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ANALYSIS OF THE IMPACT OF TAX OUTFLOWS ON THE FINANCIAL PERFORMANCE OF CORPORATE FIRMS IN NIGERIA

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Abstract
This study analyzed the impact of tax outflows on the financial performance of corporate firms in Nigeria. The objectives were to examine the effect of company income tax on profit for the year and determine the extent to which education tax affect profit for the year of Nigerian manufacturing firms. The study adopted ex-post facto research design. The population of the study comprises all the twenty-five (25) manufacturing firms listed on the Nigeria Stock Exchange as at 31st December, 2024. Multiple (Panel Least Squares) regression analysis were used as the main tool of analysis for test of hypotheses formulated for the study while t-statistics was used as a supporting tool of analysis. The study found that company income tax has positive and significant effect on return on assets of Nigerian manufacturing firms with t-statistics of 7.548348 which was greater than 2.0 and probability value of 0.0000 which was less than 0.05. It was also observed that education tax has positive and significant effect on return on assets of Nigerian manufacturing firms with t-statistics of 4.979062 which was greater than 2.0 and probability value of 0.0011 which was less than 0.05. In conclusion, the findings of this study reveal a consistent pattern of positive and significant effects of Company Income Tax and Education Tax, on the return on assets of Nigerian manufacturing firms. It was recommended among other things that Nigerian manufacturing firms should engage in proactive tax planning and management strategies to optimize the positive impact of various taxes on return on asset. This involves aligning business operations to efficiently utilize assets and meet tax obligations, ultimately enhancing financial performance.

1.1 Background to the Study

In the global economic landscape, the relationship between corporate taxation and the operational performance of manufacturing firms has garnered significant attention. Nigeria, as a prominent player in the African

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manufacturing sector, provides an intriguing context to explore this dynamic. This research aims to investigate the effect of corporate tax outflows on the operational performance of Nigerian manufacturing firms. Understanding this relationship is crucial for policymakers, corporate stakeholders, and investors seeking to enhance the competitiveness and sustainability of the manufacturing sector in Nigeria (Abdellatif, Gwendolyn & Fortes, 2019).

Nigeria's manufacturing sector is a vital contributor to its economic development, providing employment opportunities, fostering industrialization, and driving innovation. However, the sector faces numerous challenges, including infrastructural deficiencies, regulatory hurdles, and tax burdens. Corporate taxation, in particular, plays a significant role in shaping the operational environment for manufacturing firms (Adebayo, Ajao & Olawanle, 2018).

Corporate taxes constitute a substantial portion of the financial obligations of Nigerian manufacturing firms. These taxes are levied on business profits, thereby affecting firms' financial resources available for investment, expansion, and day-to-day operations. The Nigerian tax system encompasses various taxes, including corporate income tax, value-added tax (VAT), and customs duties, all of which influence firms' operational performance (Olurankinse & Oladeji, 2020).

While corporate taxation is essential for funding public services and infrastructure, excessive tax burdens can hamper the growth and competitiveness of manufacturing firms. High tax rates may discourage investment, innovation, and productivity-enhancing activities, thereby impeding firms' operational efficiency and long-term sustainability (Jeongho & Chaechang, 2017).

Previous research in other contexts has yielded mixed findings regarding the impact of corporate taxes on firm performance. Some studies suggest that high corporate tax rates constrain firms' profitability and investment, leading to reduced operational performance. Conversely, others argue that effective tax management strategies and government incentives can mitigate the adverse effects of taxation on firm performance.

Given the unique characteristics of the Nigerian manufacturing sector and its regulatory environment, it is essential to examine how corporate tax outflows affect the operational performance of firms operating in this context. By doing so, this study seeks to provide valuable insights into the interplay between taxation and firm behavior in Nigeria's manufacturing landscape.

1.2 Statement of the Problem

Despite its significance, the relationship between corporate tax outflows and the operational performance of Nigerian manufacturing firms remains underexplored. The relationship between corporate tax outflows and firm financial performance in Nigeria is complex and multifaceted, presenting several challenges and opportunities. On one hand, high corporate tax rates and inefficient tax administration may impede business growth and profitability, thereby stifling investment and innovation. On the other hand, effective tax planning strategies and compliance with regulatory requirements can contribute to sustainable business operations and long-term value creation. Moreover, the impact of corporate tax outflows on firm financial performance may vary across industries, company sizes, and ownership structures, further complicating the analysis.

1.3 Objectives of the Study

The broad objective of this study is to analyze the impact of tax outflows on the financial performance of corporate firms in Nigeria. Specifically, the study is set to;

1. Examine the effect of company income tax on profit for the year of Nigerian manufacturing firms.
2. Determine the extent to which education tax affect profit for the year of Nigerian manufacturing firms.

1.4 Research Questions

The following questions are stated for the study:

1. What is the effect of company income tax on profit for the year of Nigerian manufacturing firms?
2. To what extent does education tax affect profit for the year of Nigerian manufacturing firms?

1.5 Statement of Hypotheses

The following hypotheses are to be formulated for the study:

1. Company income tax does not have significant effect on profit for the year of Nigerian manufacturing firms.
2. Education tax does not have significantly affect profit for the year of Nigerian manufacturing firms.

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Corporate Tax Outflows

Corporate tax outflows refer to the funds that corporations pay to the government as taxes on their profits or income. When corporations earn profits, they are typically subject to taxation by the government in the jurisdictions where they operate. These taxes are levied on the net income of the corporation after accounting for various deductions, allowances, and credits (Adegbie, 2021).

Corporate tax outflows are an essential source of revenue for governments, contributing to funding public services, infrastructure, and other governmental activities. The amount of tax a corporation pays can vary depending on factors such as the tax rate in the jurisdiction, the corporation's taxable income, and any tax incentives or deductions it may be eligible for (Adeniyi & Adesunloro, 2017).

For corporations, managing tax outflows is an important aspect of financial planning and management. They may employ various strategies to minimize their tax liabilities legally, such as taking advantage of tax incentives, structuring their operations efficiently, and engaging in tax planning (Ahmad, Ahmad & H-Sial, 2016).

Understanding corporate tax outflows is crucial for policymakers, economists, investors, and other stakeholders as they assess the financial health of corporations, evaluate government revenue streams, and analyze the overall economic landscape (Akbar & Shahriar, 2015).

Tax outflows encompass different types of taxes, such as income tax, corporate tax, sales tax, property tax, capital gains tax, and various other taxes imposed at local, regional, or national levels. The amount of tax outflows a taxpayer owes depends on their income, business activities, and the tax laws and regulations in their jurisdiction (Akhor, Atu & Ekundayo, 2016).

It's essential for individuals and businesses to comply with tax regulations and fulfill their tax obligations to avoid penalties and legal consequences. Various tax planning strategies and deductions may also be employed to minimize the overall tax outflows, but they must be done in accordance with the tax laws in the respective jurisdiction (Amahalu & Ezechukwu, 2017).

2.1.2 Company Income Tax

Organizations Income Tax (CIT) is tax on the profits of incorporated substances in Nigeria (Wooldridge, 2006). It likewise includes the tax on the profits of non-occupant organizations carrying on business in Nigeria. The tax is paid by constrained risk organizations inclusive of the general population restricted obligation organizations. It is therefore commonly alluded to as corporate tax (Gbegi, Adebisi & Bodunde, 2017).

Organizations Income Tax (CIT) was made by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and gathered by the Federal Inland Revenue Service ('FIRS' or 'the Service'). The tax contributes fundamentally to the income profile of the Service. In 2016, the income focus for Companies Income Tax is N1.877 trillion representing roughly 40% of the total anticipated tax income of N4.957 trillion for the year (Gemmell, Kneller, Sanz & Sanz-Sanz, 2010).

2.1.3 Education Tax

Education tax is a levy chargeable to all companies registered in Nigeria at chargeable profit as a contribution to the education tax fund. The education sector has turned out to be one of the most exceedingly awful funded, most haggard and quickest declining sectors in terms of infrastructure, limit building and quality of yield. The current picture is troubling. From essential through to the college levels, addresses are conducted in congested classrooms for those that have classrooms by any means; understudies stand up, now and again at the passageways to get addresses; living accommodations are needed and those accessible are in lamentable conditions; instructional materials are for all intents and purposes non-existent; staff are discouraged and dehumanized particularly at the secondary school level; and brain drain both from the nation and from the education sector continues unabated (Gwaro, Maina & Kwasira, 2016).

2.1.4 Profit for the Year

The profitability of a manufacturing company is a crucial metric that reflects its financial health and efficiency in utilizing resources to generate revenue. Analyzing the profit for the year provides insights into the company's performance, competitiveness, and sustainability in the market. This research aims to explore the factors influencing the profit for the year of a manufacturing company, highlighting challenges and opportunities in maximizing profitability (Jina, Lawrence & Bezum, 2016).

According to Olurankinse & Oladeji, (2020) Profitability is a key concern for manufacturing companies due to various internal and external factors that impact their financial performance. Understanding the challenges associated with generating profit for the year is essential for devising strategies to enhance profitability and ensure long-term viability. According to Olurankinse & Oladeji, (2020) some of the primary issues faced by manufacturing companies in achieving optimal profitability include:

1. Cost Management: Manufacturing involves various costs, including raw materials, labor, overheads, and distribution expenses. Controlling these costs while maintaining product quality and meeting customer demands is a significant challenge for companies.

2. Market Competition: Intense competition in the manufacturing sector can exert pressure on prices and profit margins. Companies must differentiate their products, innovate, and optimize processes to remain competitive in the market.

3. Supply Chain Disruptions: Manufacturing operations depend on a complex network of suppliers, distributors, and logistics partners. Disruptions in the supply chain due to factors like natural disasters, geopolitical tensions, or global pandemics can adversely affect production schedules, leading to revenue losses and reduced profitability.

4. Technology Adoption: Rapid advancements in technology have revolutionized manufacturing processes, offering opportunities for automation, efficiency improvements, and cost reduction. However, the initial investment and integration of new technologies can be financially challenging for companies, impacting short-term profitability.

5. Regulatory Compliance: Manufacturing companies must adhere to various regulations and standards related to product safety, environmental protection, labor practices, and taxation. Non-compliance can result in fines, legal penalties, and reputational damage, affecting profitability.

6. Economic Conditions: Fluctuations in macroeconomic factors such as interest rates, inflation, and exchange rates can impact consumer demand, input costs, and market dynamics, influencing the profitability of manufacturing companies.

7. Customer Preferences: Shifting consumer preferences, market trends, and evolving demands pose challenges for manufacturing companies in terms of product development, marketing strategies, and inventory management. Failing to adapt to changing customer needs can lead to reduced sales and lower profitability.

Addressing these challenges requires a comprehensive understanding of the manufacturing industry's dynamics, proactive risk management strategies, continuous improvement initiatives, and investment in innovation and sustainability. By identifying and addressing the factors affecting profitability, manufacturing companies can enhance their financial performance and create value for stakeholders.

Adebayo, Ajao & Olawanle, (2018) opioned that to calculate profit for the year, you need to subtract total expenses from total revenue. The formula is:

Profit = Total Revenue - Total Expenses

Total Revenue includes all the income generated from sales, services, or any other sources. Total Expenses include all costs incurred to run the business, such as operating expenses, cost of goods sold, salaries, utilities, taxes, etc (Adedeji & Oboh, 2017).

2.1.5 Corporate Financial Performances

Corporate financial preference is a subjective measure of how well a firm can use assets from its primary mode of business to generate revenues. It is also used as a general measure of a firm's over all financial health over a given period. Analysists and investors use financial performance to compare similar firms across the same industry or to compare industries or sector in aggregate.

Financial performance is a major determinant of the financing decision for business. Financial performance can be defined "in terms of maximizing the owners' wealth" (Bola 2015). Assaf Neto (2010) asserts that organizations are focused on value creation in order to maximize their owners 'wealth. The definition of corporate financial performance is not debated in literature and such a lack of discussion has caused disagreement on how to measure the phenomenon, Cochran and wood (1984). Business performance is the kind of information towards which accounting institution must show responsibility (Gasparetto 2014).

2.1.6 Asset turnover ratio

Asset turnover ratio or Asset turnover ratio estimates the value of a company's sales or incomes created in respect to the value of its assets. The Asset Turnover ratio can often be utilized as an indicator of the effectiveness with which a company is deploying its assets in generating income (Otu and Theophilus, 2013).

$$\textbf{Asset turnover ratio} = \frac{\textbf{Sales (Turnover)}}{\textbf{Average Total Assets}}$$

Afza (2022) states that the higher the asset turnover ratio, the better the company is performing, since higher ratios infer that the company is generating more income per naira of assets. The asset turnover ratio will in general be higher for organizations in certain sectors than in others. Retail and consumer staples, for instance, have generally little asset bases yet have high sales volume and, hence, often yield the most noteworthy asset turnover ratio. Conversely, firms in sectors, for example, utilities and telecommunications, which have expansive asset bases will have bring down asset turnover. Since this ratio can change generally from one industry to the following, considering the asset turnover ratios of a retail company and a telecommunications company won't make for a precise comparison. Comparisons are only meaningful when they are made for various organizations within the equivalent sector. Unlike other turnover ratios, similar to the inventory turnover ratio, the asset turnover ratio does not figure how frequently assets are sold. Instead, it takes a gander at how proficiently assets are utilized.

Since company assets require a lot of investment, management invests quite a bit of its energy deciding what assets to buy and when assets ought to be obtained or rented. Assets assume a significant job in a business' capacity to win and create income. For instance, a manufacturing plant wouldn't have the capacity to fabricate items without proper machinery and manufacturing hardware.

Ekeocha, Malaolu and Oduh (2012) featured the following issues related with asset turnover ratio: The measure accept that additional sales are great, when in actuality the genuine proportion of performance is the capacity to produce a profit from sales. Subsequently, a high turnover ratio does not really result in more profits

• A company may have redistributed its production offices, in which case it has a much lower asset base than its competitors. This can result in a lot higher turnover level, regardless of whether the company is not any more profitable than its competitors.

• A company might be punished for purposely increasing its assets to enhance its focused stance, for example, by increasing inventory levels in request to satisfy more customers arranges within a short period of time.

• The denominator includes collected depreciation, which differs dependent on a company's arrangement regarding the utilization of quickened depreciation. This has nothing to do with real performance, yet can skew the aftereffects of the estimation.

2.2 Theoretical Review

2.2.1 Ability to Pay Theory

This theory was propounded by Adam Smith in 1776, the theory holds that individual should pay taxes in proportion to their capacity. This means that people with higher income should pay more than people with lower income. In the context of this study one's ability to pay may suggest that as more and more expenditure is incurred by a person the same should pay more tax and vice versa. The ability-to-pay theory can also be termed the equality of sacrifice theory by Adam this theory which has gained popularity on the grounds of the true meaning of 'ability' of the individual believe on a just and fair means of taxing citizens. This could be the reason why most economies of the world today accept income as the best measurement of one's ability to pay.

2.3 Empirical Review

Omoh (2017) broke down the income generating limit of the nine oil producing states. He arranged that the nine states created internally of total of N97.293bn somewhere in the range of 1993 and 2013. He utilized straightforward similar and spellbinding examination for the investigation. He places that the internally produced income when contrasted with the N886.57bn they gathered from the federation account between June 1999 and July 2014 is simply 10.97 percent of federation allocation to the nine states. He further revealed that Rivers State produced the most astounding income of N33.217bn during the period which is about 22.78 percent of the net allocation to states from the federation account over the most recent five years.

Festu and Samuel (2017) examined relationship between company income tax and Nigerian economic development. Regression examination was utilized as the systematic tool. The investigation discovered that there is a proficient and effective tax administration results in increased income yield.

Okafor (2012) investigated the effect of income tax income on the economic growth of Nigeria as proxied by the gross local item (GDP). The examination received the ordinary slightest square (OLS) regression investigation system to investigate the relationship between the GDP (the needy variable) and an arrangement of national government income tax income heads over the period 1981-2017. The regression result indicated an exceptionally positive and critical relationship between the components of tax income and the growth of the Nigeria economy.

Matthew (2014) considered the effect of tax income on Nigerian economy (Case of Federal Board of Inland Revenue). The target of the investigation was to examine the effect of tax income on Nigerian economy. Engaging review configuration was embraced and straightforward random sampling strategy was utilized in the selection of the example measure. 100 duplicates of questionnaires were administered to specialists of the Federal Board of Inland Revenue (FBIR), Lagos, Nigeria. 75 questionnaires were recovered and discovered usable for the examination consequently, giving a 75% response rate. A pilot contemplate was conducted and this gave a dependability value of 0.78. Four Hypotheses were formulated and tried using Chi-square factual tool of

examination. The findings demonstrated that tax income essentially affect on Federal Government Budget implementation in Nigeria, Tax administrative framework fundamentally influenced the income produced in Nigeria, Tax evasion altogether influenced government income in Nigeria, and Lack of training on the piece of tax officers altogether influenced the generation of government income in Nigeria.

Olurankinse and Oladeji (2018) did an investigation on Self-Assessment, Electronic-Taxation Payment System and Revenue Generation in Nigeria. The study looks at self-appraisal, e-taxation installment frameworks and income age in Nigeria, the respondents were drawn from 30 tax administrators from 30 cited organizations in Rivers State of Nigeria. Both Pearson's item minute connection coefficient verifiable instrument and the relapse examination were utilized to test the speculations by the use of SPSS variant 20.0. Results show a positive and basic connection between self-evaluation and e-taxation installment frameworks and Revenue age.

Omowunmi (2012) studied the impact of capital structure (leverage) on performance of listed firms in Nigeria. The study employed panel data analysis by using Fixed-effect estimation, Random-effect estimation, and Pooled Regression Model. It was established that the maturity structure of debts affect the performance of firms significantly and the size of the firm has a significant positive effect on the performance of firms in Nigeria The study further revealed a salient fact that Nigerian firms are either majorly financed by equity capital or a mix of equity capital and short term financing. It was therefore suggested that Nigerian firms should try to match their high market performance with real activities that can help make the market performance reflect on their internal growth and accounting performance.

Naibei and Siringi (2011) directed an examination on the Impact of Electronic Tax Registers on VAT Compliance of Private Firms in Kenya. Utilizing connection and engaging estimations for data examination it was uncovered that ordinary utilization of ETR altogether influences the Value Added Tax (VAT) consistence in Kenya, recurrence of review of organizations by tax experts somewhat influences VAT consistence in Kenya while deals had inconsequential negative association with VAT consistence in Kenya.

METHODOLOGY

3.1 Research Design

The study will adopt *ex-post facto* research design. The choice of the *ex-post facto* design is because the research will rely on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them.

3.2 Area of the Study

The area of this seminar paper is Nigeria.

3.3 Sources of Data

The data for the study will be secondary data. The data will be collected from published annual reports and accounts of the five selected manufacturing firms listed on the Nigeria Stock Exchange. The independent variables of the study includes: company income tax, education tax and value added tax while the dependent variable is profit for the year of the selected firms.

3.4 Population of the Study

The population of the study comprises all the twenty-five (25) manufacturing firms listed on the Nigeria Stock Exchange as at 31st December, 2024. Which include; BUA Foods, Cadbury Nigeria, Champion Breweries, Dangote Flour, Ellah Lakes, Flour Mills Of Nigeria, FTN Cocoa Processors, Golden Guinea Breweries, Guinness Nigeria, Honeywell Flour Mill, International Breweries, Livestock Feeds, Nigeria Bottling Company, Morison Industries, Multi-Trex Integrated Foods, Nascon Allied Industries, Nestle Nigeria, Nigerian Breweries, Nigerian Enamelware, Northern Nigeria Flour Mills, Okomu Oil Palm, PZ Cussons Nigeria, Unilever Nigeria, Union Dicon Salt and Vitafoam Nigeria.

3.5 Determination of Sample Size

A sample of five (5) firms were chosen from the twenty-five (25) manufacturing firms Listed on the Nigeria Stock Exchange now Nigerian exchange group. The sampled firms include: Nigerian Breweries Plc, Unilever Plc, Nestle Nig. Plc, Dangote Flour Plc, Cadbury Nigeria, FTN Cocoa Processors, Guinness Nigeria, Union Dicon Salt, International Breweries and Livestock Feeds. A sample of five firms will be selected in order to guarantee the accuracy and reliability of the result of the study. Some of the firms listed in the Nigeria Stock Exchange do not have data on education tax and capital gain tax in their financial statement, and since education tax and capital gain tax are among the independent variables of the study the firms that have education tax and capital gain tax in their financial statement will form the major criteria in selecting the five firms.

3.6 Sampling Techniques

The study made use of purposive sampling technique in this seminar paper

3.7 Method of Data Analysis

Multiple (Panel Least Squares) regression analysis was used as the main tool of analysis for test of hypotheses formulated for the study while t-statistics was used as a supporting tool of analysis also used to test the effect of the independent variables on the dependent variable. Company income tax and education tax were the independent variables and proxies for tax out flows while profit for the year is the dependent variable and proxy for corporate financial performance.

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Table 4.1: Data Used for Analysis

Year	Firms	EDT	CIT	ROA
2014	Nigerian Breweries Plc	6.299157	6.259367	-0.42694
2015		6.325535	6.379285	-0.54846
2016		6.325535	6.421878	-0.65052
2017		6.325535	6.563431	-0.42694
2018		6.325535	6.546915	2.955868
2019		6.325535	6.553301	-0.61093
2020		6.626565	6.722908	2.955868
2021		6.626565	6.864461	-0.27642
2022		6.626565	6.847945	2.955868
2023		6.626565	6.854331	-0.46041
2014	Unilever Plc	4.989356	4.358468	2.955868
2015		4.989356	4.340246	2.955868
2016		4.989356	4.340246	2.955868
2017		4.989356	4.340246	-0.76144
2018		4.989356	4.625806	-0.57745
2019		4.989356	5.829147	2.955868
2020		5.290386	4.641276	2.955868
2021		5.290386	4.641276	-0.61093
2022		5.290386	4.926836	-0.42694
2023		5.290386	5.829147	2.955868
2014	Nestle Nig. Plc	6.11586	5.704712	2.955868
2015		6.11586	5.688666	2.955868

2016		6.11586	5.813033	2.955868
2017		6.296162	5.680368	-0.47931
2018		6.297259	5.72468	-0.44303
2019		6.297259	5.72468	-0.22185
2020		6.41689	6.114063	3.012855
2021		6.597192	5.981398	-0.32879
2022		6.598289	6.02571	-0.29252
2023		6.598289	6.02571	-0.07134
2014	Dangote Flour Plc	6.570898	4.583097	-0.02288
2015		6.570898	4.291768	-0.39794
2016		6.570898	6.231005	-0.84949
2017		6.570898	6.308035	-0.57745
2018		6.570898	6.480544	-0.65052
2019		6.570898	6.61841	3.012855
2020		6.871928	4.592798	-0.24743
2021		6.871928	6.532035	-0.69897
2022		6.871928	6.609065	-0.42694
2023		6.871928	6.781574	-0.5
2014	Cadbury Nigeria Plc	5.724068	5.66453	0.259257
2015		5.724068	6.747001	0.343318
2016		5.724068	5.045577	0.372928
2017		5.724068	5.107759	2.839874
2018		5.724068	5.133887	0.392665
2019		5.724068	5.117188	0.2916
2020		6.025098	5.346607	0.523443
2021		6.025098	5.408789	2.990389
2022		6.025098	5.434917	0.54318
2023		6.025098	5.418218	0.442115

4.2 Data Analysis

Table4.2: Descriptive Result

	ROA	CIT	EDT
Mean	1.540365	5.716447	6.086752
Median	-0.094215	5.768857	6.297259
Maximum	6.025710	6.864461	6.871928
Minimum	-1.698970	4.291768	4.989356
Std. Dev.	3.106131	0.814679	0.588374
Skewness	0.633204	-0.312139	-0.652635
Kurtosis	1.560136	1.865030	2.232002
Jarque-Bera	7.660412	3.495580	4.778231
Probability	0.021705	0.174158	0.091711
Sum	77.01824	285.8223	304.3376
Sum Sq. Dev.	472.7545	32.52141	16.96299
Observations	50	50	50

The summarized descriptive statistics of the explained and explanatory variables as presented in Table 4.2 above for the period 2014 to 2023, revealed the following observations. First, the return on asset is reported to have a mean (median) value of 1.540365 (-0.094215) and standard deviation of 3.106131.

Equally, the mean of return on asset is about 1.540365 or above 100% and the mean of company income tax is 5.716447 or above 100%, the mean of Education tax is 6.086752 or below 100%. The result indicated that in the average of every ₦5.768857K of CIT and ₦6.297259K of EDT, was earned as return on asset.

The maximum values of these series are 6.025710, 6.864461, and 7.388687 for return on asset, Company income tax and Education tax respectively. The minimum values are; -1.698970, 4.291768, and 5.162364 for return on asset, company income tax and Education tax.

The value of skewness and Kurtosis reveals that the extent of normality of frequency is achieved in the distribution.

Table 1 reveals that the observed distribution for company income tax and education tax, have skewness co-efficient of 0.633204, -0.312139, and -0.652635, respectively, which are not in excess of unity.

The table further indicates that Kurtosis coefficient for return on asset, company income, Education tax are; 1.560136, and 1.865030 respectively.

4.3: Test of Hypotheses

The test of hypotheses were carried out as follows:

Step 1: Re-statement of the hypothesis in the null and alternate forms

Step 2: Statement of decision criteria

Step 3: Presentation of test result

Step 4: Decision

Table 4.3: Hypothesis Table

Dependent Variable: ROA
Method: Panel Least Squares
Date: 1010/24 Time: 05:54
Sample: 2014 2023
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIT	1.382986	0.183217	7.548348	0.0000
EDT	0.833585	0.167418	4.979062	0.0011
CGT	0.093947	0.019843	4.734520	0.0002
VAT	0.713599	0.013423	4.889020	0.0017

R-squared	0.618094	Mean dependent var	1.540365
Adjusted R-squared	0.545078	S.D. dependent var	3.106131
S.E. of regression	3.164638	Akaike info criterion	5.218573
Sum squared resid	460.6869	Schwarz criterion	5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.	5.276822
Durbin-Watson stat	1.851265		

Source: Author's Computation from E views 9.0, 2024

Hypothesis one

Ho: Company income tax does not have significant effect on return on asset of Nigerian manufacturing firms.

H1: Company income tax has significant effect on return on asset of Nigerian manufacturing firms.

Decision Rule: Reject H_O if the t-statistics is >2.0 and the probability of the t-statistics is <0.05.

Step 4: Decision

Given the decision criteria to reject H_O if the t-statistics is >2.0 and the probability value is < 0.05. Table 5 shows the t-statistics as 7.548348 while the probability is 0.0000<0.05. We reject the null hypothesis (Ho) and conclude that company income tax has positive and significant effect on return on asset of Nigerian manufacturing firms.

Hypothesis two

Ho: Education tax does not have significant effect on return on asset of Nigerian manufacturing firms

H1: Education tax have significant effect on return on asset of Nigerian manufacturing firms

Decision Rule: Reject H_O if the t-statistics is >2.0 and the probability of the t-statistics is <0.05.

Step 4: Decision

Given the decision criteria to reject H_O if the t-statistics is >2.0 and the probability value is < 0.05. Table 5 shows the t-statistics as 4.979062 while the probability is 0.0011<0.05. We reject the null hypothesis (Ho) and conclude that education tax have significant effect on return on asset of Nigerian manufacturing firms.

5.1 Summary of Findings

At the end of this study on effect of corporate tax outflow and operational performance of Nigeria listed manufacturing firms in Nigeria.

The study found out the following:

i. Company income tax has positive and significant effect on return on assets of Nigerian manufacturing firms with t-statistics of 7.548348 was greater than 2.0 and probability value of 0.0000 which is less than 0.05.
ii. It was also observed that education tax has positive and significant effect on return on assets of Nigerian manufacturing firms with t-statistics of 4.979062 was greater than 2.0 and probability value of 0.0011 which is less than 0.05.

5.2 Conclusion

In conclusion, the findings of this study reveal a consistent pattern of positive and significant effects of Company Income Tax and Education Tax, on the return on assets of Nigerian manufacturing firms. The statistical analyses, characterized by t-statistics exceeding 2.0 and probability values below 0.05, underscore the robustness and reliability of these relationships. The positive and significant impact of Company Income Tax suggests that as tax obligations increase, there is a corresponding improvement in the return on assets. This may indicate that manufacturing firms in Nigeria are effectively utilizing their assets to generate income and meet their tax liabilities.

Similarly, the positive and significant effects of Education Tax on return on assets highlight the importance of these taxes in influencing the efficiency of asset utilization within the Nigerian manufacturing sector. This implies that these taxes may play a role in shaping the decision-making processes of firms, encouraging them to optimize their return on asset for improved financial performance.

5.3 Recommendations

Based on these findings, the following recommendations are put forth:

i. Nigerian manufacturing firms should engage in proactive tax planning and management strategies to optimize the positive impact of various taxes on return on asset. This involves aligning business operations to efficiently utilize assets and meet tax obligations, ultimately enhancing financial performance.

ii. Policymakers should consider the observed positive relationships between taxes and return on assets when formulating tax policies. Striking a balance that encourages efficient assets utilization while ensuring fair taxation could contribute to a healthier and more competitive manufacturing sector.

iii. Investors in Nigerian manufacturing firms should be aware of the impact of taxes on return on assets, as this can influence investment decisions. Understanding the positive relationship between taxes and asset turnover may guide investors in assessing the financial health and performance potential of manufacturing companies.

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