
Effect of corporate tax planning on financial performance of listed consumer goods companies in Nigeria

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ABSTRACT

The study examined the effect of corporate tax planning on financial performance of listed consumer goods firms in Nigeria. The study used secondary data of 17 listed consumer goods firms in Nigeria which were extracted from the annual reports and accounts of the sampled firms for the period 2012 to 2022. The data collected for the study were statistically treated using Dynamic panel data of Generalised Moment Method (GMM). The study found that Book Tax Difference (BTD) has positive and significant effect on Return on Assets (ROA), the study also revealed that Effective Tax Rate (ETR) has insignificant but positive effect on ROA. The study also documented positive effect of cash effective tax rate on ROA. The study recommended that given the significant positive impact of BTD on ROA, consumer goods firms should actively identify and exploit available BTD. This may involve strategic planning to capitalize on deductions that align with the business operations and objectives. The study also recommends that companies should re-evaluate their tax strategies related to ETR, considering its positive but insignificant effect on ROA. Exploring alternative tax planning measures or refining existing ETR-related strategies may help enhance the overall impact on financial performance. Firms are encouraged to focus on optimizing their cash effective tax rates, as the study indicates a positive and significant effect on ROA. This may involve continuous monitoring of tax regulations, adjustments to financial structures, and proactive tax planning to ensure an advantageous current effective tax rate.

Keywords: Corporate tax planning financial performance

1. INTRODUCTION

The Nigerian economy has been experiencing significant growth and development over the years, with the consumer goods industry playing a crucial role in its expansion. Taxation is a fundamental aspect of a country's economic system, serving as a major source of revenue for the government. Effective tax planning within the consumer goods industry can greatly influence the financial performance of firms (Tanko et al., 2022). Tax planning involves the strategic arrangement of a company's financial affairs to minimize tax liability while ensuring compliance with the legal requirements. The effectiveness of tax planning can significantly impact a company's profitability and financial standing.

Despite the recognized importance of tax planning in enhancing financial performance, there is limited academic research focusing specifically on its effects within the consumer goods industry in Nigeria (Tanko, 2023). The existing literature often provides a general overview of tax planning or focuses on other industries, neglecting the unique dynamics and challenges faced by the consumer goods firms. Understanding the impact of tax planning on the financial performance of these firms in Nigeria is essential for both practitioners and policymakers to develop informed strategies.

Consumer goods firms in Nigeria face significant practical challenges related to tax planning and financial performance: Some firms might engage in tax evasion or aggressive tax avoidance strategies to reduce tax liabilities, which can have legal and reputational implications, affecting their financial performance and sustainability (Maigoshi & Tanko, 2023). Complex tax compliance requirements and inefficient tax planning processes can divert valuable resources from core business operations, impacting overall efficiency and financial performance (Samaila & Siyanbola, 2020). Keeping up with evolving tax regulations and ensuring compliance is a substantial administrative burden for firms, potentially leading to unintentional non-compliance and associated penalties. There is a need for comprehensive theoretical frameworks that integrate various tax planning dimensions into a cohesive model, considering legal, financial, and strategic aspects for consumer goods firms.

Understanding the factors influencing financial performance such as tax planning decision within the consumer goods industry is vital for developing effective tax planning theories and strategies. Limited empirical research focuses specifically on the tax planning strategies adopted by consumer goods firms in Nigeria. A systematic and rigorous empirical analysis is essential to bridge this gap and derive practical

insights. Long-term studies tracking the effectiveness of tax planning strategies and their impact on financial performance over an extended period are scarce. A longitudinal approach can provide a holistic understanding of this relationship.

There is a dearth of literature examining tax planning's role within the unique context of the consumer goods industry in Nigeria. Most tax-related studies focus on multinational corporations or general taxation principles (Smith et al, 2021; Johnson & Thompson, 2021; Guenther, 2022; Vrzina, 2019). Limited research investigates tax planning dynamics specifically within emerging markets like Nigeria (Tanko, 2023; Tanko & Maigoshi, 2023; Akintoye et al., 2021; Usman et al., 2020). There is a need for a deeper understanding of tax planning and its effect on financial performance, tailored to the consumer goods industry, encompassing transfer pricing, investment incentives, and compliance optimization. Assessing the impact of tax policies and regulations on tax planning effectiveness and financial performance will enrich our understanding of the interplay between taxation, policy, and firm performance. Addressing these practical, theoretical, methodological, literature, and knowledge gaps is essential to contribute significantly to both academic research and practical implications for consumer goods firms operating in the Nigerian market. This study aims to fill these gaps and provide meaningful insights for enhancing tax planning strategies and financial performance in the consumer goods sector.

Consumer goods firms contribute significantly to the Gross Domestic Product (GDP) of Nigeria and are vital for the country's economic prosperity. The performance of these firms is essential not only for the stakeholders but also for the overall economic stability of the nation. The consumer goods industry is a vital sector of any economy, playing a crucial role in meeting the everyday needs and demands of the population. In Nigeria, the consumer goods industry has witnessed significant growth and transformation over the years, driven by factors such as a burgeoning population, urbanization, changing consumer preferences, and a growing middle class. The industry encompasses a wide range of products including food and beverages, personal care products, household goods, and more.

However, despite the industry's importance, it faces various challenges that impact its financial performance. These challenges include fluctuating market demand, supply chain disruptions, regulatory changes, inflation, and currency devaluation. Additionally, the Nigerian tax landscape is intricate and subject to frequent modifications, making tax planning a critical aspect for consumer goods firms to ensure financial sustainability and growth.

The consumer goods industry in Nigeria is confronted with multifaceted challenges in maintaining financial performance and sustainability. Among these challenges, the impact of taxation and the efficacy of tax planning strategies on the financial performance of listed consumer goods firms have emerged as prominent concerns. On this ground this study focused on listed consumer goods firms in Nigeria. The study primarily examined tax planning strategies employed by these firms and their impact on financial performance. The study considered financial data, tax reports, and relevant literature to draw meaningful conclusions.

2. LITERATURE REVIEW

Book Tax Difference and Financial Performance

Book tax differences refer to the discrepancies between financial accounting income and taxable income reported in a company's financial statements and tax returns, respectively. Book tax differences refer to variations between financial accounting income and taxable income, which arise due to differences in accounting and tax regulations. Numerous studies have explored the impact of book tax differences on financial performance. For example, research by Lee and Guenther (2022) revealed a negative relationship between the book tax difference residual and financial performance. Similarly, Smith et al. (2021) found a negative association between book tax differences and financial performance. In addition, Chukwudi et al. (2020) investigates the effect of tax planning on firm value in Nigerian listed manufacturing firms from 2009-2018. The study uses secondary data gotten from the selected firms' accounts. The study also employs ordinary least square regression to review the data. The study reveals that effective tax rate (ETR) and Book Tax Difference (BTD) has no significant effect on Tobin'Q. The study concludes that profitability increases with decrease in ETR.

Furthermore, Johnson and Thompson (2021) conducted a study on the relationship between effective tax rates and financial performance and discovered a negative correlation. Their research indicated that higher effective tax rates are associated with lower financial performance, potentially due to increased tax burdens and reduced cash flows.

Akintoye et al. (2020) investigates tax planning strategies and profitability in Nigerian listed manufacturing firms from 2008-2017. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs descriptive and inferential statistics (multiple regression and correlation) to analyse the data. The study reveals that effective tax rate (ETR), tax savings and Book Tax Difference (BTD) has significant effect on Return on Assets (ROA). The

research concludes that tax planning strategies have both significant and insignificant effects on profitability of manufacturing firms in Nigerian stock, especially as it affects the years that were reviewed. The recommendation made by the study is, research and development should be harnessed and properly managed by Tax Managers and Financed Officers to increase its contribution to the profitability of manufacturing firms.

Vrzina (2019) studies the impact of corporate tax planning on financial performance of firms quoted on the Belgrade exchange from 2009-2018. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs multiple regression to analyse the data. The findings reveal that cash effective tax rate (CETR), tax savings and Book Tax Difference (BTD) has significant effect on Return on equity (ROE). Chen et al. (2018) found that larger book tax differences are associated with lower financial performance. Similarly, Smith and Johnson (2018) found that larger book tax differences were associated with lower profitability and higher financial distress. This suggests that companies with significant book tax differences may experience challenges in managing their tax liabilities, which can adversely affect their overall financial performance.

Effective Tax Rate and Financial Performance

The effective tax rate (ETR) measures the overall tax burden faced by a company relative to its pre-tax income. The effective tax rate (ETR) is a measure of the average tax rate a company pays on its pre-tax income. The relationship between the ETR and financial performance has been the subject of extensive research. For instance, studies such as Chen and Chen (2021) found a positive association between ETR and firm profitability, suggesting that companies with higher ETRs tend to have better financial performance. However, conflicting results have also been reported in the literature, indicating the need for further investigation. However, others research, such as Gupta et al. (2020) examined the relationship between ETR and firm profitability and found a positive association.

Usman et al. (2020) examines the impact of corporate tax planning, board compensation and firm value in Nigeria of 71 financial sectors from 2008-2015. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs generalized least square (GLS) regression to analyse the study. The study revealed that cash effective tax rate (CETR) has insignificant effect on Return on Assets (ROA). The study recommends that while it is believed that ROA is a good measure of firm value and cash ETR one of the acceptable means of tax planning, using other proxies could prove useful and as such

recommends future studies in Nigeria should adopt other measures for these variables.

Adejumo and Sanyaolu (2020) examined tax planning and profitability of Nigerian banks of 9 money banks in Nigeria from 2012-2018. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs generalized moment method to analyse the data. The study reveals that effective tax rate (ETR) has insignificant effect on Return on Assets (ROA). The study concludes it focuses only on banking sub-sector, other studies can improve the scope of this study by including other sub-sectors like insurance companies and finance houses, also future studies may focus on firms in the non-financial sector in the country using the generalized method of moment. The study recommends that deposit money banks should engage the services of tax consultants and as well moderate the level of their use of debt in their capital structure to benefit from the tax shield on interest expenses and thus reduce their tax payable.

Silvy and Alexander (2019) examine the effect of tax planning on firm value of listed firm in Indonesia from 2014-2016. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs multiple regression to analyse the data. The study reveals that effective tax rate (ETR), cash effective tax rate (CETR) has negative significant effect on Tobin'Q. The study finalized that when a company implements effective tax planning, this will increase the firm's value. Their tax payments will reduce, and their profits will increase, thereby attracting further investments by outside investors. On the other hand, when a company does not have effective tax planning procedures in place, the value of the firm will likely decrease.

Olabisi et al. (2019) investigate the relationship between tax planning and performance in Nigerian listed oil and gas firms from 2012-2017. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs pooled ordinary least square regression to analyse the data. The study reveals that effective tax rate (ETR) has negative significant effect on Return on Assets (ROA). The study concludes that ETR and FS are important to tax planning variables that can positively impact the performance of Nigeria listed Oil and Gas firms. The study also recommends that management commitment to tax planning as part of overall financial planning of Nigerian listed Oil and Gas firm is imperative for enhanced performance.

Rahman et al. (2018) examines the influence of corporate tax planning on investors' confidence as a determinant of share price in Nigerian money banks from 2010-2017.

The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also uses panel least square method and correlation analysis to analyse the data. The study shows that effective tax rate (ETR) has significant effect on share price. The study recommends that efforts should be improved to sensitize the firms on reasons not to be too aggressive in the pursuit of their planning strategies as it weakens the revenue generating capacity of the government. They should be made to see tax payment as a social responsibility.

Izevbekhai and Odion (2018) study the effect of tax planning and firm value of 87 firms on floor of Nigerian exchange (NGX) from 2010-2016. The study uses secondary data gotten from the sampled firms' reports and accounts. The study also uses panel least square method to analyse the data. The study reveals that effective tax rate (ETR) and tax savings has significant effect on share price. The study recommends that firms should cut down their debt burden since a negative relationship exists between leverage and firm value. They (firms) should emphasize more on equity financing so as to reduce the effect of restrictive covenant and high interest cost of debt capital.

Gupta et al. (2017) finds no significant relationship between the ETR and financial performance. Lisowsky et al. (2016) suggest that a higher ETR is associated with lower financial performance. Nwaobia et al. (2016) assess the effect of tax planning on firm performance in Nigerian listed manufacturing firms from 2010-2014. The study uses secondary data gotten from the selected firms' reports and accounts. The study also uses multiple regression to analyse the data. The research reveals that effective tax rate (ETR) has significant effect on Tobin's Q. The study concludes that in order to maximize corporate tax payments net of the private cost of doing so; in other words, they want the company to optimally plan diligently. The study also recommends that since the influence of effective tax rate is statistically significant and so, should be used as a determinant of firm value in Nigeria. Therefore, on the basis of efficient use of tax rate to generate growth should be encouraged.

Sani and Madaki (2016) study the influence of corporate tax planning on market value in 10 oil and gas firms in Nigeria ranging from 2005-2014. The study employs secondary data extracted from the sampled firms' annual reports and accounts. The study also employs descriptive statistics regression analysis to analyse the data. The study reveals that effective tax rate (ETR) has insignificant effect on Return on Assets (ROA). The study concludes that corporate tax avoidance influences the market value of the selected but the benefit of tax planning activities is not reflected in the shareholders' wealth. The result also shows that return on equity and leverage is significant in influencing the market value.

Pitulice et al. (2016) investigate the impact of tax planning on firm financial performance in listed firms in Bucharest for a period of 3 years from 2012-2014. The study uses secondary data extracted from the sampled firms' annual reports. The study also uses multiple regression to analyse the data. The study reveals that effective tax rate (ETR) has no significant effect on Return on Assets (ROA). The study concludes for the return of equity model several insignificant variables were excluded as keeping them inside the model would have artificially increased the determination level.

Aganyo (2014) investigate the effect of corporate tax planning on firm value in 20 Nigerian listed manufacturing firms from 2009-2013. The study uses secondary data extracted from the sampled firms' annual accounts. The study also uses a descriptive analysis and multiple regression to analyse the data. The finding reveals that effective tax rate (ETR) has an insignificant effect on Return on Assets (ROA). The study concludes that tax planning affects the value of firm. More tax planning practices that lead to payment of lower effective taxes help improve value of firms and vice versa. The study recommends the need for firms to institute more robust tax planning practices that will help reduce their effective tax liabilities and therefore improve their overall value. Firms that engage in better tax planning practices are likely to get higher firm value.

Beigi et al. (2013) examine the effect of tax rate on profitability in 23 companies in Tehran from 2004-2010. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs panel data regression to analyse the data. The study reveals that effective tax rate (ETR) has insignificant effect on Return on Assets (ROA). The study recommends that Authority should help firms plan their tax liabilities as this helps to encourage more firms to pay taxes rather than evade or avoid taxes.

Zemzem and Ftouhi (2013) study the moderating effects of board of directors on the relationship between tax planning and bank performance in 18 Tunisian banks from 2000-2011. The study uses secondary data culled from the sampled firms' annual reports. The study also employs multiple regression to analyse the data. The study reveals that effective tax rate (ETR) has significant effect on Return on Assets (ROA). The study concludes that when a company implements effective tax planning, this will increase the firm's value. Their tax payments will reduce, and their profits will increase, thereby attracting further investments by outside investors. On the other hand, when a company does not have effective tax planning procedures in place, the value of the firm will likely decrease.

Cash Effective Tax Rate and Financial Performance

The cash effective tax rate (CETR) represents the actual cash taxes paid by a company divided by its pre-tax cash income. The CETR has garnered attention in recent years due to its relevance in assessing a firm's cash tax management and financial performance. Prior research has found mixed results regarding the relationship between CETR and financial performance. For example, Zhang and Chen (2023) examined the relationship between cash effective tax rates and profitability. Their study indicated a negative association between cash effective tax rates and profitability measures such as net profit margin and return on investment. This suggests that companies with lower cash tax burdens may achieve better financial performance.

Moreover, Liang et al. (2023) investigated the impact of cash effective tax rates on firm value. Their findings revealed a positive relationship between cash effective tax rates and market value, suggesting that investors perceive tax-efficient companies as having better financial prospects. This implies a positive association between cash effective tax rates and financial performance from an investor's standpoint. Nguyen et al. (2022) reported a negative association between CETR and firm profitability, suggesting that companies with higher cash tax burdens may experience lower financial performance.

Olanisebe and Samaila (2020) assess the moderating effect of board attributes on the relationship between tax planning and financial performance of Nigerian listed oil firms from 2009-2018. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs descriptive statistics and pooled ordinary least square regression to analyse the data. The study reveals that effective tax rate (ETR), cash effective tax rate (CETR) has significant effect on Return on Assets (ROA). The study concludes that in order to maximize profitability of the firms, board of directors should minimize corporate tax payments, and this will involve other costs. The study recommends the companies should have a meeting to diligently plan their tax return. In addition, the management should use loophole of tax to manage their capital and resources more professionally through board structure mechanism.

Thanjunpong and Awirothananon (2019) examine the effect of tax planning on firm financial performance of 873 firm-years of observation in Thailand from 2014-2016. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs multiple regression to analyse the data. The study reveals that effective tax rate (ETR), cash effective tax rate (CETR) has significant

effect on Return on equity (ROE). The study recommends listed companies should, for example, employ BIG4 auditors since the results indicates that the relationship for BIG\$ auditors is significantly positive, while for non-BIG4 auditors the relationship is significantly negative.

Silvy (2019) studies the effect of tax planning on financial performance listed firms in Indonesia from 2014-2016. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs multiple regression to analysed the data. The study reveals that effective tax rate (ETR), cash effective tax rate (CETR) has significant effect on Return on equity (ROE). The study concludes that when a company implements effective tax planning, this will increase the firm's value. Their tax payments will reduce, and their profits will increase, thereby attracting further investments by outside investors. On the other hand, when a company does not have effective tax planning procedures in place, the value of the firm will likely decrease.

Ftouhiet et al. (2015) evaluate the effect of corporate tax planning on firm performance in 73 firms listed in the Euronext from 2008-2012. The study uses secondary data extracted from the sampled firms' annual reports and accounts. The study also employs multiple regression to analyse the data. The study reveals that cash effective tax rate (CETR) has negative significant effect on Tobin'Q. The study finalized that when a company implements effective tax planning, this will increase the firm's value. Their tax payments will reduce, and their profits will increase, thereby attracting further investments by outside investors. On the other hand, when a company does not have effective tax planning procedures in place, the value of the firm will likely decrease.

3. METHODOLOGY

The correlational research design was employed for this study, because correlational research design indicated the probable relationship between a set of explanatory variables and dependent variables or to determine the influence of one variable on another (Samaila & Siyanbola, 2020; Tanko & Maigoshi, 2023;) The population of study consist of all the 21 consumer goods firms listed on the floor of Nigeria Exchange (NGX) as of 2023. The sample for this study would include 17 consumer goods firms. To arrive at this sample, the applied two points filters. First, the study eliminated firms that were not listed before 2012 and firms that were delisted before 2022. This step would ensure that the study focus on firms with a stable listing history. Next, the study excluded firms that lacked the necessary data needed for the study, which led to the final working population of 17 firms. Since the working

population is reasonably small and represents a substantial portion of the population, the study chooses to use census sampling and include the entire working population in the study. The secondary source of data collection method was used to generate data from the annual reports and accounts of the sampled consumer goods firms listed in Nigeria.

The Generalized Method of Moments (GMM) is chosen as the primary method of analysis for this study due to its ability to handle issues related to endogeneity, which is common in studies involving financial data. The study utilizes data from 17 selected consumer goods firms listed in Nigeria over the period 2012 to 2022.

Variables of the study

The dependent variable in this study is Return on Equity (ROE). The independent variables include Book-Tax Difference (BTD), Effective Tax Rate (ETR), and Current Effective Tax Rate (CETR).

Table 1
Summary of Variables and Measurement

Variables	Types	Measurements/Source(s)	Sources
Financial performance	Dependent	Profit before tax and interest divide by total assets	Samaila and Siyanbola (2020); Prananingrum et al. (2018)
Book to tax difference	Independent	$\frac{\text{Profit before tax} - \text{current tax expenses}}{\text{statutory tax rate}}$ Scaled by total assets	Tanko et al. (2022)
Effective tax rate	Independent	Provision for tax expense divide by profit before interest and tax	Pettersson and Wu (2015); Kibiya and Bilyaminu (2019); Chen et al., 2019a).
Cash effective tax rate	Independent variable	Cash tax paid divide by profit before interest and tax	Pettersson and Wu (2015); Kibiya and Bilyaminu (2019); Chen et al., 2019a).

Note. Literature reviewed.

4. RESULTS AND DISCUSSION

Table 2
Descriptive statistics

Variables	Mean	Std. Dev.	Minimum	Maximum
ROA	0.126	0.573	-2.356	6.193
BTD	0.030	0.581	-2.475	6.154
ETR	0.118	1.113	-12.43	3.686
CETR	0.131	0.264	-1.201	1.885

Source: STATA 14 output

Table 2 shows that on average, the listed consumer goods firms in Nigeria have a ROA of 0.126. This implies the sector on average generate 12.6% profit annually. The standard deviation also shows that the ROA values vary around the mean, indicating a moderate degree of dispersion. The minimum and maximum range from -2.354 to 6.193 demonstrates the diversity in financial performance. The man of the BTD of 0.021 shows that on average, the firms show a small book-tax difference of 0.021. This indicates poor tax planning. However, the higher standard deviation implies more variability in book-tax differences. Moreso, the minimum and maximum of -2.474 and 6.154 respectively, the range indicates the broad spectrum of book-tax differences observed.

The average ETR is 0.118, reflecting the firms' overall tax burden, which indicates low ETR and implies high tax planning since ETR is less than 20% and 30% tax rate for small and large firms in Nigeria. The standard deviation of 1.113 is relatively high standard deviation suggests significant dispersion in ETRs. The minimum of -12.435 and maximum of 3.686 shows extreme values highlight potential outliers affecting the average. The Cash Effective Tax Rate (CETR) documented mean value of 0.131, that is the average CETR is 0.131, indicating the proportion of cash taxes to income. On the other hand, the standard deviation of 0.264. The low standard deviation implies less variability in CETRs. The minimum of -1.201 and maximum of 1.885, the range suggests a relatively stable cash tax rate across firms.

Pre estimation tests

Table 3
Pre and Post Estimation Test

Variables	ROA lag Coefficient
Fixed effect	0.1538
Ordinary Least Square	0.1376
One step difference GMM	0.1515
Two step difference GMM	0.1499
One step System GMM	0.1376
Two step system GMM	0.1308
Hetest	0.342
Arellano-Bond test for AR(1)	0.296
Arellano-Bond test for AR(2)	0.296
Hansen	1.000
Sargan	1.000

Source: STATA 14 output

In order to choose between the system GMM and difference GMM the study use bond (2001) two thumb rules. The rules states that if the difference GMM estimates of the lagged dependent variable obtained is close to or below the fixed effects estimates. this suggests that the difference GMM estimate is also downward biased because of weak instrumentation. therefore, is system GMM estimator should be preferred.

From Table 3 it indicates that fixed effect ccoefficients is 0.1538 higher than both one step and two step difference GMM of 0.1515 and 0.1499 respectively. This suggesting diminishing lag ROA effects. The choice of the two-step system GMM is supported, indicating a more appropriate model specification for improved estimation.

AR(1) and AR(2): The probability values of 0.296 and 0.297 indicate that there is no autocorrelation in the first and second differences of the dependent variable. Implication: The model adequately addresses autocorrelation issues.

Sargan Test Overidentification: The probability value of 0.356 suggests that the instruments used in the analysis are not over-identifying the model. Implication: The instruments are valid for the specified model.

Hansen Test: The probability value of 1.0000 indicates that the model is not suffering from overfitting. Implication: The instruments used in the analysis are valid and do not lead to model overfitting.

Heteroskedasticity Test (hetttest): Significant chi2(1) statistic and p-value of 0.342 indicate the absence of heteroskedasticity. This implies that varied levels of variability in the error term across observations may not affect the efficiency of coefficient estimates.

Table 4
Two-step System GMM Regression Results

Variables	Coefficient	T	P> t
L.ROA	0.1308	23.72	0.000
BTD	0.7811	149.92	0.000
ETR	0.0080	1.66	0.117
CETR	0.1248	2.15	0.047
Cons.	0.0549	5.27	0.000

Source: STATA 14 Output

The 4 shows that the Lag of ROA has positive and significant effect at coefficient value of 0.131 and probability value of 0.000 suggests that past financial performance positively influences current Return on Assets (ROA). This implies that firms with a history of strong ROA are likely to maintain or improve their financial performance. It also indicates that a 1% increase in the lag of ROA suggests that a firm's past ROA positively influences its current ROA. Moreso, holding other factors constant, if a firm had a 1% higher ROA in the previous period, we can expect its current ROA to increase by 0.131%.

The Table further shows a positive and significant effect of BTD with coefficient value of 0.781 and probability value of 0.000 on ROA, indicates that book tax differences have a substantial impact on ROA. This indicates that firms should carefully manage book tax differences to enhance their financial performance. It also indicates that a 1% increase in book tax difference indicates a significant impact on ROA. With other factors unchanged, a 1% rise in book tax difference is associated with a 0.781% increase in ROA.

The results also documented that ETR has positive but insignificant effect on ROA at coefficient value of 0.008 and probability value of 0.117 suggests that ETR has a limited impact on ROA. It also means that tax planning based on the effective tax rate alone may not significantly influence financial performance. Furthermore, A 1% increase in ETR has an insignificant effect on ROA. Also, keeping other variables

constant, a 1% higher effective tax rate is associated with an 0.008% change in ROA, but this change is not statistically significant.

The results show that Cash Effective Tax Rate has positive and significant effect on ROA at coefficient value of 0.125 and probability value of 0.047 which implies that the cash effective tax rate positively affects ROA. It also implies that 1% increase in CETR results in a significant positive effect on ROA. All else being equal, a 1% rise in the cash effective tax rate is associated with a 0.125% increase in ROA. Also, firms should consider managing their cash tax payments to improve financial performance.

5. CONCLUSION AND RECOMMENDATIONS

Conclusions

The findings of the study indicate that Book Tax Difference (BTD) have a positive and significant effect on Return on Assets (ROA) for listed consumer goods firms in Nigeria. This suggests that effective tax planning through the utilization of Book tax difference positively contributes to the financial performance of these firms. Companies should continue to explore and leverage available BTD to enhance their ROA.

However, the study reveals that Effective Tax Rate (ETR) has a positive but insignificant effect on ROA. While there is a positive relationship, it is not statistically significant, indicating that the impact of ETR on financial performance may be limited. Companies should cautiously assess the effectiveness of their tax strategies related to ETR and explore additional avenues to optimize their tax planning for more substantial benefits.

Additionally, Cash Effective Tax Rate (CETR) demonstrates a positive and significant effect on ROA. This implies that firms employing strategies related to cash effective tax rates are likely to experience improved financial performance. As such, companies should consider focusing on optimizing their current effective tax rates to enhance their overall return on assets.

Recommendations

The study recommended that given the significant positive impact of BTD on ROA, consumer goods firms should actively identify and exploit available BTD. This may involve strategic planning to capitalize on deductions that align with the business operations and objectives.

The study also recommends that companies should re-evaluate their tax strategies related to ETR, considering its positive but insignificant effect on ROA. Exploring

alternative tax planning measures or refining existing ETR-related strategies may help enhance the overall impact on financial performance.

Firms are encouraged to focus on optimizing their cash effective tax rates, as the study indicates a positive and significant effect on ROA. This may involve continuous monitoring of tax regulations, adjustments to financial structures, and proactive tax planning to ensure an advantageous current effective tax rate.

Suggestion for Future Research

This study is limited to effect of tax planning on financial performance of listed consumer goods companies in Nigeria. The study used only three measurement of tax planning which are BTM, ETR and CETR. The period is also limited to 2024. However, future can consider inclusion of earnings management as moderator or any other moderator. Also, future research can extent the study all manufacturing firms and extent the period to 2024.

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