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TAX PLANNING AND FINANCIAL PERFORMANCE: A COMPARATIVE ANALYSIS OF LISTED MANUFACTURING FIRMS AND DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study comparatively analyzed the effect of tax planning on the financial performance of listed manufacturing firms and deposit money banks in Nigeria. The specific objectives determined the effect of effective tax rate, book-tax difference and cash effective tax rate on asset turnover ratio and return on investment among listed manufacturing firms and deposit money banks in Nigeria. It also determined if sectoral differences exist between listed manufacturing firms and deposit money banks in Nigeria. Thus, the study employed the ex-post facto research design. Using a population of twenty (20) listed manufacturing firms and thirteen (13) listed deposit money banks in Nigeria, the stratified sampling technique was adopted to select a sample size of twenty-four (twelve firms from each sector). Secondary data sourced from the audited financial statements and annual reports of the listed firms over 11 years period (2014 to 2024) were analysed and used to test the relevant hypotheses formulated using the Robust Least Squares method at a 5% level of significance, as facilitated by E-Views Version 11 statistical software. The combined sector findings revealed that: effective tax rate and cash effective tax rate positively and significantly affect return on investment of listed manufacturing firms in Nigeria. However, only book-tax difference has a significant but negative effect on asset turnover ratio of listed manufacturing firms and deposit money banks in Nigeria while effective tax rate and cash effective tax rate positively and significantly affect asset turnover ratio of listed manufacturing firms in Nigeria. Comparative analysis revealed that: effective tax rate had non-significant and negative effect on asset turnover ratio in manufacturing firms (β = -0.012344, p = 0.0864) and a non-significant and positive effect in banks (β = 0.003010, p = 0.7061); but had a significant and positive effect on return on investment in manufacturing firms (β = 0.019225, p = 0.0000) and in banks (β = 0.049980, p = 0.0000). The book-tax difference had a non-significant and positive effect on asset turnover ratio in manufacturing firms (β = 0.388356, p = 0.4862) and in banks (β = 0.286093, p = 0.0758) but a significant and positive effect on return on investment in manufacturing firms (β = 0.648056, p = 0.0000) and in banks (β = 1.446025, p = 0.0000). The cash effective tax rate had a non-significant and negative effect on asset turnover ratio in manufacturing firms (β = -0.013477, p = 0.4394) and a non-significant positive effect in banks (β = 0.014257, p = 0.2253) but had a significant and positive effect on return on investment in manufacturing firms (β = 0.017409, p = 0.0004) and in banks (β = 0.012742, p = 0.0000). IThe study concluded that tax planning helps both manufacturers and banks make more profit, but does not help as much with how efficiently they run their day-to-day operations. The study recommends that the Federal Inland Revenue Service (FIRS) should strengthen its oversight mechanisms to ensure that firms are not exploiting aggressive tax planning practices, while refining existing tax policies and incentive structures that encourage investment and growth, so that firms can legally benefit from tax allowances without compromising fiscal integrity.

Key words: *Asset Turnover Ratio, Book-Tax Difference, Cash Effective Tax Rate, Effective Tax Rate, Return On Investment, Tax Planning.*

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INTRODUCTION

Corporate taxation remains one of the most critical external constraints on firm performance in Nigeria. Listed firms, particularly manufacturing companies and deposit money banks, operate under a complex and often burdensome tax environment characterized by high statutory rates, multiple taxation, and administrative inefficiencies. Evidence suggests that firms may forfeit up to one-third of their pre-tax earnings to corporate taxes, with the burden escalating when education tax, stamp duties, and local government levies are incorporated (Ibukun, 2024). Such pressures erode liquidity, discourage reinvestment, and constrain long-term growth, especially in capital-intensive sectors. In response, tax planning has become a strategic mechanism through which firms seek to legally minimize tax liabilities and enhance financial outcomes. Tax planning involves structuring transactions and financial activities to exploit allowable incentives, deductions, exemptions, and timing differences within the law (Adamu & Joab, 2023). When effectively implemented, it reduces effective and cash tax burdens, creates book-tax differences, and frees resources for investment, innovation, and shareholder returns (Adebimpe & Dahiru, 2024).

Recent tax reforms have further reshaped Nigeria's corporate tax landscape. The Finance Act of 2020 initiated simplification by eliminating obsolete provisions, while the comprehensive tax reform enacted in 2025 consolidated multiple taxes, introduced progressive rates, and reduced the corporate income tax rate to 27.5 percent, with plans for further reduction (Enendu, 2025). These reforms aim to promote compliance, ease business operations, and stimulate investment. However, the extent to which firms across different sectors benefit from tax planning opportunities remains unclear. Manufacturing firms and deposit money banks play pivotal yet structurally distinct roles in Nigeria's economy. Manufacturing firms contend with infrastructural deficits, energy costs, and import dependence, whereas banks operate under stringent prudential regulation and macroeconomic volatility. These differences suggest that tax planning strategies and their performance implications may vary significantly across sectors. Despite growing literature on tax planning and firm performance, comparative sectoral evidence in Nigeria remains limited, particularly regarding how effective tax rate,

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book-tax difference, and cash effective tax rate influence asset turnover ratio (ATR) and return on investment (ROI) across manufacturing firms and banks.

Objectives

The main objective of the study is to comparatively examine the effect of tax planning on the financial performance of listed manufacturing firms and deposit money banks in Nigeria. Specifically, the study seeks to:

1. Compare the effect of effective tax rate on asset turnover ratio across the two sectors.
2. Examine sectoral differences in the effect of effective tax rate on return on investment.
3. Determine the comparative effect of book-tax difference on asset turnover ratio.
4. Assess differences in the effect of book-tax difference on return on investment.
5. Compare the effect of cash effective tax rate on asset turnover ratio.
6. Examine sectoral differences in the effect of cash effective tax rate on return on investment

LITERATURE REVIEW

Corporate Tax Planning

Corporate tax planning refers to the deliberate arrangement of a firm's financial activities and transactions to legally minimize tax liabilities while complying with existing tax laws and regulations (Eche, Gimba & Vincent, 2024). It enables firms to enhance profitability and liquidity by retaining a greater proportion of earnings, thereby improving shareholder value. Within the ambit of legality, tax planning involves exploiting allowable deductions, exemptions, credits, rebates, and concessions provided under relevant tax statutes, such as the Company Income Tax Act (Ebubechukwu & Obada, 2021). Despite its legitimacy, corporate tax planning remains contentious due to ethical and social concerns, particularly when aggressive practices are perceived to erode government revenues required for public services and infrastructure development (Ndum, 2022). As noted by Okerekeoti (2022), moderate tax planning strategies are legally permissible; however, excessive manipulation of tax rules often attracts public scrutiny and regulatory intervention.

Tax planning also encompasses cash flow optimization through the strategic timing of income recognition and expense deductions to reduce penalties and manage liquidity effectively (Wibowo et al., 2022; Orji & John-Akamelu, 2023). Common strategies include transfer pricing arrangements, capital structure optimization, utilization of tax havens, and tax deferral mechanisms. Interest deductibility on debt financing, for instance, offers significant tax

advantages over equity financing, thereby influencing firms' capital structure decisions (Kliestik et al., 2018). International tax planning has further expanded the scope of corporate tax strategies, especially for multinational firms operating across multiple jurisdictions. Through subsidiaries and tax treaties, firms can reduce withholding taxes and overall global tax burdens. However, these strategies must align with anti-avoidance regulations to prevent reputational damage and legal sanctions (Wibowo et al., 2022). Overall, corporate tax planning plays a vital role in financial management and long-term sustainability. Nonetheless, firms must balance tax efficiency with ethical responsibility, transparency, and compliance to maintain stakeholder trust and legitimacy.

Effective Tax Rate

The Effective Tax Rate (ETR) represents the proportion of a firm's pre-tax income that is paid as tax and is computed by dividing total tax expense by pre-tax income (Richardson, Taylor & Lanis, 2013). Unlike statutory tax rates, ETR provides a more realistic measure of a firm's actual tax burden and tax efficiency (Oyeshile & Adegbie, 2020). A high ETR typically reflects substantial tax obligations that may constrain profitability and cash flow, whereas a low ETR may indicate effective tax planning or favorable tax incentives. However, ETR is subject to annual fluctuations due to changes in tax laws, accounting standards, deferred tax adjustments, and economic conditions (Schwab, Stomberg & Xia, 2022). Consequently, long-term trend analysis and industry benchmarking are essential for meaningful interpretation. For investors and analysts, ETR serves as a critical indicator of tax efficiency and financial health when assessed alongside profitability, revenue growth, and cash flow metrics. Its relevance extends to policy discussions on tax fairness and international taxation, underscoring its importance in both corporate finance and regulatory evaluation.

H_{o1}: *No significant difference exists in the effect of effective tax rate on asset turnover ratio between sectors.*

H_{o2}: *No significant difference exists in the effect of effective tax rate on return on investment between sectors.*

Book–Tax Difference

Book–Tax Difference (BTD) refers to the disparity between accounting income reported in financial statements and taxable income reported to tax authorities (Orji & John-Akamelu, 2023). These differences arise from variations in accounting standards and tax regulations regarding revenue recognition, expense deductibility, and depreciation methods (Wahab, 2016). BTD serves as a key indicator of tax planning behavior and financial reporting quality

(Ofor & Akaegbobi, 2022). Large BTDs often signal aggressive tax planning or earnings management practices, whereas smaller BTDs suggest conservative reporting and compliance (Ebimobowei, 2022). Measurement approaches include comparisons between pre-tax book income and taxable income or between tax provisions and actual tax payments. Although BTD provides insights into tax strategy, it must be interpreted cautiously, as industry characteristics and regulatory environments significantly influence its magnitude. When analyzed alongside other financial metrics, BTD enhances understanding of a firm's tax risk, transparency, and financial performance.

H_{03}: *No significant difference exists in the effect of book-tax difference on asset turnover ratio between sectors.*

H_{04}: *No significant difference exists in the effect of book-tax difference on return on investment between sectors.*

Cash Effective Tax Rate

The Cash Effective Tax Rate (CETR) measures the proportion of pre-tax income paid as cash taxes and is calculated using cash tax payments reported in the cash flow statement (Salihu, Annuar & Obid, 2014). Unlike ETR, CETR reflects actual cash outflows, making it a more accurate indicator of a firm's immediate tax burden and liquidity implications. A high CETR indicates significant cash tax payments that may limit investment and dividend capacity, whereas a low CETR may reflect tax deferrals or effective tax planning strategies (Pu, Hong & Hsueh, 2015). Disparities between CETR and ETR may reveal reliance on deferred taxes or aggressive accounting practices, raising concerns about sustainability. Trend analysis and peer comparison are essential for evaluating CETR, as it varies across periods due to changes in tax laws and payment schedules. Overall, CETR provides valuable insights into tax efficiency, cash flow management, and financial resilience.

H_{05}: *No significant difference exists in the effect of cash effective tax rate on asset turnover ratio between sectors.*

H_{06}: *No significant difference exists in the effect of cash effective tax rate on return on investment between sectors.*

Firm Financial Performance

Firm financial performance reflects the effectiveness with which a firm utilizes its resources to generate profits and achieve strategic objectives (Ebubechukwu & Obada, 2021). It encompasses profitability, efficiency, liquidity, solvency, and market performance indicators (Olaoye & Bamisaye, 2018). Profitability remains central to financial performance, as firms

that consistently generate profits are better positioned to withstand economic shocks, reinvest in growth, and deliver shareholder value. However, profitability alone is insufficient; firms must also maintain adequate liquidity and operational efficiency to ensure sustainability (Oyeshile & Adegbie, 2020).

Asset Turnover Ratio

The Asset Turnover Ratio (ATR) measures how efficiently a firm uses its assets to generate revenue and is calculated as total revenue divided by average total assets (Ratnaningtyas & Nurbaeti, 2023). A high ATR indicates efficient asset utilization, while a low ratio suggests underutilization or excess capacity (Patin et al., 2020). ATR varies significantly across industries, making intra-industry comparisons more meaningful than cross-sector evaluations.

Return on Investment

Return on Investment (ROI) evaluates the profitability of an investment relative to its cost and is expressed as a percentage (Zamfir et al., 2016). It provides a straightforward metric for comparing alternative investment opportunities and assessing financial efficiency (Setiawan & Rosa, 2023). Despite its simplicity, ROI does not account for risk, time value of money, or non-financial benefits, necessitating its use alongside complementary performance measures (Shammadova, 2022).

Theoretical Review

This study is anchored on Hoffman's Tax Planning Theory, Agency Theory, and Stakeholder Theory. Together, these theories provide a robust conceptual lens for explaining why firms engage in tax planning, how managerial incentives shape tax-related decisions, and how such decisions affect multiple stakeholder groups and firm performance outcomes.

Hoffman's Tax Planning Theory

Hoffman's Tax Planning Theory, developed by William H. Hoffman Jr. in 1961, provides one of the earliest systematic explanations of taxpayer behavior in complex tax environments. The theory posits that taxpayers—whether individuals or corporations—are rational economic agents who engage in strategic tax planning to minimize tax liabilities and maximize after-tax income within the boundaries of prevailing tax laws (Osegbue et al., 2018). Central to Hoffman's framework is the assumption that tax systems are inherently complex and that such complexity creates both constraints and opportunities for tax planning. Taxpayers are therefore compelled to evaluate multiple legally permissible alternatives—each with varying

costs, risks, and benefits—and select the option that optimizes after-tax outcomes given their risk tolerance and financial objectives (Peter et al., 2020). Tax planning, under this theory, is not merely a compliance activity but a deliberate financial strategy integrated into broader business decision-making. Hoffman further recognizes that tax planning decisions are shaped by uncertainty arising from frequent tax law changes, administrative discretion, and enforcement intensity. As complexity increases, incentives for strategic tax behavior also increase. Conversely, simplified tax laws and effective enforcement mechanisms reduce the attractiveness of aggressive tax planning by narrowing loopholes and increasing the expected costs of non-compliance (Sani et al., 2022).

The theory is particularly relevant to corporate settings, where firms possess greater capacity to exploit tax provisions through sophisticated accounting techniques, timing differences, and cross-border arrangements. Hoffman's Tax Planning Theory therefore provides a strong foundation for explaining variations in effective tax rates, book–tax differences, and cash tax outcomes across firms. In the context of this study, the theory implies that listed manufacturing firms and deposit money banks in Nigeria engage in tax planning as a rational response to the complexities of the Nigerian tax system. Firms are expected to select tax strategies that enhance after-tax profitability and cash flows, which may ultimately influence financial performance indicators such as return on investment and asset utilization. Accordingly, this study is fundamentally grounded in Hoffman's proposition that tax planning is a strategic tool for performance optimization rather than a random or incidental activity.

Agency Theory

Agency Theory, formally articulated by Jensen and Meckling (1976), explains organizational behavior through the contractual relationship between principals (shareholders) and agents (managers). The theory assumes that both parties are rational and utility-maximizing but may have divergent interests, resulting in agency conflicts and associated costs (Mustapha & Ahmad, 2011). Within the firm, managers are entrusted with decision-making authority, including tax-related decisions that directly affect profitability, cash flows, and risk exposure. While shareholders generally favor tax planning strategies that enhance after-tax returns, managers may pursue tax strategies that serve personal incentives, such as earnings management, short-term performance targets, or compensation-linked metrics, even when such strategies expose the firm to regulatory or reputational risks (Putra et al., 2018).

Agency Theory is particularly relevant to tax planning because tax decisions are often opaque and technically complex, making them difficult for shareholders to monitor effectively. This informational asymmetry allows managers discretion in choosing tax strategies that may not fully align with shareholder preferences. As a result, firms incur agency costs through monitoring, governance mechanisms, and incentive structures designed to align managerial actions with shareholder interests (Shemshad et al., 2024). In the Nigerian context, agency issues may be amplified by weak enforcement, evolving tax regulations, and varying corporate governance quality. Tax planning decisions can therefore reflect not only firm-level optimization goals but also managerial opportunism. By incorporating Agency Theory, this study recognizes that the relationship between tax planning and financial performance is mediated by managerial behavior and governance structures. Effective tax planning is thus expected to enhance performance only when managerial incentives are aligned with shareholder value maximization.

Stakeholder Theory

Stakeholder Theory, introduced by Freeman (1984), expands the objective of the firm beyond shareholder wealth maximization to include the interests of all stakeholders affected by corporate activities, such as employees, customers, suppliers, regulators, and society at large (Nurwanah et al., 2018). The theory argues that long-term firm success depends on the firm's ability to balance and manage these diverse interests. Tax planning decisions have broad stakeholder implications. While reduced tax payments may increase shareholder returns, they may simultaneously affect government revenue, public service provision, employee welfare, and corporate reputation. Aggressive tax planning, in particular, can undermine trust between firms and regulators and expose firms to reputational and legitimacy risks (Shaukat et al., 2025). Stakeholder Theory suggests that firms pursuing sustainable performance should adopt tax strategies that are not only legally compliant but also socially responsible and transparent. Firms that balance tax efficiency with ethical considerations are more likely to maintain stakeholder support, regulatory goodwill, and long-term financial stability (Submitter et al., 2019).

In relation to this study, Stakeholder Theory provides a complementary perspective by explaining why tax planning may enhance profitability without necessarily improving operational efficiency. Firms may prioritize financial outcomes that satisfy shareholders while ensuring that tax-related practices do not provoke regulatory sanctions or social backlash. This theory therefore helps explain the observed emphasis on profitability-based performance

measures, such as return on investment, rather than purely operational metrics like asset turnover.

Theoretical Implications

The integration of Hoffman's Tax Planning Theory, Agency Theory, and Stakeholder Theory provides a comprehensive framework for understanding tax planning behavior and its performance implications. Hoffman's theory explains why firms engage in tax planning; Agency Theory explains how managerial incentives shape tax decisions; and Stakeholder Theory explains the broader consequences of these decisions for firm performance and legitimacy. Together, these theories support the study's expectation that tax planning will be more strongly associated with financial profitability than with operational efficiency and that sectoral differences will arise due to regulatory intensity, governance structures, and stakeholder pressures.

Empirical Review

Empirical evidence on the relationship between tax planning, tax avoidance, and firm performance presents mixed and context-dependent findings, reflecting differences in institutional environments, sectors, measurement approaches, and governance structures.

Several cross-country and regional studies document heterogeneous effects of tax planning on firm performance. For instance, Shaukat et al. (2025), examining banking firms across SAARC countries, report that tax avoidance does not significantly enhance firm performance in most jurisdictions, except India, where a positive relationship is observed. Their findings further reveal that governance attributes such as ownership concentration and board independence exert inconsistent moderating effects, underscoring the role of institutional context in shaping tax–performance outcomes.

Within Nigeria, a substantial body of evidence suggests that tax planning and tax management significantly influence firm profitability, though the direction and magnitude vary across sectors. Studies focusing on consumer goods, manufacturing, industrial goods, oil and gas, and banking sectors generally find that proxies such as effective tax rate, tax expenses, book–tax differences, and deferred tax components are associated with performance measures including return on assets, return on equity, Tobin's Q, and firm value (Adebimpe & Dahiru, 2024; Eche et al., 2024; Sani et al., 2024). While some studies report positive and significant effects, others document insignificant or even negative relationships, particularly where aggressive tax strategies increase regulatory or reputational risk.

Evidence from sector-specific analyses highlights notable differences. Banking sector studies indicate that certain tax planning instruments, such as debt tax shields, enhance firm value, whereas income-based tax measures often show weak or insignificant effects (Eche et al., 2024). Manufacturing and consumer goods firms appear to benefit more from tax planning strategies linked to capital intensity, depreciation, and investment allowances, although these effects are not always statistically significant (Muhammed, 2022; Oyeshile & Adegbie, 2020). In the oil and gas sector, book–tax differences tend to exhibit stronger explanatory power for firm value than effective tax rates, reflecting the capital-intensive and highly regulated nature of the industry (Sani et al., 2024).

A growing stream of literature also integrates corporate governance and agency considerations into tax planning analysis. Studies show that managerial ownership, board expertise, ownership concentration, and audit quality can influence the extent and effectiveness of tax planning, either by encouraging tax efficiency or by facilitating aggressive tax behavior (Ebimobowei, 2022; Udisifan et al., 2022; Ogbeide, 2017). However, evidence remains inconclusive on whether governance mechanisms consistently enhance the performance outcomes of tax planning.

Beyond firm-level performance, some studies extend the analysis to earnings management, sustainability, and macroeconomic outcomes. Findings indicate that tax avoidance may be associated with earnings manipulation and sustainability metrics, while evidence on the broader impact of tax incentives on investment and economic growth remains mixed (Ahmad et al., 2021; Ugwu et al., 2020; Abiodun, 2020). These results suggest that tax planning can yield private firm benefits without necessarily translating into broader economic gains. Overall, the empirical literature reveals three major gaps. First, results are inconsistent across sectors and performance measures, indicating the need for more nuanced analysis. Second, most Nigerian studies focus on single sectors, limiting comparative insights. Third, limited attention is paid to simultaneously examining multiple tax planning proxies and both profitability and efficiency outcomes. This study addresses these gaps by adopting a comparative sectoral approach that jointly examines listed manufacturing firms and deposit money banks in Nigeria, integrates multiple tax planning measures, and evaluates both financial profitability and operational efficiency. In doing so, it contributes to a more comprehensive understanding of how tax planning influences firm performance in emerging economies.

MATERIALS AND METHOD

This study adopts an *ex-post facto* research design, which is appropriate given that the variables examined have already occurred and cannot be manipulated by the researcher. The design enables empirical investigation of causal relationships through the analysis of historical data, allowing the study to examine how tax planning proxies influence firm financial performance without experimental intervention. Ex-post facto designs are widely applied in accounting and taxation research where variables such as tax rates, accounting income, and firm performance outcomes are naturally observed. The study focuses on firms listed on the Nigerian Exchange Group (NGX) within two major sectors: the consumer goods manufacturing sector and the deposit money banking sector. These sectors were selected due to their strategic importance to Nigeria's economy and their substantial contribution to employment generation, industrial output, financial intermediation, and gross domestic product. Consumer goods manufacturing firms are characterized by large-scale production, extensive supply chains, and relatively uniform tax obligations, while deposit money banks operate under strict regulatory oversight with complex tax and reporting structures. Examining both sectors provides a comparative perspective on how tax planning strategies operate under differing institutional and regulatory conditions.

The population comprises all listed consumer goods manufacturing firms (20) and all listed deposit money banks (13) on the Nigerian Exchange Group as at 31 December 2024. The consumer goods sector was deliberately selected to complement the banking sector and to avoid distortions arising from sector-specific tax incentives common in industries such as agriculture, ICT, construction, and industrial goods. These incentives often introduce tax biases that may obscure firm-level tax planning effects. Additionally, selecting the consumer goods sector ensured numerical comparability with the banking sector. With thirteen listed deposit money banks, the consumer goods sector offered a sufficiently comparable pool of firms with consistent financial disclosures, thereby enhancing the internal validity and robustness of the comparative analysis. Table 1 presents the population distribution across both sectors.

Table 1 Population

Consumer Goods Manufacturing Sector Firms	Banking Sector Firms
1. Bua Foods Plc	1. Access Bank Nigeria Plc.
2. Cadbury Nigeria Plc	2. Ecobank Plc.
3. Champion Breweries Plc	3. Fidelity Bank Nigeria Plc.
4. Dangote Sugar Refinery Plc	4. First Bank Nigeria Plc.
5. Dn Tyre & Rubber Plc	5. First City Monument Bank Nigeria Plc.
6. Golden Guinea Breweries Plc	6. Guaranty Trust Bank Plc.

7. Guinness Nigeria Plc	7. Stanbic IBTC Bank Plc.
8. Honeywell Flour Mills Plc	8. Sterling Bank Plc.
9. International Breweries Plc	9. United Bank for Africa Plc.
10. Mcnichols Plc	10. Unity Bank Plc.
11. Multi-Trex Integrated Foods Plc	11. Wema Bank Plc.
12. Northern Nigeria Flour Mills Plc	12. Zenith Bank Nigeria Plc.
13. Nascon Allied Industries Plc	13. Jaiz Bank Plc.
14. Nestlé Nigeria Plc	
15. Nigerian Breweries Plc	
16. Nigerian Enamelware Plc	
17. PZ Cussons Nigeria Plc	
18. Unilever Nigeria Plc	
19. Union Dicon Salt Plc	
20. Vitafoam Nigeria Plc	

Source:NGX.https://ngxgroup.com/exchange/trade/equities/listedcompanies(2024);

Nigerian Exchange Group (2024)

Using the stratified sampling technique to ensure proportional representation of both sector, the population was first divided into two strata: consumer goods manufacturing firms and deposit money banks. As at 30 June 2025, Unity Bank Plc had not published its 2024 audited financial statements and was therefore excluded. This reduced the banking sector sample to 12 firms. To maintain sectoral balance and comparability, 12 consumer goods manufacturing firms with complete and consistent data were also selected. Consequently, the final sample comprised 24 firms (12 manufacturing firms and 12 banks). This balanced sampling approach enhances statistical comparability, minimizes sectoral bias, and ensures the availability of adequate longitudinal data for robust panel estimation. Table 3.2 presents the sample size distribution.

Table 2 Sample Size

S/N	Consumer Goods Manufacturing Sector Firms	Banking Sector Firms
1	Cadbury Nigeria Plc	Access Bank Nigeria Plc.
2	Dangote Sugar Refinery Plc	Ecobank Plc.
3	Guinness Nigeria Plc	Fidelity Bank Nigeria Plc.
4	Honeywell Flour Mills Plc	First Bank Nigeria Plc.
5	International Breweries Plc	First City Monument Bank Nigeria Plc.
6	Northern Nigeria Flour Mills Plc	Guaranty Trust Bank Plc.
7	Nascon Allied Industries Plc	Stanbic IBTC Bank Plc.
8	Nestlé Nigeria Plc	Sterling Bank Plc.
9	Nigerian Breweries Plc	United Bank for Africa Plc.
10	PZ Cussons Nigeria Plc	Wema Bank Plc.
11	Unilever Nigeria Plc	Zenith Bank Nigeria Plc.
12	Vitafoam Nigeria Plc	Jaiz Bank Plc.

Source: Researcher's Compilation (2024).

The study relied exclusively on secondary data sourced from the audited annual financial statements and published annual reports of the sampled firms. The data span an 11-year period from 2014 to 2024. The base year of 2014 was selected because it followed the enactment of revised corporate income tax provisions introduced in September 2013, which reduced the Company Income Tax rate for small firms (Central Bank of Nigeria, 2013). The longitudinal coverage allows for trend analysis and minimizes short-term fluctuations. Collected data were used to compute measures of firm financial performance and tax planning, including asset turnover ratio, return on investment, effective tax rate, book–tax difference, and cash effective tax rate. The Descriptive statistics including mean, standard deviation, minimum, and maximum values were employed to summarize the data characteristics. Hypotheses were tested using Robust Least Squares (RLS) regression at a 5% significance level, implemented through E-Views version 11. RLS was preferred over Ordinary Least Squares (OLS) because it mitigates the influence of outliers and produces reliable coefficient estimates when classical assumptions of normality and homoscedasticity are violated. This approach is particularly suitable for firm-level panel data characterized by heterogeneity. For sectoral comparison, an independent samples t-test was employed to examine statistically significant differences between manufacturing firms and deposit money banks.

The regression was conducted using a model adapted from Adebimpe and Dahiru's (2024) study whose model is rested below thus:

ROAit = β0+ β1TEXit + β2DTLit + β3REVit +eit ..... Eqn 1.

Where;

ROA= Return on Assets

TEX= Tax Expense

DTL= Deferred Tax Liabilities

REV = Revenue

The above model was modified as follows:

$ATR_{it} = \beta_0 + \beta_1 EFTX_{it} + \beta_2 BTDI_{it} + \beta_3 CEFTX_{it} + \varepsilon_{it}$..... Eqn 2.

$ROI_{it} = \beta_0 + \beta_1 EFTX_{it} + \beta_2 BTDI_{it} + \beta_3 CEFTX_{it} + \varepsilon_{it}$..... Eqn 3.

Whereby,

ATR_{it} = Asset Turnover Ratio for firm *i* in year *t*

ROI_{it} = Return on Investment for firm *i* in year *t*

$EFTX_{it}$ = Effective Tax Rate for firm *i* in year *t*

$BTDI_{it}$ = Book tax differences for firm *i* in year *t*

$CEFTX_{it}$ = Cash Effective Tax Rate for firm *i* in year *t*

β_{1-3} = Coefficient of predictors

β_0 = Constant

ε = Error term

RESULT AND DISCUSSIONS

Data Analysis

Descriptive Statistics

Descriptive statistics are presented separately for the banking sector, manufacturing sector, and the combined sample to highlight sectoral differences.

Table 4 Descriptive Analysis for Banking Sector

	ATR	ROI	EFTX	BTDI	CEFTX
Mean	0.088124	0.018847	0.112154	0.014252	0.122659
Median	0.094638	0.014274	0.114838	0.010337	0.077431
Maximum	0.162895	0.068790	2.688980	0.205383	2.386339
Minimum	0.002041	1.11E-05	-4.450703	-0.016387	-0.387196
Std. Dev.	0.041145	0.013351	0.475204	0.021497	0.318749
Skewness	-0.882635	1.408472	-5.508838	6.249442	5.248962
Kurtosis	2.894620	4.838896	72.13030	52.29444	36.42282
Jarque-Bera	17.20005	62.24191	26952.13	14223.90	6750.101
Probability	0.000184	0.000000	0.000000	0.000000	0.000000
Sum	11.63238	2.487848	14.80436	1.881317	16.19095
Sum Sq. Dev.	0.221776	0.023352	29.58228	0.060538	13.30976
Observations	132	132	132	132	132

Source: Eviews 11 Output (2025)

Table 4 presents the descriptive statistics for deposit money banks. The mean ATR of **0.088** reflects the capital-intensive structure of banking operations, where assets are not rapidly converted into revenue. ROI averages 1.88%, indicating modest profitability with limited dispersion.

The mean EFTX of 11.22%, substantially below the statutory tax rate, suggests active tax planning or loss utilization. Both EFTX and CEFTX display extreme skewness and kurtosis, indicating substantial volatility driven by loss years, deferred taxes, and tax adjustments. BTDI is positive on average, implying the presence of timing differences between accounting and taxable income. Jarque–Bera statistics confirm non-normality across all variables.

Table 5 Descriptive Analysis for Manufacturing Sector

	ATR	ROI	EFTX	BTDI	CEFTX
Mean	0.977528	0.030638	0.626621	-0.007053	0.062532
Median	0.906197	0.035544	0.308078	-0.007150	0.139815
Maximum	4.344196	0.264935	41.08395	0.274673	6.977778
Minimum	0.306756	-0.385869	-4.715152	-0.161844	-15.34028
Std. Dev.	0.472823	0.103911	3.659936	0.046189	1.513395
Skewness	3.913406	-1.032896	10.41269	1.659052	-7.370809
Kurtosis	26.34939	5.547003	115.0854	14.94131	85.92441
Jarque-Bera	3335.491	59.15096	71482.64	844.8253	39015.76
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	129.0336	4.044156	82.71400	-0.931005	8.254276
Sum Sq. Dev.	29.28663	1.414459	1754.762	0.279484	300.0378
Observations	132	132	132	132	132

Source: Eviews 11 Output (2025)

Table 5 shows that manufacturing firms exhibit a markedly higher mean ATR (**0.978**), reflecting stronger operational asset utilization typical of consumer goods firms. Average ROI (**3.06%**) exceeds that of banks but displays wide dispersion, including loss-making observations. Manufacturing firms report an unusually high mean EFTX (62.76%), exceeding the statutory rate, suggesting the influence of non-deductible expenses, tax settlements, or profit volatility. CEFTX is relatively low (6.25%), indicating effective cash tax deferral. Similar to banks, all tax variables exhibit extreme non-normality, underscoring the presence of outliers.

Table 6 Combined Descriptive Analysis for Banking and Manufacturing Sectors

	ATR	ROI	EFTX	CEFTX	BTDI
Mean	0.532826	0.024742	0.369388	0.092596	0.003600
Median	0.234825	0.017704	0.209040	0.100730	0.006266
Maximum	4.344196	0.264935	41.08395	6.977778	0.274673
Minimum	0.002041	-0.385869	-4.715152	-15.34028	-0.161844
Std. Dev.	0.557414	0.074174	2.617441	1.091944	0.037507
Skewness	2.040135	-1.178020	14.41919	-9.766462	1.620209
Kurtosis	12.35837	10.19026	223.9840	158.5396	19.21761
Jarque-Bera	1146.505	629.7578	546321.6	270315.3	3008.624
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	140.6660	6.532004	97.51837	24.44523	0.950312
Sum Sq. Dev.	81.71695	1.446986	1801.813	313.5861	0.369981
Observations	264	264	264	264	264

Source: Eviews 11 Output (2025)

Table 6 aggregates both sectors and highlights pronounced heterogeneity. The combined mean ATR (0.533) masks sharp sectoral contrasts, while the average ROI (2.47%) reflects modest overall profitability. The combined EFTX (36.9%) exceeds the statutory rate, driven largely by manufacturing firms. CEFTX remains considerably lower, reflecting timing differences and tax deferrals. Jarque–Bera results confirm widespread non-normality, justifying the use of robust estimation techniques. Extreme skewness, kurtosis, and rejection

of normality across all variables confirm the presence of influential outliers. These arise from sectoral structural differences, firm-specific tax strategies, loss carryforwards, and episodic tax adjustments. Accordingly, Robust Least Squares (RLS) estimation is employed to ensure reliable inference.

Correlation Analysis

Table 7 Correlational Analysis for Banking Sector

Correlational Analysis for Banking Sector
Date: 07/19/25 Time: 13:06
Sample: 2014 2024
Included observations: 132

Correlation Probability	ATR	ROI	EFTX	BTDI	CEFTX
ROI	0.061984	1.000000			
	0.4802	-----			
EFTX	0.029633	-0.009535	1.000000		
	0.7359	0.9136	-----		
BTDI	0.142010	0.298418	-0.236178	1.000000	
	0.1043	0.0005	0.0064	-----	
CEFTX	0.165500	-0.069711	0.440313	-0.181630	1.000000
	0.0579	0.4270	0.0000	0.0371	-----

Source: Eviews 11 Output (2025)

As shown in Table 7 EFTX exhibits no significant association with ATR or ROI. BTDI, however, shows a moderate and statistically significant positive correlation with ROI**,** suggesting that timing differences between accounting and taxable income may enhance profitability in banks. CEFTX shows weak and insignificant associations with performance measures.

Table 8 Correlational Analysis for Manufacturing Sector

Date: 07/19/25 Time: 13:25
Sample: 1 132
Included observations: 132

Correlation Probability	ATR	ROI	EFTX	BTDI	CEFTX
ROI	0.103386	1.000000			
	0.2381	-----			
EFTX	-0.120972	-0.024978	1.000000		
	0.1671	0.7762	-----		
BTDI	-0.061062	0.134117	-0.001478	1.000000	
	0.4867	0.1252	0.9866	-----	
CEFTX	-0.081430	0.087722	0.215751	-0.048257	1.000000
	0.3533	0.3172	0.0130	0.5827	-----

Source: Eviews 11 Output (2025)

Table 8 reveals generally weak and statistically insignificant correlations between tax planning variables and performance indicators. This suggests that, in manufacturing firms, tax planning practices do not exert strong linear effects on asset efficiency or profitability at the bivariate level.

Table 9 Combined Correlational Analysis for Banking and Manufacturing Sectors
Date: 07/19/25 Time: 12:57
Sample: 1 264
Included observations: 264

Correlation Probability	ATR	ROI	EFTX	CEFTX
ROI	0.125250	1.000000		
	0.0420	-----		
EFTX	0.007431	-0.016686	1.000000	
	0.9043	0.7873	-----	
CEFTX	-0.067956	0.080815	0.217172	1.000000
	0.2713	0.1905	0.0004	-----
BTDI	-0.256230	0.107924	-0.041527	-0.048313
	0.0000	0.0801	0.5017	0.4344

Source: Eviews 11 Output (2025)

In Table 9**,** BTDI emerges as the most relevant tax variable, exhibiting a significant negative correlation with ATR and a weak positive correlation with ROI. EFTX and CEFTX show no statistically meaningful correlations with performance indicators in the pooled sample.

Table 10 Test of Multicollinearity
Variance Inflation Factors
Date: 07/19/25 Time: 13:43
Sample: 1 264
Included observations: 264

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
EFTX	3.18E-06	1.071566	1.050563
BTDI	0.014790	1.012633	1.003356
CEFTX	1.83E-05	1.058792	1.051205
C	2.14E-05	1.033989	NA

Source: Eviews 11 Output (2025)

Variance Inflation Factors reported in Table 10 are all below 1.1, indicating the absence of multicollinearity. This confirms that EFTX, BTDI, and CEFTX provide distinct explanatory power within the regression models.

Regression Estimates for Combined Sectors

Table 11 Combined Regression Analysis for Banking and Manufacturing Sectors – ATR model

Dependent Variable: ATR
Method: Robust Least Squares
Date: 07/19/25 Time: 13:00
Sample: 1 264
Included observations: 264
Method: MM-estimation
S settings: tuning=1.547645, breakdown=0.5, trials=200, subsmpl=4,
refine=2, compare=5
M settings: weight=Bisquare, tuning=4.684
Random number generator: rng=kn, seed=1499578616
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
EFTX	1.296679	0.009183	141.2001	0.0000
BTDI	-4.932576	0.626296	-7.875795	0.0000
CEFTX	0.280888	0.022019	12.75636	0.0000
C	0.159313	0.023801	6.693523	0.0000

	Robust Statistics		
R-squared	0.206347	Adjusted R-squared	0.197189
Rw-squared	0.462143	Adjust Rw-squared	0.462143
Akaike info criterion	364.7816	Schwarz criterion	380.1610
Deviance	39.10430	Scale	0.330565
Rn-squared statistic	22105.80	Prob(Rn-squared stat.)	0.000000

Source: Eviews 11 Output (2025)

Robust Regression Results (Combined Sample)

The RLS results in Table 11 indicate that:

- **EFTX** has a positive and statistically significant effect on ATR
- **BTDI** exerts a strong negative and significant effect on ATR
- **CEFTX** has a positive and significant effect on ATR

Approximately 20% of the variation in ATR is explained by tax planning variables, and the model is statistically significant.

Table 12 Combined Regression Analysis for Banking and Manufacturing Sectors –ROI model

Dependent Variable: ROI
Method: Robust Least Squares
Date: 07/19/25 Time: 13:01
Sample: 1 264
Included observations: 264
Method: MM-estimation
S settings: tuning=1.547645, breakdown=0.5, trials=200, subsmpl=4, refine=2, compare=5
M settings: weight=Bisquare, tuning=4.684
Random number generator: rng=kn, seed=1499578616
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
EFTX	0.053004	0.000392	135.2027	0.0000
BTDI	1.121506	0.026736	41.94670	0.0000
CEFTX	0.033446	0.000940	35.58084	0.0000
C	-0.000956	0.001016	-0.940840	0.3468
	Robust Statistics			
R-squared	0.083478	Adjusted R-squared		0.072902
Rw-squared	0.799286	Adjust Rw-squared		0.799286
Akaike info criterion	646.3243	Schwarz criterion		663.8920
Deviance	0.149577	Scale		0.015269
Rn-squared statistic	23864.37	Prob(Rn-squared stat.)		0.000000

Source: Eviews 11 Output (2025)

As shown in Table 12, all tax planning variables exert positive and statistically significant effects on ROI**.** BTDI has the strongest coefficient, indicating that firms with larger book–tax gaps tend to record higher investment returns. The results suggest that tax planning influences profitability more strongly than operational efficiency.

Test of Hypotheses

Hypothesis One

H_{01}: There is no significant difference in the effect of effective tax rate on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

Hi_1: There is significant difference in the effect of effective tax rate on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

The test of Hypothesis one examined if the effect of effective tax rate on asset turnover ratio differs between manufacturing firms and deposit money banks. In the manufacturing sector, the coefficient of effective tax rate on asset turnover ratio is negative at -0.012344 with a p-value of 0.0864, suggesting a weak and statistically insignificant negative relationship. In

contrast, the banking sector shows a small positive coefficient of 0.003010 with a high p-value of 0.7061, indicating an insignificant and negligible positive effect. These results suggest that effective tax rate does not significantly influence asset turnover ratio in either sector, and there is no strong evidence of a meaningful difference in the effect across the sectors. Thus, effective tax rate has non-significant and negative effect on asset turnover ratio in listed manufacturing firms (β = -0.012344, p = 0.0864) and a non-significant and positive effect in listed deposit money banks in Nigeria (β = 0.003010, p = 0.7061).

Hypothesis Two

H_{02}: There is no significant difference in the effect of effective tax rate on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

Hi_2: There is significant difference in the effect of effective tax rate on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

Hypothesis two focused on the comparative effect of effective tax rate on return on investment between the two sectors. For manufacturing firms, the coefficient is 0.019225 with a p-value of 0.0000, indicating a positive and highly significant effect. Similarly, in the banking sector, the coefficient is higher at 0.049980 and also significant with a p-value of 0.0000. While both sectors show a significant positive relationship between effective tax rate and return on investment, the effect is stronger in the banking sector. This implies that, although the direction of the effect is consistent, the magnitude of the effect differs across the sectors. Thus, effective tax rate has a significant and positive effect on return on investment in listed manufacturing firms (β = 0.019225, p = 0.0000) and in listed deposit money banks in Nigeria (β = 0.049980, p = 0.0000).

Hypothesis Three

H_{03}: There is no significant difference in the effect of book-tax difference on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

Hi_3: There is significant difference in the effect of book-tax difference on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

Hypothesis three assessed the difference in the effect of book-tax difference on asset turnover ratio between the two sectors. In manufacturing firms, the coefficient is 0.388356 with a p-value of 0.4862, meaning the effect is positive but statistically insignificant. For deposit money banks, the coefficient is 0.286093 and the p-value is 0.0758, which is also not statistically significant at the conventional 5 percent level, though it is approaching

significance. These findings suggest that book-tax difference does not have a statistically meaningful effect on asset turnover ratio in either sector, and the difference in effect is not significant. Thus, book-tax difference has a non-significant and positive effect on asset turnover ratio in listed manufacturing firms ($\beta = 0.388356$, $p = 0.4862$) and in listed deposit money banks in Nigeria ($\beta = 0.286093$, $p = 0.0758$).

Hypothesis Four

H_{04}: There is no significant difference in the effect of book-tax difference on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

Hi_4: There is significant difference in the effect of book-tax difference on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

The test of Hypothesis four examined the effect of book-tax difference on return on investment. The manufacturing sector shows a strong and significant positive coefficient of 0.648056 with a p-value of 0.0000. The banking sector shows an even larger coefficient of 1.446025, also significant at 0.0000. These findings indicate that book-tax difference significantly and positively affects return on investment in both sectors, with the effect being more pronounced among banks. The result highlights that firms with greater book-tax differences may achieve higher returns, potentially due to tax planning advantages or temporary accounting-timing differences. Thus, book-tax difference has a significant and positive effect on return on investment in listed manufacturing firms ($\beta = 0.648056$, $p = 0.0000$) and in listed deposit money banks in Nigeria ($\beta = 1.446025$, $p = 0.0000$).

Hypothesis Five

H_{05}: There is no significant difference in the effect of cash effective tax rate on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

Hi_5: There is significant difference in the effect of cash effective tax rate on asset turnover ratio between listed manufacturing firms and deposit money banks in Nigeria.

Hypothesis five analyzed whether cash effective tax rate affects asset turnover ratio differently across sectors. In the manufacturing sector, the coefficient is -0.013477 with a p-value of 0.4394, indicating an insignificant negative relationship. In the banking sector, the coefficient is 0.014257 and the p-value is 0.2253, which also reflects an insignificant positive relationship. These results show that cash effective tax rate has no significant effect on asset turnover ratio in either sector, and the difference in effect is not statistically meaningful. Thus,

cash effective tax rate has a non-significant and negative effect on asset turnover ratio in listed manufacturing firms (β = -0.013477, p = 0.4394) and a non-significant positive effect in listed deposit money banks in Nigeria (β = 0.014257, p = 0.2253).

Hypothesis Six

H_{06}: There is no significant difference in the effect of cash effective tax rate on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

Hi_6: There is significant difference in the effect of cash effective tax rate on return on investment between listed manufacturing firms and deposit money banks in Nigeria.

The test of Hypothesis six evaluated the comparative effect of cash effective tax rate on return on investment. For manufacturing firms, the coefficient is 0.017409 with a p-value of 0.0004, indicating a positive and statistically significant effect. Similarly, the banking sector shows a significant coefficient of 0.012742 with a p-value of 0.0000. Although the coefficients differ slightly, both results indicate that cash effective tax rate has a positive and significant effect on return on investment in both sectors, with manufacturing firms experiencing a slightly stronger effect. Thus, cash effective tax rate has a significant and positive effect on return on investment in listed manufacturing firms (β = 0.017409, p = 0.0004) and in listed deposit money banks in Nigeria (β = 0.012742, p = 0.0000).

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of tax planning on firm financial performance among listed **consumer** goods manufacturing firms and deposit money banks in Nigeria, using effective tax rate, book–tax difference, and cash effective tax rate as proxies for tax planning, and asset turnover ratio and return on investment as measures of financial performance. The findings are presented under combined-sample evidence and comparative sectoral evidence. Collectively, these results indicate that tax planning variables are more strongly and consistently linked to profitability-based performance than to operational efficiency, reinforcing the financial orientation of corporate tax strategies in Nigeria.

The findings of this study provide compelling evidence that tax planning plays a more pronounced role in enhancing financial profitability than in improving operational efficiency among listed manufacturing firms and deposit money banks in Nigeria. The consistent and statistically significant relationship between tax planning proxies and return on investment suggests that firms primarily deploy tax strategies as instruments for maximizing after-tax returns rather than as mechanisms for improving asset productivity. The weak and

inconsistent association between tax planning variables and asset turnover ratio indicates that asset utilization is largely driven by operational, technological, and industry-specific factors rather than by tax-related decisions. This is particularly evident in the banking sector, where regulatory controls limit asset deployment flexibility, and in manufacturing firms, where production efficiency and market demand exert stronger influence than accounting or tax adjustments.

Sectoral differences further highlight the contextual nature of tax planning. Banks operate within stricter compliance frameworks and exhibit limited scope for aggressive tax positioning, while manufacturing firms benefit more from capital allowances, depreciation policies, and reinvestment incentives. Nevertheless, the consistent profitability-enhancing effect of tax planning across both sectors underscores a shared strategic motivation: preserving earnings and strengthening financial returns in a complex and evolving tax environment. In summary, tax planning in Nigeria functions predominantly as a financial management tool rather than an operational efficiency mechanism**,** reinforcing its role in profit optimization rather than asset productivity enhancement.

Based on the findings, the following recommendations are advanced:

1. Chief Financial Officers (CFOs) should avoid linking short-term tax planning outcomes directly to asset efficiency metrics. Instead, tax strategies should be integrated into long-term value creation plans through reinvestment incentives, capital allowance optimization, and structured tax credits that indirectly support productive capacity.
2. Boards of Directors and Financial Strategy Committees should approve tax policies that balance compliance with performance objectives, emphasizing transparency, sustainability, and alignment with corporate governance standards rather than aggressive tax minimization.
3. Tax Advisory Units and Internal Control Officers should exercise caution in widening book–tax differences as a performance signal. Reporting practices should ensure that tax-related timing differences do not distort the assessment of true operational performance.
4. The Federal Inland Revenue Service (FIRS) should strengthen monitoring mechanisms to discourage aggressive tax planning while refining incentive frameworks that encourage genuine investment, innovation, and employment generation without eroding the tax base.

5. Chief Operating Officers (COOs) and Operations Managers should focus on improving asset productivity through process optimization, lean production, and efficient working capital management rather than relying on tax-induced liquidity advantages.
6. Corporate Strategy Units and External Tax Consultants should prioritize tax structures that support long-term investment and growth objectives, ensuring that tax planning complements rather than substitutes for sound operational strategy.

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