

The Ability to Pay Theory, propounded by MS Kendrickin 1939, is one of the foundational theories in taxation that centers around the concept of equity in tax policy (Kendrick, 1939). This theory emerged during the early 20th century as the role of taxation in promoting social justice and economic equity was gaining attention. Kendrick's work on the theory was largely influenced by the growing need for a tax system that considered individuals' or businesses' capacity to contribute to the economy, rather than their absolute income. The theory became a cornerstone in debates on how to structure tax systems that could balance fiscal responsibility with fairness in burden distribution, especially in economies where disparities in wealth and income levels are pronounced (Akinleye, Olaoye & Ogunmakin, 2019).

The main postulations of the Ability to Pay Theory revolve around the belief that taxes should be levied based on the taxpayer's ability to bear the financial burden (Omodero & Ogbonnaya, 2018). The theory posits that individuals or organizations with higher incomes or profits should pay more taxes, as they have a greater ability to absorb the tax load without experiencing financial hardship. This principle seeks to ensure that taxation systems are progressive, meaning that they are designed to adjust based on the economic standing of the taxpayer. Essentially, it emphasizes that taxation should not place undue strain on less affluent entities, but should instead distribute the tax burden equitably according to the

taxpayer's ability to pay (Akinleye, Olaoye & Ogunmakin, 2019). In the context of businesses, particularly conglomerates, the theory suggests that the tax obligations of these companies should be aligned with their financial strength and profitability. By applying the theory to the corporate tax landscape, it becomes evident that large and profitable conglomerates are expected to contribute more to the economy through taxes, without causing significant damage to their financial performance. The theory also offers a basis for evaluating whether tax policies are adequately designed to foster corporate growth while ensuring equitable contribution to national development. Hence, this research is anchored on the Ability to Pay Theory.

2.3 Empirical Review

Habila, Jim-Suleiman, and Uchendu (2024) investigated the effect of tax liabilities on the financial performance of listed deposit money banks in Nigeria. The study used an ex-post facto research design, with a sample of 10 out of 14 quoted deposit money banks in Nigeria, selected through judgmental sampling. Secondary data was gathered from audited annual financial reports of these banks for the period 2013-2022. Panel least squares regression, utilizing pooled effect, fixed effect, and random effect models, was applied. Based on the Hausman test, fixed effect regression was chosen for analysis using STATA 17. The study found that company income tax had a positive and significant effect on financial performance, while tertiary education tax and capital gains tax negatively and significantly affected it. Value-added tax had a positive but insignificant effect on financial performance. The study concluded that company income tax, tertiary education tax, and capital gains tax negatively impacted the financial performance of these banks. The study recommended that deposit money banks engage in strategic tax planning, collaborating with tax authorities to explore legal ways to minimize tax liabilities.

Ndah, Ekwueme, Amahalu, and Ndubuisi (2024) examined the effect of taxes on the net investment of industrial goods firms in Nigeria. The study specifically looked at the impact of Company Income Tax (CIT), Tertiary Education Tax (TET), Value-Added Tax (VAT), Capital Gains Tax (CGT), and Industrial Training Tax (ITT) on Net Investment (NI). The ex-post facto research design was employed, studying a population of 13 listed industrial goods firms over a period of 11 years (2013-2023). The data was analyzed using panel regression. The results indicated that company income tax and tertiary education tax had an insignificant effect on net investment, although both had a positive and negative relationship, respectively. The study also found that VAT and capital gains tax negatively affected net investment, while industrial training tax had a positive effect. The study concluded that, except for company income tax and tertiary education tax, other tax liabilities significantly impacted net investment. The study recommended maintaining the current company income tax rate to sustain its positive relationship with net investment and advised the government to invest in education through both tax and non-tax sources to reduce the burden on firms. Additionally, the VAT rate should be reduced or reverted to 5%, and industrial training tax should be expanded to other sectors.

Eneisik, Obara, and Uwikor (2023) examined the effect of company income tax on the financial performance of quoted manufacturing companies in Nigeria. The study reviewed both theoretical and empirical literature on company income tax and its relation to financial performance. Company income tax was represented by capital gains tax, tertiary education tax, and corporate income tax. The study's population included 60 quoted manufacturing companies, and 30 were selected through purposive sampling. Secondary data was gathered from the annual audited reports of the selected firms between 2006 and 2020. The study used panel least squares regression, and results showed that company income tax negatively and

insignificantly affected net profit margin. In contrast, capital gains tax had a significant positive effect, while tertiary education tax had a negative but insignificant effect on net profit margin. The study concluded that company income tax adversely impacted the financial performance of the listed manufacturing companies in Nigeria and recommended reducing multiple taxations and ensuring transparency in tax administration to attract investment.

Odusina (2023) assessed the effect of corporate taxation on firm performance in Nigeria. The study adopted an ex-post facto research design, utilizing secondary data obtained from the audited annual reports of 61 purposively sampled firms between 2012 and 2020. Panel regression analysis with fixed effects was applied. The results indicated a positive and significant relationship between Corporate Earnings Power(CEP) and Return on Assets (ROA), while the Gross Net Capital (GNC) had a negative and insignificant relationship with ROA. Corporate tax was found to have a positive but insignificant effect on ROA. Furthermore, corporate taxation and investment decisions were found to jointly have a positive and significant relationship with firm performance. The study concluded that corporate taxation, together with investment decisions, significantly influences firm performance in Nigeria's non-financial sector.

Rasheed and Lateef (2023) investigated the effect of corporate taxes on the financial performance of listed Information and Communication Technology (ICT) companies in Nigeria. The study focused on company income tax and education tax as the proxies for corporate taxes, while profit after tax was used as the measure of financial performance. Data were collected from the annual reports of sampled ICT companies for the period 2018-2022. Descriptive and inferential statistics were applied in the analysis, and regression analysis was used to test the hypotheses at a 5% significance level. The findings revealed that corporate taxation had a positive and significant effect on the financial performance of these companies, particularly company income tax. However, education tax had a significant negative effect on their financial performance. The study concluded that corporate taxes, specifically company income tax, positively influenced the financial performance of ICT companies, while education tax negatively impacted their performance.

Owoniya and Olaoye (2022) investigated the impact of company income tax on the profitability of quoted manufacturing companies in Nigeria. The study focused on the effect of the effective tax rate on earnings per share of 10 selected firms over a 10-year period (2007–2016). Panel data analysis, using pooled OLS estimation, fixed effect, and random effect models, was conducted, followed by post-estimation tests such as restricted F-test and Hausman test. The results showed that the effective tax rate had an insignificant negative impact on earnings per share, with a coefficient estimate of -0.0223004 ($p=0.209 > 0.05$). The study concluded that a more strategic focus on corporate taxation should be adopted to improve the profitability of quoted manufacturing firms in Nigeria. It recommended that policymakers, management, and regulatory bodies in the manufacturing sector collaborate to reform the tax framework to foster industrialization and better economic performance.

Judith, Maduabuchi, Igwe, Ehis, and David (2022) examined the impact of taxation and tax practices on the growth of SMEs in Nigeria. The study used a survey research design and employed chi-square and regression analysis to test hypotheses. The findings from the chi-square and regression analysis showed that tax practices significantly affect SMEs' profitability and investment decisions. However, there was a discrepancy regarding the effect of taxation on SMEs' cash flow. While the chi-square test indicated a non-significant effect, the regression analysis revealed a significant relationship between taxation and cash flow, which may be attributed to respondent bias. The study recommended improving existing tax

incentives, enhancing infrastructure, and implementing tax policies based on the ability to pay. Additionally, reducing the multiplicity of tax payments would encourage the growth and expansion of SMEs, benefiting the broader economy.

Olaoye and Fasanmi (2022) explored the impact of taxes on the profitability of deposit money banks in selected African countries. The study focused on the effects of company income tax and education tax on profitability, measured by return on equity and return on assets. Using an ex-post facto research design, the population included all 14 quoted deposit money banks in Nigeria, from which 10 were purposively selected. Secondary data were gathered from the audited financial statements of these banks for a 10-year period (2010-2019). Panel regression analysis using fixed and random effects was employed after conducting descriptive statistics and Pearson correlation. The study found that corporate income tax had a positive but insignificant effect on the profitability of the banks in terms of return on equity and return on assets. On the other hand, education tax positively and significantly affected return on equity but had a positive but insignificant effect on return on assets. Based on these findings, the study recommended that tax authorities in Nigeria uphold the principles of tax fairness and ensure that taxes such as company income tax and education tax are administered based on the ability to pay.

Adesunloro, Egbewole, and Oluwatoyin (2021) examined the impact of direct taxes on the performance of export companies in Nigeria. The study focused on the effects of company income tax and education tax on the profit after tax of selected export companies, using panel data from 2009 to 2018. Ordinary least squares analysis was employed to analyze the data. The results showed that neither company income tax nor education tax had a significant relationship with the performance of the selected export companies, with p-values of 0.941 and 0.715, respectively. The study concluded that the government should create a more supportive environment for export companies to enhance their performance and ensure that taxes can be paid without difficulty. The study recommended imposing strict penalties for tax malpractices and encouraging companies to contribute to social responsibility initiatives beyond paying taxes, as direct taxes did not significantly affect profitability.

Ngu (2021) investigated the impact of petroleum profit tax on the performance of listed oil and gas companies in Nigeria. The study used an ex-post facto research design, gathering secondary data from the annual reports of six listed oil and gas companies in the upstream sector in Nigeria, covering the years 2012-2018. A simple linear regression analysis was performed using Eviews to examine the effect of petroleum profit tax on return on assets and earnings per share. The results showed that petroleum profit tax had a significant positive effect on earnings per share, but an insignificant positive effect on return on assets. Based on these findings, the study recommended that the government ensure the tax system and rates in Nigeria are more favorable to taxpayers, which could reduce tax avoidance, minimize its impact on profitability, and ultimately increase shareholders' wealth. Additionally, it suggested that the government should ensure that the revenue from petroleum profit tax is effectively utilized for economic development and the well-being of citizens.

Omodero and Ogbonnaya (2018) examined the impact of corporate tax on the profitability of deposit money banks in Nigeria. The study focused on how Company Income Tax (CIT) affected Profit After Tax (PAT) in 12 banks over the period from 2006 to 2016. The results of the regression analysis showed that CIT had a positive significant impact on PAT for some banks, while others showed a negative or insignificant impact. The study highlighted the improper application of the ability-to-pay theory in Nigeria and recommended tax reforms, including incentives for banks to manage financial crises and liquidity challenges effectively.

METHODOLOGY

3.1 Research Design

This study adopts an *ex-post facto* research design to examine the effect of corporate tax liability on the financial performance of listed conglomerates in Nigeria. This design allows the researcher to analyze existing financial data retrospectively to identify possible causal relationships between corporate tax liability indicators and firm performance, measured by Return on Assets (ROA). Since the data are drawn from actual events and recorded transactions, the design helps eliminate manipulation or influence from the researcher, ensuring objectivity and reliability in the findings.The population of this study consists of the six conglomerate firms listed on the Nigerian Exchange Group as of 31st December 2024. These firms serve as the basis for the study due to their consistent listing and availability of financial data for the period under consideration. The study utilizes secondary data collected from the audited annual reports and financial statements of the six listed conglomerate firms. The data cover a ten-year period from 2015 to 2024, ensuring a robust dataset that captures both short-term fluctuations and long-term trends. Information on corporate tax liabilities—specifically total tax expense, effective tax rate, and cash tax paid—was extracted along with data on return on assets (ROA), which serves as the proxy for financial performance.

3.2 Operationalization and Measurement of Variables

The variables in this study are classified into independent variables (corporate tax liability proxies) and a dependent variable (financial performance).

Table 3.1 Operationalization of Variables

Variable	Type	Measurement / Formula
Total Tax Expense (TTE)	Independent	Natural log of total tax expense reported in the income statement
Effective Tax Rate (ETR)	Independent	Tax expense / Profit before tax
Cash Tax Paid (CTP)	Independent	Natural log of cash outflow for taxes as reported in the cash flow statement
Return on Assets (ROA)	Dependent	Net profit / Total assets

Source: Researcher's Compilation (2025)

These measurements provide a multidimensional view of tax liabilities and how they may affect the profitability and operational efficiency of conglomerate firms.

3.3 Model Specification

The model estimated in this research was adapted from the study conducted by Nnubia and Okolo (2018) which investigated the effect of corporate tax on the profitability of business organizations in Nigeria from 2011 to 2015. Their model is stated as follows:

$Y = f(x)$……..I

$Y = \beta_o + \beta_1 x + \beta_2 x + \beta_3 x + \mu$……..II

Where

Y = dependent variable of company

X = independent variable of company

β_o= intercept for X variable of company

β_1- β_3 = coefficient for the independent variables X of companies

μ = the error term

When researcher convert the above general least squares model into their specified variables, it becomes:

$ROA = \beta 0 + \beta 1MTR + \beta 2ETR + \beta 3ATR + \mu$……III
Where:
ROA = Return on Assets
MTR = Marginal Tax Rate
ETR = Effective Tax Rate
ATR = Average Tax Rate
β0 = constant or intercept
β1 - β3 = coefficient of explanatory variables
μ = error term

There was a need to modify the model expressed as equation I in order to fit the specific objectives of the present study. Thus, to examine the effect of corporate tax liability on the financial performance of listed conglomerate firms in Nigeria, the above functional model was restated as:
ROA = f(TTE, ETR, CTP) ……..I

This functional relationship is transformed into an econometric model for regression analysis as shown below:
$ROAit = \alpha_0 + \beta_1 TTEit + \beta_2 ETRit + \beta_3 CTPit + \mu it$……..II
Where:

- ROAit = Return on Assets of firm *i* in year *t*
- TTEit = Total Tax Expense of firm *i* in year *t*
- ETRit = Effective Tax Rate of firm *i* in year *t*
- CTPit = Cash Tax Paid by firm *i* in year *t*
- α_0 = Intercept (constant term)
- β_1–β_3 = Coefficients of independent variables
- μit = Error term
- *i* = firm
- *t* = time (year)

3.3.1 Decision Rule

The decision criterion for hypothesis testing is as follows:

- If the p-value < 0.05, reject the null hypothesis and accept the alternative hypothesis, indicating a statistically significant effect.
- If the p-value ≥ 0.05, fail to reject the null hypothesis, suggesting that the variable does not have a statistically significant effect on the dependent variable.

RESULTS AND DISCUSSION

4.1 Descriptive Analysis of Data

The secondary data collected through the annual reports were descriptively analyzed using simple mean, standard deviations, minimum and maximum values.

Table 4.1 Descriptive Analysis

	ROA	TTE (₦'000)	ETR	CTP (₦'000)
Mean	0.040626	390629.2	-0.057822	109234.4
Median	0.029795	203080.5	0.113396	24372.50
Maximum	0.595050	2645363.	1.533557	992544.0
Minimum	-0.780621	-627624.0	-9.301140	0.000000
Std. Dev.	0.197641	626572.0	1.312750	171425.3
Skewness	-0.809762	1.613550	-6.110582	2.759683
Kurtosis	8.361760	6.251301	42.83967	13.18735
Jarque-Bera	78.42833	52.46284	4341.390	335.6136
Probability	0.000000	0.000000	0.000000	0.000000
Sum	2.437548	23437752	-3.469349	6554063.
Sum Sq. Dev.	2.304652	23,200,000,000,000	101.6754	1,730,000,000,000
Observations	60	60	60	60

Source: E-views Output (2025)

Return on Assets (ROA): From Table 4.1, the mean ROA of 0.040626 indicates that, on average, the listed conglomerate firms in Nigeria generated a 4.06% return on their assets over the 10-year period (2015–2024). However, the standard deviation of 0.197641 suggests high variability in performance across the firms and time, implying inconsistent profitability. The maximum ROA recorded was 0.595050 (59.51%), showing that some firms achieved strong returns in certain years, while the minimum value of -0.780621 (or -78.06%) reveals that some firms experienced severe losses. The skewness value of -0.809762 indicates a moderately left-skewed distribution, suggesting that negative returns were more frequent or extreme than positive ones. The kurtosis value of 8.361760, which is significantly higher than the normal value of 3, points to a leptokurtic distribution — meaning the data has heavy tails and outliers. The Jarque-Bera probability of 0.000000 confirms that the ROA data is not normally distributed.

Total Tax Expense (TTE): The average Total Tax Expense, as shown in Table 4.1, is ₦390,629,200, indicating the typical annual tax burden carried by the conglomerate firms. However, the high standard deviation of ₦626,572,000 reflects substantial variation in tax expenses across firms or years. The maximum tax expense recorded was ₦2.645 billion, suggesting that some firms bore very large tax liabilities, while the minimum was -₦627.6 million, possibly indicating tax rebates, loss carrybacks, or accounting adjustments that led to negative reported tax expense. The skewness of 1.613550 shows a right-skewed distribution, where higher tax expenses are less frequent but significantly higher than average. The kurtosis value of 6.251301 indicates the presence of extreme values (heavy tails), and the Jarque-Bera test with a probability of 0.000000 confirms the non-normality of the distribution.

Effective Tax Rate (ETR): The mean Effective Tax Rate is -0.057822, or -5.78%, which suggests that, on average, the conglomerates reported negative effective tax rates over the study period — likely due to tax losses or credits, deferred tax adjustments, or aggressive tax planning strategies. The high standard deviation of 1.312750 reflects extreme variability, and the range is vast, with a maximum ETR of 1.533557 (or 153.36%) and a minimum of -9.301140 (or -930.11%). This indicates periods or firms where taxes far exceeded or severely underperformed relative to accounting income. The extremely negative skewness of -6.110582 suggests that highly negative ETR values were predominant or extreme in the data, while the kurtosis of 42.83967 indicates an extremely leptokurtic distribution, with numerous

extreme outliers. The Jarque-Bera test probability of 0.000000 again confirms the data's deviation from normality.

Cash Tax Paid (CTP): For Cash Tax Paid, the average value is ₦109,234,400, showing the typical cash outflow related to taxes by the conglomerates annually. The standard deviation of ₦171,425,300 highlights considerable dispersion in the amounts paid. The maximum cash tax paid was ₦992.5 million, indicating some high outflows in certain years or by certain firms, while the minimum was ₦0.00, implying that some firms paid no taxes in specific years — possibly due to losses, tax holidays, or deferments. The skewness of 2.759683 shows a strongly right-skewed distribution, indicating that a few very large tax payments pulled the distribution tail upward. The high kurtosis of 13.18735 further confirms the presence of extreme values, and the Jarque-Bera p-value of 0.000000 signifies that the distribution significantly departs from normality.

4.2 Test of Hypotheses

Table 4.2 below shows the result of the regression analysis conducted using robust least square regression.

Table 4.2 Test of Hypothesis

Dependent Variable: ROA
Method: Robust Least Squares
Date: 07/02/25 Time: 02:30
Sample: 2015 2024
Included observations: 60
Method: M-estimation
M settings: weight=Cauchy, tuning=2.385, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
TTE	0.013827	0.000110	125.4730	0.0000
ETR	-0.013586	0.000290	-46.80469	0.0000
CTP	0.014166	0.000193	73.36977	0.0000
C	-0.073781	0.000890	-82.88449	0.0000

Robust Statistics

R-squared	0.115318	Adjusted R-squared	0.067924
Rw-squared	0.232426	Adjust Rw-squared	0.232426
Akaike info criterion	118.6529	Schwarz criterion	135.0605
Deviance	0.778763	Scale	0.081004
Rn-squared statistic	23560.62	Prob(Rn-squared stat.)	0.000000

Source: E-views Output (2025)

The regression results in Table 4.2 shows the effect of corporate tax liability on the financial performance of listed conglomerates in Nigeria. Before interpreting the effects of each explanatory variable, it is important to assess the overall model's validity and baseline behavior. According to Table 4.2, the Adjusted R-squared value of 0.067924 implies that approximately 6.8% of the variation in Return on Assets (ROA) is explained by the combined effect of Total Tax Expense (TTE), Effective Tax Rate (ETR), and Cash Tax Paid (CTP).

While this value appears modest, it suggests that other unobserved firm-specific or macroeconomic variables likely play significant roles in determining ROA.

The Prob(Rn-squared stat.) of 0.000000 indicates that the overall model is statistically significant at the 5% level, meaning the independent variables jointly exert a statistically significant effect on ROA. Therefore, the regression model is valid for hypothesis testing. The constant term (C) is -0.073781 (p = 0.0000), which is statistically significant. This implies that when all independent tax variables are held at zero, the average baseline ROA would be negative at -7.38%.

4.3 Discussion of Findings

Finding 1: Total Tax Expense has a significant positive effect on Return on Assets (ROA)

The positive impact of total tax expense on ROA implies that conglomerate firms in Nigeria paying higher taxes are also experiencing stronger financial performance. This may appear counterintuitive at first glance, as higher tax payments reduce after-tax profits. Firms with higher profits naturally incur higher taxes, thus indicating robustness in operations and profitability. Moreover, firms with consistent tax compliance might be rewarded with reputational benefits, easier access to financing, and more favorable treatment from regulatory authorities—all of which enhance performance

Finding 2: Effective Tax Rate has a significant negative effect on Return on Assets (ROA)

A significant negative effect of the effective tax rate (ETR) on ROA indicates that firms with higher tax burdens relative to their income are experiencing reduced returns. In Nigeria's complex tax landscape, firms that are unable to optimize their tax strategies may suffer decreased competitiveness, cash flow constraints, and ultimately, lower returns on assets.These studies collectively emphasize the need for firms to adopt robust tax planning and optimization strategies to mitigate ETR's negative impact.

Finding 3: Cash Tax Paid has a significant positive effect on Return on Assets (ROA)

The positive relationship between cash tax paid and ROA suggests that firms making substantial actual tax remittances are also the ones achieving stronger asset efficiency and financial performance. Cash taxes are a direct outflow and thus reflect real-time earnings power rather than accounting estimates or deferrals. These findings advocate for a more nuanced view of taxation—not merely as a cost, but as an indicator of robust and efficient financial performance.

5.2 Conclusion and Recommendations

The findings of the study collectively imply that the nature and structure of corporate tax liabilities play a nuanced role in shaping the financial performance of listed conglomerate firms in Nigeria. While the actual monetary amounts paid as taxes—both in terms of total tax expense and cash tax paid—are associated with improved return on assets, the proportion of income consumed by taxes, as captured by the effective tax rate, appears to constrain profitability. This suggests that firms generating higher taxable profits tend to perform better, likely due to stronger underlying business fundamentals. However, a high effective tax rate, regardless of absolute profit levels, may signify inefficiencies in tax management or limited access to tax-saving instruments, thereby exerting downward pressure on asset utilization and returns.

Moreover, the results highlight a broader financial dynamic in which tax compliance and firm performance are closely interlinked. Firms that are more profitable and operationally efficient tend to incur and pay more taxes in nominal terms, reflecting the positive association between

tax remittance and return on assets. Based on the findings of this study, the following recommendations were made:

1. The Federal Inland Revenue Service (FIRS) should implement tax administration practices that promote transparency and stability in tax obligations, enabling conglomerates to align their tax strategies with long-term financial performance goals.

2. Tax Planning Units of Conglomerate Firms should develop and adopt effective tax planning mechanisms that minimize the tax burden without violating regulatory standards, ensuring that operational resources are not eroded by inefficient tax exposures.

3. Corporate Finance Directors of Conglomerate Firms should prioritize cash flow management systems that support timely tax remittance, integrating tax payments into broader financial planning to maintain operational continuity and investor confidence.

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APPENDIX ADATA PRESENTATION

Firm	Year	Total Asset (₦'000)	Profit Before Tax (₦'000)	Tax Expense Current (₦'000)	Net Profit After Tax (₦'000)	Tax Expense Cash (₦'000)	ROA	ETR	CTP	TTE
Chellarams	2015	16773700	-2466293	519802	-2986095	315572	-.18	-.21	5.50	5.72
Chellarams	2016	12460091	200525	16064	184461	238273	.01	.08	5.38	4.21
Chellarams	2017	12221889	345890	152092	193798	53466	.02	.44	4.73	5.18
Chellarams	2018	11612164	472909	24263	448646	10218	.04	.05	4.01	4.38
Chellarams	2019	11120328	-1836955	0	-1836955	24263	-.17	.00	4.38	.00
Chellarams	2020	8279023	-4193773	11356	-4205129	0	-.51	.00	.00	4.06
Chellarams	2021	4942668	-3738643	119707	-3858350	0	-.78	-.03	.00	5.08
Chellarams	2022	9326400	536305	71146	465159	120747	.05	.13	5.08	4.85
Chellarams	2023	9240415	5148780	108718	5040062	75041	.55	.02	4.88	5.04
Chellarams	2024	8565423	-1506936	-382655	-1124281	108852	-.13	.25	5.04	-5.58
John Holt	2015	6678000	-311000	20000	-331000	0	-.05	-.06	.00	4.30
John Holt	2016	8521000	311000	5000	296000	1000	.03	.02	3.00	3.70
John Holt	2017	6903000	-298000	-457000	-755000	8000	-.11	1.53	3.90	-5.66
John Holt	2018	6949000	4115000	-20000	4135000	1000	.60	.00	3.00	-4.30
John Holt	2019	7241000	222000	5000	217000	0	.03	.02	.00	3.70
John Holt	2020	8427000	-264000	23000	-287000	9000	-.03	-.09	3.95	4.36
John Holt	2021	8799000	576000	4000	572000	5000	.07	.01	3.70	3.60
John Holt	2022	8641000	72000	21000	51000	0	.01	.29	.00	4.32
John Holt	2023	12358000	-607000	9000	-616000	1000	-.05	-.01	3.00	3.95
John Holt	2024	6018000	2253000	22000	2231000	0	.37	.01	.00	4.34
SCOA Nigeria	2015	10203692	-1256852	9708	-1266560	24210	-.12	-.01	4.38	3.99
SCOA Nigeria	2016	13379043	-2394365	-627624	-1766741	6955	-.13	.26	3.84	-5.80
SCOA Nigeria	2017	12135665	-1889270	10983	-1900253	46285	-.16	-.01	4.67	4.04
SCOA Nigeria	2018	12010497	-517886	-461725	-56161	10983	.00	.89	4.04	-5.66

SCOA Nigeria	2019	13541649	28588	-265901	294489	0	.02	-9.30	.00	-5.42
SCOA Nigeria	2020	13210935	-101002	300681	-401683	0	-.03	-2.98	.00	5.48
SCOA Nigeria	2021	8876817	308727	254069	54659	0	.01	.82	.00	5.40
SCOA Nigeria	2022	8084848	-476348	49195	-525542	0	-.07	-.10	.00	4.69
SCOA Nigeria	2023	8131474	74254	33973	40281	0	.00	.46	.00	4.53
SCOA Nigeria	2024	9507617	27289	5901	21388	6760	.00	.22	3.83	3.77
Transcorp	2015	56619479	1037146	477479	559667	499418	.01	.46	5.70	5.68
Transcorp	2016	57913703	-439925	409168	-849093	161023	-.01	-.93	5.21	5.61
Transcorp	2017	63102771	2567737	698533	1869204	157899	.03	.27	5.20	5.84
Transcorp	2018	66438734	5705517	1094518	4610999	184438	.07	.19	5.27	6.04
Transcorp	2019	60230775	1241401	506467	734934	204760	.01	.41	5.31	5.70
Transcorp	2020	90544939	2666403	278043	2388360	16393	.03	.10	4.21	5.44
Transcorp	2021	89704894	4022153	587789	3434364	5489	.04	.15	3.74	5.77
Transcorp	2022	95878328	8439745	1223768	7215977	12043	.08	.15	4.08	6.09
Transcorp	2023	134499461	9692198	1640808	8051390	143710	.06	.17	5.16	6.22
Transcorp	2024	141965681	18486442	1588795	16897647	346308	.12	.09	5.54	6.20
UACN Plc.	2015	27572156	4161970	658608	3503362	226265	.13	.16	5.35	5.82
UACN Plc.	2016	29481889	3014174	386885	2627000	24482	.09	.13	4.39	5.59
UACN Plc.	2017	32174633	3368714	288886	308000	192396	.01	.09	5.28	5.46
UACN Plc.	2018	49041894	4195546	586880	3609000	393414	.07	.14	5.59	5.77
UACN Plc.	2019	48987189	1973746	489599	1484000	29472	.03	.25	4.47	5.69
UACN Plc.	2020	46211032	2061677	447911	-2509588	236000	-.05	.22	5.37	5.65
UACN Plc.	2021	41068205	2487246	142622	2344624	1978	.06	.06	3.30	5.15
UACN Plc.	2022	40620810	730708	48880	681828	47016	.02	.07	4.67	4.69
UACN Plc.	2023	54385890	9914362	1374991	8539371	138128	.16	.14	5.14	6.14
UACN Plc.	2024	61390674	9225382	2645363	6580019	992544	.11	.29	6.00	6.42
CUSTODIAN ALLIED	2015	14501187	3266533	357527	2909006	170588	.20	.11	5.23	5.55
CUSTODIAN ALLIED	2016	15973880	3032655	485675	2546980	337613	.16	.16	5.53	5.69

CUSTODIAN ALLIED	2017	18307974	4123565	459234	3664331	410028	.20	.11	5.61	5.66
CUSTODIAN ALLIED	2018	19992013	4821499	970368	3851131	313480	.19	.20	5.50	5.99
CUSTODIAN ALLIED	2019	21522893	4796380	923248	3873132	29114	.18	.19	4.46	5.97
CUSTODIAN ALLIED	2020	27163815	8204398	7004	8197394	12545	.30	.00	4.10	3.85
CUSTODIAN ALLIED	2021	31080034	7408428	830668	6577760	3792	.21	.11	3.58	5.92
CUSTODIAN ALLIED	2022	34014366	5623742	663747	4959995	14006	.15	.12	4.15	5.82
CUSTODIAN ALLIED	2023	38302620	9319304	1068615	8250689	50537	.22	.11	4.70	6.03
CUSTODIAN ALLIED	2024	53478478	19042420	2513920	16528500	132559	.31	.13	5.12	6.40

Source: Annual Reports of the Sampled Firms, 2015-2024