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EFFECT OF COMPANY INCOME TAX (CIT) ON PROFIT AFTER TAX (PAT) OF LISTED MANUFACTURING FIRMS IN NIGERIA

By

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Abstract

This study examined the effect of Company Income Tax on Profit After Tax of listed manufacturing firms in Nigeria over the period 2014 to 2025. The study was motivated by the increasing concern regarding the influence of taxation on corporate profitability and the sustainability of manufacturing firms within the Nigerian economy. Specifically, the study investigated the effect of Company Income Tax on Profit After Tax of listed manufacturing firms in Nigeria. The study adopted an ex post facto research design using panel data obtained from ten manufacturing firms listed on the Nigerian Exchange Group. Data covering a twelve year period were analyzed using descriptive statistics, diagnostic tests, Fixed Effects and Random Effects panel regression techniques. Financial performance was measured using Profit After Tax, while corporate taxation was proxied by Profit After Tax. Firm size, leverage, liquidity, and firm age were included as control variables. The Hausman specification test was employed to determine the most appropriate estimation technique. The findings revealed that Company Income Tax has a positive and statistically significant effect on Profit After Tax of listed manufacturing firms in Nigeria. The diagnostic tests confirmed the absence of multicollinearity and serial correlation, while the Hausman test supported the adoption of the Random Effects model. The study concluded that Company Income Tax is the most significant corporate tax variable influencing the financial performance of listed manufacturing firms in Nigeria. The study recommended that government should formulate stable and business friendly tax policies that encourage industrial growth while ensuring efficient revenue generation. The study also recommended that corporate managers should adopt effective tax planning and financial management strategies to enhance profitability and sustainability.

Introduction

1.1 Background to Study

Corporate taxation has remained a significant determinant of business operations and a critical factor influencing the financial sustainability of organisations worldwide. The role of corporate tax in shaping firms' performance, investment behaviour and competitiveness has attracted the attention of policymakers, tax authorities, investors and scholars alike. Numerous studies have emphasised the centrality of corporate tax policy in determining not only government revenue but also firms' profitability and long-term survival (Lawal, Adegbite & Adebisi, 2025). Effective corporate taxation systems aim at both generating public revenue and providing incentives that stimulate private sector growth, particularly in developing economies such as Nigeria (Jinadu, Ajagun, Awogbayila, Abata & Kehinde, 2025).

The liberalisation of the Nigerian economy, influenced by domestic reforms and external policy prescriptions, has reshaped the manufacturing landscape. However, these changes have also brought new tax challenges as firms struggle to comply with complex and sometimes inconsistent tax regulations (Oluwagbemiga, 2024; Wilson-Oshilim, Olaowo, Omonhinmin & Omoye, 2024). The relative decline in oil-based revenues has further compelled Nigeria to shift its focus toward tax administration as a major source of revenue generation (Ajagun, Kehinde & Jinadu, 2025). Consequently, the issue of corporate taxation and its effect on firm performance has become even more critical.

The question now arises whether high corporate tax burdens constrain the performance of manufacturing firms or whether ineffective tax planning within firms contributes more significantly to weak performance despite available incentives. Empirical evidence has yielded mixed results. For example, one study found that corporate taxes had no

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significant effect on the performance of listed manufacturing firms in Nigeria (Eneisik, Uwikor & Obara, 2023; Onwuka & Akoma, 2022). In contrast, other recent research indicated that well-designed tax incentives can enhance firm performance by reducing operational costs and encouraging investment in productive assets (Oluwagbemiga, 2024; Agboola, Yusuf & Yusuf, 2024). These inconsistencies underscore the need for updated sector-specific evidence.

In recognition of these challenges, it becomes imperative to reassess how corporate taxation influences the financial performance of listed manufacturing firms in Nigeria. While taxation is necessary for national development, its structure and administration must not impede business growth (Ajagun et al., 2025). The manufacturing sector, being a significant driver of industrialisation, deserves consistent and equitable tax policies that balance government revenue objectives with corporate sustainability. This study therefore seeks to examine the effect of company income tax (CIT), capital gains tax (CGT) and withholding tax (WHT), on the financial performance of listed manufacturing firms in Nigeria (Olatunji, Olaleye & Adebayo, 2024). Financial performance in this study will be measured by profit after tax (PAT), return on assets (ROA) and return on equity (ROE). Through this investigation the study aims to provide empirical insights that will guide policymakers in designing efficient tax systems capable of promoting corporate growth, investment and sustainable economic development in Nigeria.

1.2 Statement of the Problem

Corporate taxation is one of the most important fiscal policy tools through which governments raise revenue for national development. Nevertheless, in Nigeria the structure and administration of corporate taxes have generated significant concern among stakeholders in the manufacturing sector. Although corporate tax regimes are intended to support government revenue objectives, many listed manufacturing firms continue to experience declines in profitability, liquidity and shareholder wealth, which raises serious questions about the actual impact of taxation on corporate financial performance (Obasi & Agugbue, 2022).

Furthermore, the persistent challenges of tax evasion and avoidance by corporations motivated largely by the need to reduce the adverse impact of heavy or multiple taxation further complicate the tax environment (Wilson-Oshilim et al., 2024). The imbalance between the government's revenue-mobilization objectives and the corporate sector's sustainability concerns has intensified debate about the fairness and efficacy of Nigeria's corporate tax framework. It is therefore critical to conduct an empirical investigation to determine the extent to Company income tax (CIT), capital gains tax (CGT) and withholding tax (WHT), affect the financial performance of listed manufacturing firms in Nigeria. A clearer understanding of these relationships is essential for informing tax policy formulation, improving corporate profitability and supporting sustainable industrial growth (Ajagun et al., 2025; Agburu, Okwori & Iormbagah, 2024)

1.3 Research Objectives

The primary objective of this study is to examine to examine the **effect** of Company Income Tax (CIT) on the Profit After Tax (PAT) of listed manufacturing firms in Nigeria.

1.4 Research Questions

1. To what extent does Company Income Tax (CIT) affect the Profit After Tax (PAT) of listed manufacturing firms in Nigeria?

1.5 Research Hypothesis

1. H_{01}: Company income tax (CIT) has no significant effect on the profit after tax (PAT) of listed manufacturing firms in Nigeria.

1.6 Significance of the Study

The significance of this study lies in its relevance to policy makers, managers, workers, government, financial analysts, and society at large. For policymakers in Nigeria, it provides empirical evidence on how Company Income Tax (CIT) affects the Profit After Tax (PAT) of listed manufacturing firms in Nigeria. Recent research indicates that tax variables and tax planning strategies significantly influence firm performance in Nigerian manufacturing (Appah, Nkak & Eburunobi, 2024; Ajagun, Arowolo & Adeyemi, 2025). By identifying which tax burdens hinder profitability or asset efficiency, policy makers can design more effective tax regimes that balance revenue mobilisation with sustainable industrial growth.

For corporate managers and financial executives in manufacturing firms, the findings offer key insights into tax-management and financial strategy. Studies have shown that manufacturing firms that optimize their tax strategies improve return measures such as ROA and ROE (Igbinovia & Usman, 2024; Awotomilusi et al., 2024). Understanding how CIT, CGT and WHT impact firm performance enable managers to better allocate resources, implement efficient tax planning, and improve shareholder value (Olaifa & Arulogun, 2022).

Workers and stakeholders of manufacturing firms also benefit from this research. When firms enhance profitability and stability through optimized tax burdens, the positive effects extend to employment, wages, and the overall welfare of workers. Given that the manufacturing sector is a major employer in Nigeria, improvements in corporate performance due to better tax management can translate into job security and growth opportunities.

This study is also significant to government revenue and industrial development agencies. The literature indicates that tax optimization and firm value are closely linked in the manufacturing sector (Appah et al., 2024; Jinadu, Ajagun et al., 2025). Therefore, by understanding how corporate taxes influence firm viability, government bodies can refine incentive structures, tailor tax relief policies and promote investment in manufacturing, thereby strengthening economic diversification.

Financial analysts, investors, and research institutions will benefit from the study's insights into how taxation influences firm performance. With evidence that tax planning and

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effective tax rates are significant determinants of shareholder returns in manufacturing firms (Ojelabi, 2023; Aguguom, Nwafor & Ugwu, 2022), analysts can make more informed investment recommendations, better forecast firm risks and evaluate manufacturing sector prospects with greater precision.

Finally, the broader society and economy stand to gain from the study's outcomes. The manufacturing sector plays a pivotal role in employment generation, value-addition, and export development in Nigeria. When tax policies support firm growth and competitiveness, expanded manufacturing performance contributes to national GDP, poverty reduction and industrialization goals (Ajagun, Jinadu & Bose, 2024). This study therefore contributes to an improved understanding of how tax regulation can aid sustainable economic development.

1.7 Scope of the Study.

This study focuses on examining the effects of Company Income Tax (CIT) on the Profit After Tax (PAT) of listed manufacturing firms in Nigeria.

The study is limited to manufacturing firms listed on the Nigerian Exchange Group (NGX). These firms were chosen because they represent an important part of Nigeria's industrial sector and are required to follow uniform financial reporting standards. Listed firms publish audited annual reports consistently, which ensures that reliable and comparable data is available for every year within the study period. This makes them suitable for examining how corporate taxation influences financial performance over time.

The scope is confined to listed manufacturing companies due to their critical role in driving industrialization, employment, and non-oil revenue generation, all of which are directly influenced by the tax system. This focus aligns with recent empirical works (e.g., Akadakpo & Akogo, 2022; Eneisik et al., 2023; Nduka & Eze, 2024; Ajagun et al., 2025) that underscore the need to assess the impact of taxation on sectoral profitability within regulated and transparent corporate settings. Non-listed and informal manufacturing enterprises are excluded because they operate under different compliance and reporting regimes that could distort empirical validity.

Furthermore, while acknowledging that macroeconomic, governance, and infrastructural factors also affect firm performance, this study deliberately isolates corporate tax variables (CIT, CGT, WHT) as the main explanatory factors to provide a focused and empirically robust analysis of their direct effects on profitability. By narrowing its coverage to specific tax dimensions, listed firms, and a defined time frame, the study ensures methodological consistency and practical relevance.

This defined scope will provide actionable insights for the Federal Inland Revenue Service (FIRS), Federal Ministry of Finance, tax policymakers, and corporate managers seeking to optimize tax planning and improve financial sustainability within Nigeria's manufacturing sector. Additionally, the findings will contribute to the growing body of literature on corporate taxation and performance dynamics in emerging economies, offering a current perspective on how fiscal policies influence firm-level outcomes in Nigeria's post-reform tax environment.

LITERATURE REVIEW

2.1 Conceptual Review

This section presents a detailed review of key concepts and constructs relevant to understanding the relationship between corporate taxation and the financial performance of listed manufacturing firms in Nigeria. It examines the Company Income Tax (CIT) highlighting how these fiscal obligations influence the profitability and overall performance of firms. Furthermore, the section discusses how Company Income Tax shapes firms' operational efficiency, investment decisions, and profit retention capacity. The review also elucidates the conceptual basis of financial performance, which in this study is measured by Profit After Tax (PAT). Through this framework, the review establishes the linkage between the tax burden borne by corporations and their ability to generate earnings, manage resources efficiently, and deliver value to shareholders (Ajagun, Arowolo & Adeyemi, 2025). Ultimately, this conceptual clarification provides a foundation for analyzing how Nigeria's corporate tax policies and administration affect the financial health, competitiveness, and sustainability of listed manufacturing firms.

2.1.2 Companies Income Tax (CIT)

Corporate taxation refers to the system through which governments levy taxes on the income, profits, or gains of incorporated entities. In Nigeria, it encompasses various tax types including Companies Income Tax (CIT), Capital Gains Tax (CGT), and Withholding Tax (WHT), among others. These taxes are regulated primarily by the Federal Inland Revenue Service (FIRS) under the Companies Income Tax Act (CITA), as amended. Corporate taxation has a significant impact on firms' cost structures, pricing policies, and investment capacity. High or multiple taxes may reduce firms' after-tax earnings, discourage reinvestment, and weaken competitiveness (Baba & Muhammad, 2023; Wilson-Oshilim, Olaowo, Omonhinmin & Omoye, 2024). Conversely, an efficient and fair tax system encourages compliance, attracts investors, and enhances firms' contributions to the economy (Etim et al., 2024; Alpheaus, Nwankwo & Ujah, 2024). Odusina (2023) posits that corporate tax systems influence not only profitability but also investment decisions and financing structures, as tax burdens can determine firms' leverage positions. Ogugua and Okafor (2025) further noted that tax efficiency and compliance costs significantly determine manufacturing firms' capacity to expand operations and generate sustainable profits. Thus, taxation remains a key strategic consideration for financial management and corporate planning.

2.1.6 Nexus Between Corporate Taxation and Financial Performance

The relationship between corporate taxation and financial performance has been conceptualized from both

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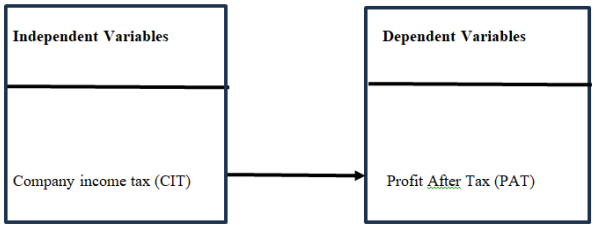
microeconomic and fiscal perspectives. From a microeconomic viewpoint, taxation reduces firms' disposable income, influencing reinvestment, dividend policy, and operational expansion (Etim et al., 2024). From a fiscal standpoint, taxes serve as a tool for redistributing resources and stimulating economic stability (Ogugua & Okafor, 2025; Ajagun, Kehinde & Jinadu, 2025). Empirical evidence remains mixed: some studies show that corporate taxation negatively affects profitability (Ojelabi, 2023; Baba & Muhammad, 2023), while others suggest a positive or neutral relationship depending on policy design and enforcement (Alpheaus et al., 2024; Etim et al., 2024). Nonetheless, the consensus among scholars is that moderate, transparent, and predictable tax regimes foster business confidence and support long-term financial sustainability.

2.1.7 Conceptual Model

In order to achieve the objectives of this research, a graphical model representation would be adopted to bridge the gaps.



Source; Designed by Author (2026).

2.2 Theoretical Review

A strong theoretical foundation is essential in explaining why corporate taxation influences the financial performance of manufacturing firms. For this study, **Optimal Tax Theory** are considered most relevant because it directly explain the connection between tax obligations and firm-level financial outcomes. This theory provide conceptual support for interpreting the influence of Company Income Tax (CIT) on Profit After Tax (PAT)

2.2.2 Optimal Tax Theory

Optimal Tax Theory focuses on designing a tax system that raises government revenue efficiently without harming productive sectors of the economy. In the context of manufacturing firms, the theory argues that tax rates should be set at a level that allows firms to remain competitive while still contributing to government revenue.

When tax rates are excessive, they distort firm behavior, increase the cost of capital and discourage reinvestment. This results in lower profitability and reduced returns to shareholders. For example, high CIT reduces PAT, while high CGT discourages capital investment and affects ROA. Excessive WHT affects dividend payout and may weaken ROE.

Modern empirical evidence supports the theory's predictions. Agboola, Yusuf and Aliyu (2025) found that manufacturing firms with moderate and well-structured tax burdens recorded stronger financial performance than that facing heavy tax pressure. Optimal Tax Theory therefore provides a foundation for understanding why tax policies must be balanced to avoid suppressing the financial performance of manufacturing firms.

2.3 Empirical Review

The relationship between corporate taxation and financial performance has continued to attract scholarly attention, especially in developing economies such as Nigeria, where fiscal policy remains a major determinant of industrial performance. Numerous empirical studies have explored how tax components such as Company Income Tax (CIT), Capital Gains Tax (CGT), and Withholding Tax (WHT) affect profitability indices such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM).

Moreover, an empirical study by ASP Journals (2024) examined the impact of withholding tax and education tax on the financial performance of listed manufacturing companies in Nigeria. The authors used correlation and regression analysis covering 2013–2021 and found that withholding tax exerted no significant influence on return on assets. However, the study noted that delays in tax refunds and credits negatively affected firms' cash flows, thereby constraining liquidity and working capital. This aligns with the position of Baba and Muhammad (2023), who emphasized that withholding tax in emerging economies often functions as a quasi-cost due to administrative inefficiencies in credit recognition.

The evidence also highlights gaps in literature, particularly the need for comprehensive studies that jointly examine CIT, CGT, and WHT within a unified analytical framework, focusing specifically on net profit margin as a performance indicator. Addressing these gaps will offer clearer insights into how corporate tax policy shapes manufacturing profitability in Nigeria's evolving fiscal environment.

.3.1 Research Design

This study adopts an ex-post facto research design, which is appropriate for examining the cause-and-effect relationship between variables using historical data. The design is justified because the study investigates the effect of Company Income Tax on the Profit After Tax (PAT) of listed manufacturing firms in Nigeria without manipulating the independent variables.

3.2 Population of the Study

The population of this study comprises all listed manufacturing firms in Nigeria as recorded on the Nigerian Exchange Group (NGX) as of 2025. The manufacturing sector is chosen because it represents a vital component of Nigeria's industrial base and contributes significantly to employment generation, innovation, and national income. The sector also remains one of the most heavily taxed segments of the economy, making it suitable for evaluating the impact of corporate taxation on firm performance.

3.3 Sampling Technique and Sample Size

Given the population of seventy-three (73) manufacturing firms listed on the Nigerian Exchange Group (NGX) as of 2025 (Nigerian Exchange Group, 2025), this study adopts a purposive sampling technique to select a manageable yet

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representative sample of ten (10) firms. The purposive approach is suitable because it allows for the deliberate selection of firms that meet specific criteria relevant to the study's objective of analyzing data over a ten-year period (2014-2025).

Table 3.1; Sampled Manufacturing Firms (n = 10).

S/N	Firm Name	Sub-sector
1	Dangote Cement Plc	Industrial Goods
2	Nestlé Nigeria Plc	Consumer Goods
3	Nigerian Breweries Plc	Consumer Goods
4	Lafarge Africa Plc	Industrial Goods
5	Unilever Nigeria Plc	Consumer Goods
6	Cadbury Nigeria Plc	Consumer Goods
7	Berger Paints Plc	Industrial Goods
8	PZ Cussons Nigeria Plc	Consumer Goods
9	Vita foam Nigeria Plc	Industrial Goods
10	Dangote Sugar Refinery Plc	Consumer Goods

Table 3.2: Measurement of Variables

Variable Type	Variable	Symbol	Proxy / Description	Measurement / Formula	Empirical Sources
Dependent Variables	Profit After Tax	PAT	Net profit attributable to shareholders after all expenses and taxes	Profit after tax (₦)	Eneisik, Obara & Uwikor (2023); Ojelabi (2023)
	Return on Assets	ROA	Efficiency of asset utilization	PAT ÷ Total Assets × 100	Agboola, Yusuf & Aliyu (2024); Eneisik et al. (2023)
	Return on Equity	ROE	Return generated on shareholders' equity	PAT ÷ Shareholders' Equity × 100	Ajagun, Arowolo & Sulaiman (2025); Igbinovia & Usman (2024)
Independent Variables	Company Income Tax	CIT	Direct corporate tax burden on profits	CIT expense as disclosed	Ojelabi (2023); Eneisik, Obara & Uwikor (2023)
	Capital Gains Tax	CGT	Tax on gains from disposal of capital assets	CGT ÷ Total Assets × 100	Akadakpo & Akogo (2022); Onatuyeh (2024)
	Withholding Tax	WHT	Advance tax deducted at source on income	WHT ÷ Revenue × 100	Nwoke (2024); Eneisik et al. (2023)
Control Variables	Firm Size	SIZE	Scale of firm operations	ln(Total Assets)	Agboola et al. (2024); Appah et al. (2024)
	Leverage	LEV	Degree of debt financing	Total Debt ÷ Equity	Igbinovia & Usman (2024); Obasi & Agugbue (2022)
	Liquidity	LIQ	Ability to meet short-term obligations	Current Assets ÷ Current Liabilities	Eneisik et al. (2023); Ojelabi (2023)

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	Firm Age	AGE	Operational experience and stability	Years since incorporation/listing	Nwoke (2024); Ajagun et al. (2025)

3.5 Model Specification

This study models the effect of corporate taxation on firm financial performance using panel data for selected listed manufacturing firms from 2014 to 2025 (a twelve-year period). Financial performance is represented by three alternative dependent variables: Profit After Tax (PAT), Return on Assets (ROA) and Return on Equity (ROE). Corporate taxation, the main set of independent variables, is proxied by Company Income Tax (CIT), Capital Gains Tax (CGT) and Withholding Tax (WHT). This modeling approach is consistent with Ajagun, Arowolo, and Adeyemi (2025), who emphasize the need for robust quantitative models to capture the dynamic relationship between tax burdens and shareholder returns. The basic empirical relationship between corporate taxation and financial performance is expressed as a functional relationship as follows:

$$FP_{it} = f(CIT_{it}, CGT_{it}, WHT_{it}, Z_{it})$$

where FP_{it}denotes financial performance of firm $i$at time t. CIT_{it}, CGT_{it}, and WHT_{it}represent company income tax, capital gains tax, and withholding tax, respectively; and $Z_{it}$is a vector of control variables. The subscript $i$refers to individual firms, while $t$denotes the time dimension.

3.5.1 Linear Panel Regression Equations

To empirically examine the effect of corporate taxation on financial performance, the study estimates separate linear panel regression models for each measure of financial performance. The general panel regression model is specified as:

$$FP_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 WHT_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 LIQ_{it} + \beta_7 AGE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

where:

β_0 is the intercept term;

β_1–β_7 are the slope coefficients of the explanatory variables;

$\mu_i$captures unobserved firm-specific effects;

$\lambda_t$represents time-specific effects; and

$\varepsilon_{it}$is the idiosyncratic error term.

Model A: Profit After Tax

$$PAT_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 WHT_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 LIQ_{it} + \beta_7 AGE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Model B: Return on Assets

$$ROA_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 WHT_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 LIQ_{it} + \beta_7 AGE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Model C: Return on Equity

$$ROE_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 WHT_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 LIQ_{it} + \beta_7 AGE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

3.9 Ethical Considerations

Since the study relies exclusively on **publicly available secondary data**, it does not involve direct human interaction and therefore poses minimal ethical risks. Nevertheless, the research adheres strictly to recognized ethical and academic standards by:

i. **Properly citing and referencing** all data sources, academic works, and empirical studies used**.**
ii. **Ensuring data integrity and accuracy,** avoiding any manipulation or misrepresentation of figures.
iii. **Maintaining transparency** regarding data limitations, transformations, and analytical decisions.
iv. Upholding **objectivity** throughout the data analysis and interpretation processes.
v. The study complies with institutional and academic ethical guidelines concerning the responsible use of publicly available financial data.

3.10 Limitations of the Study

While this study was carefully designed to ensure empirical rigor, it encountered certain limitations that should be considered when interpreting the findings.

i. Data Aggregation Issues**:** A primary challenge was the inconsistency in financial reporting among some manufacturing firms. As noted by Wilson-Oshilim et al. (2024), many companies aggregate their tax liabilities under a single "Tax Expense" line item without explicitly separating Company Income Tax (CIT), Capital Gains Tax (CGT), and Withholding Tax (WHT). This required the researcher to rely on detailed notes to the accounts, which were occasionally incomplete for some years.
ii. Sample Size and Generalizability**:** Although the purposive sample of ten (10) firms was selected based on data availability and market prominence, it represents a fraction of the seventy-three (73) listed manufacturing firms. Consequently, while the findings provide deep insights into the behavior of major industry players, they may not be fully generalizable to smaller or unlisted manufacturing entities that operate under different compliance pressures.

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iii. Exclusion of Non-Listed Firms: The study focused exclusively on listed manufacturing firms due to the reliability of their audited reports. However, this excludes a significant portion of the Nigerian manufacturing sector that operates in the unlisted or informal space, where tax compliance dynamics may differ significantly.

iv. Scope of Tax Variables: The study limited its scope to CIT, CGT, and WHT. Other fiscal levies such as Value Added Tax (VAT), Tertiary Education Tax, and various state-level levies, which also constitute a tax burden as highlighted by Eneisik, Obara, and Uwikor (2023), were not individually modeled in this specific framework.

DATA PRESENTATION AND INTERPRETATION

4.2 Descriptive Statistics

Descriptive statistics provide a summary of the basic features of the data used in the study. They describe the central tendency, dispersion, and distribution pattern of the variables without making inferences. In this study, descriptive statistics such as the mean, standard deviation, minimum, maximum, skewness, and kurtosis were computed for Company Income Tax (CIT) and Profit After Tax (PAT), and control variables (firm size, leverage, liquidity, and firm age).

The results help to understand the general behavior of the data across the ten manufacturing firms over the study period. They also provide preliminary insight into variability, presence of extreme values, and normality of the variables before conducting regression analysis.

Table 4.1 Descriptive Statistics Table

Study: Company Income Tax (CIT) and Profit After Tax (PAT) of Listed Manufacturing Firms in Nigeria

Observations: 120 (10 firms × 12 years, 2014–2025)

Balanced Panel: Yes

Variable	Obs	Mean	Std. Dev	Min	25%	Median	75%	Max	Skewness	Kurtosis
PAT (₦m)	120	41,430.58	61,363.94	-125,137.13	7,838.17	30,947.93	67,412.50	221,607.51	0.32	0.98
CIT (₦m)	120	13,212.36	14,394.19	0.00	2,018.35	8,314.16	20,565.83	70,783.78	1.48	2.05
Firm Size (log)	120	13.088	0.739	11.427	12.391	13.392	13.660	14.040	-0.74	-0.78
Leverage	120	0.3455	0.1258	0.0500	0.2559	0.3336	0.4265	0.6841	0.16	-0.13
Liquidity	120	1.860	0.719	0.200	1.418	1.838	2.418	3.831	-0.01	-0.23
Firm Age	120	46.50	20.84	16	35	45.5	67	78	0.02	-1.

Source: EViews 2026

Table 4.1 presents the descriptive statistics for the variables used in examining the relationship between Company Income Tax (CIT) and Profit After Tax (PAT) of listed manufacturing firms in Nigeria over the period 2014 to 2025. The dataset consists of 120 firm year observations drawn from ten firms, forming a balanced panel, which ensures consistency across cross sectional units and time.

The results show that the average Profit After Tax stood at ₦41,430.58 million, indicating that, on average, the sampled manufacturing firms generated substantial profits during the study period. However, the large standard deviation of ₦61,363.94 million suggests considerable variability in profitability across firms and years. The minimum value of negative ₦125,137.13 million confirms that some firms experienced significant losses in certain years, while the maximum value of ₦221,607.51 million reflects periods of exceptionally high performance. The positive skewness of 0.32 indicates that the distribution of PAT is slightly skewed to the right, meaning a few high profit observations pull the mean upward.

Regarding corporate taxation variables, Company Income Tax (CIT) recorded an average value of ₦13,212.36 million, with substantial variability as reflected in its standard deviation of ₦14,394.19 million. The minimum value of zero indicates that some firms did not pay CIT in certain years, possibly due to losses or tax incentives. The positive skewness of 1.48 shows that CIT payments are concentrated among a few high paying firms or years. The control variables reveal that the average firm size, measured as the natural logarithm of total assets, is 13.088, suggesting that the sampled firms are relatively large manufacturing entities. The slight negative skewness indicates that more firms are clustered at the higher end of asset size. The mean leverage ratio of 0.3455 suggests that about 34.55 percent of total assets are financed through debt, indicating moderate reliance on borrowed funds. Liquidity has an average value of 1.86, which implies that

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firms generally maintain adequate short term solvency positions. Firm age averages 46.5 years, indicating that most firms in the sample are mature and well established.

4.3 Diagnostic Test Output

Descriptive statistics provide a summary of the basic features of the data used in the study. They describe the central tendency, dispersion, and distribution pattern of the variables without making inferences. In this study, descriptive statistics such as the mean, standard deviation, minimum, maximum, skewness, and kurtosis were computed for company income tax variables and PAT, and control variables (firm size, leverage, liquidity, and firm age).

The results help to understand the general behavior of the data across the ten manufacturing firms over the study period. They also provide preliminary insight into variability, presence of extreme values, and normality of the variables before conducting regression analysis.

4.3.1 Multicollinearity Test (Variance Inflation Factor – VIF)

The Variance Inflation Factor, VIF, is used to detect multicollinearity among independent variables in a regression model. Multicollinearity occurs when explanatory variables are highly correlated with one another, which can inflate standard errors and make coefficient estimates unstable.

The VIF measures how much the variance of a regression coefficient is increased due to collinearity. A VIF value of 1 indicates no correlation, values between 1 and 5 suggest moderate correlation but are generally acceptable, while values above 10 indicate serious multicollinearity problems. In panel regression analysis, conducting the VIF test ensures that the independent variables do not distort the reliability and interpretability of the estimated results.

Table 4.2 Multicollinearity Test Result

Model Base: PAT as dependent variable

Independent variables: CIT, CGT, WHT

Controls: Firm Size, Leverage, Liquidity, Firm Age

Observations: 120

Variable	VIF
CIT	4.41
Firm Size	1.27
Leverage	1.04
Liquidity	1.03
Firm Age	1.03

Source: EViews 2026

Table 4.2 presents the results of the multicollinearity test using the Variance Inflation Factor with PAT specified as the dependent variable. The test was conducted to determine whether strong linear relationships exist among the explanatory variables, which could distort coefficient estimates and reduce the reliability of the regression results.

The findings show that all the independent and control variables have VIF values well below the commonly accepted threshold of 10, and even below the more conservative benchmark of 5. Company Income Tax records the highest VIF value of 4.41, which suggests moderate correlation with other explanatory variables, but not at a level that would threaten the stability of the model.

The control variables, namely firm size, leverage, liquidity, and firm age, display VIF values very close to 1, implying minimal correlation among them. These results indicate that the explanatory variables are relatively independent of one another and do not exhibit problematic multicollinearity.

4.3.2 Heteroskedasticity Test (Breusch–Pagan Test)

The Breusch–Pagan test is used to examine whether heteroskedasticity exists in a regression model. Heteroskedasticity occurs when the variance of the error terms is not constant across observations, which can lead to inefficient estimates and biased standard errors.

The null hypothesis of the Breusch–Pagan test states that the error terms are homoskedastic, meaning they have constant variance. If the probability value is less than 0.05, the null hypothesis is rejected, indicating the presence of heteroskedasticity. In panel data analysis, detecting heteroskedasticity is important because it affects the reliability of statistical inference. When heteroskedasticity is present, robust standard errors are typically used to obtain consistent and reliable results.

Table 4.3 Heteroskedasticity Test Result

Model Base: PAT as dependent variable

Independent variables: CIT

Controls: Firm Size, Leverage, Liquidity, Firm Age

Observations: 120

Statistic	Value
LM Statistic	**17.69**
LM p-value	**0.0134**
F-Statistic	**2.77**
F p-value	**0.0109**

Source: EViews 2026

Table 4.3 presents the result of the Breusch–Pagan heteroskedasticity test for the model where PAT is specified as the dependent variable. The test was conducted to determine whether the variance of the error terms remains constant across observations, which is a key assumption of classical linear regression.

The reported LM statistic of 17.69 with a corresponding p-value of 0.0134 indicates statistical significance at the 5 percent level. Similarly, the F-statistic of 2.77 with a probability value of 0.0109 also falls below the 0.05 threshold. Since both probability values are less than 0.05, the null hypothesis of homoskedasticity is rejected. This implies

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that the variance of the residuals is not constant across firms and time periods, confirming the presence of heteroskedasticity in the model.

The existence of heteroskedasticity suggests that although the estimated coefficients remain unbiased, the standard errors may be inefficient and could lead to unreliable statistical inference if not corrected. Therefore, the use of robust standard errors is necessary to ensure consistent and efficient estimation. In the context of this study, adjusting for heteroskedasticity strengthens the credibility of the panel regression results examining the relationship between corporate taxation and financial performance of listed manufacturing firms in Nigeria.

4.3.3 Serial Correlation Test (Durbin–Watson)

The Durbin–Watson statistic is used to detect the presence of serial correlation, also known as autocorrelation, in the residuals of a regression model. Serial correlation occurs when error terms are correlated across time, which can lead to biased standard errors and unreliable statistical inference.

The Durbin–Watson value ranges between 0 and 4. A value close to 2 indicates no serial correlation. A value less than 2 suggests positive serial correlation, while a value greater than 2 indicates negative serial correlation.

Table 4.4 Serial Correlation Test Result
Model Base: PAT as dependent variable

Independent variables: CIT

Controls: Firm Size, Leverage, Liquidity, Firm Age

Observations: 120

Test	Value
Durbin–Watson	2.03

Source: EViews 2026

Table 4.4 presents the result of the Durbin–Watson test conducted to examine the presence of serial correlation in the residuals of the panel regression model where PAT is used as the dependent variable. Serial correlation occurs when error terms are correlated across time, which can lead to biased standard errors and unreliable hypothesis testing.

The Durbin–Watson statistic obtained is 2.03. Since the Durbin–Watson value ranges between 0 and 4, with a value close to 2 indicating no first order autocorrelation, the reported statistic suggests the absence of serial correlation in the model. The value is very close to the benchmark of 2, implying that the residuals are independently distributed over time.

This result indicates that the model does not suffer from autocorrelation problems, and therefore the estimated coefficients and standard errors are not distorted by time related error dependence. Consequently, the regression results can be considered reliable with respect to the assumption of error independence. In the context of this study, the absence of serial correlation strengthens the validity of the panel regression analysis investigating the effect of corporate taxation on the financial performance of listed manufacturing firms in Nigeria.

4.3.4 Normality Test (Jarque–Bera)

The Jarque–Bera test is a statistical test used to examine whether the residuals of a regression model are normally distributed. It is based on the skewness and kurtosis of the residuals.

The null hypothesis of the Jarque–Bera test states that the residuals are normally distributed. If the probability value is less than 0.05, the null hypothesis is rejected, indicating that the residuals deviate from normality.

Although normality is desirable for small samples, panel data studies with larger observations rely on large sample properties, which reduce the strict requirement for normality. Nonetheless, conducting the Jarque–Bera test helps to assess the distributional properties of the model residuals.

Table 4.5 Normality Test Result
Model Base: PAT as dependent variable

Independent variables: CIT

Controls: Firm Size, Leverage, Liquidity, Firm Age

Observations: 120

Statistic	Value
JB Statistic	42.24
p-value	0.0000
Skewness	-0.73
Kurtosis	5.52

Source: EViews 2026

able 4.5 presents the result of the Jarque–Bera normality test for the regression model in which PAT serves as the dependent variable. The test was conducted to assess whether the residuals of the model are normally distributed, which is one of the classical assumptions of regression analysis.

The Jarque–Bera statistic is 42.24 with a corresponding p-value of 0.0000. Since the probability value is less than the 5 percent level of significance, the null hypothesis that the residuals are normally distributed is rejected. This indicates that the residuals deviate from normality. The reported skewness of -0.73 suggests that the distribution of the residuals is moderately negatively skewed, meaning that the left tail of the distribution is longer than the right. The kurtosis value of 5.52, which exceeds the benchmark value of 3 for a normal distribution, indicates that the residuals are leptokurtic, characterized by a more peaked distribution and heavier tails.

Although the residuals are not normally distributed, this deviation does not necessarily invalidate the regression results, particularly given the relatively large sample size of 120 observations. In panel data analysis, large sample properties reduce the strict requirement for normality due to the central limit theorem. Nevertheless, the presence of non-

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normality reinforces the importance of using robust estimation techniques to ensure reliable statistical inference in examining the relationship between company income tax and Profit After Tax of listed manufacturing firms in Nigeria.

4.4 Fixed Effects and Random Effects models

Fixed Effects (FE) and Random Effects (RE) models are panel data estimation techniques used to analyze data that vary across firms and over time. These models help control for unobserved heterogeneity among firms in the sample.

The Fixed Effects model assumes that individual firm-specific characteristics that do not change over time may influence the dependent variable and therefore controls for these constant effects by allowing each firm to have its own intercept. This approach is appropriate when such individual effects are correlated with the explanatory variables.

On the other hand, the Random Effects model assumes that the individual firm-specific effects are random and uncorrelated with the independent variables. It treats these differences as part of the error term and is generally more efficient when this assumption holds.

Table 4.6 Fixed Effects and Random Effects models
Dependent Variable: PAT

Independent Variables: CIT

Control Variables: Firm Size, Leverage, Liquidity, Firm Age

Observations: 120

Cross-sections: 10 firms

Period: 2014–2025

Table 4.6.1 Fixed Effects Model Result
Model Summary

- **R^2:** 0.660
- **Adjusted R^2:** 0.611
- **F-statistic:** 13.45
- **Prob (F-statistic):** 0.0000
- **Durbin-Watson:** 2.16

Variable	Coefficient	p-value	Significance
CIT	0.00000545	0.000	***
Firm Size	-0.0684	0.069	*
Leverage	-0.0702	0.083	*
Liquidity	0.0012	0.867	Not sig
Firm Age	0.0017	0.176	Not sig

(* Significant at 10%, *** Significant at 1%)

Table 4.6.2 Random Effects Model (Random Intercept) Result
Model Summary

- **Log Likelihood:** 130.52
- **Converged:** Yes
- **Group Variance:** ≈ 0.000

Variable	Coefficient	p-value	Significance
CIT	Positive	0.000	***
Firm Size	-0.053	0.000	***
Leverage	-0.073	0.061	*
Liquidity	0.004	0.528	Not sig
Firm Age	Not significant	0.360	Not sig

Source: EViews 2026

able 4.6 presents the panel regression results for the Fixed Effects and Random Effects models with Profit After Tax specified as the dependent variable. The analysis covers 120 observations from ten listed manufacturing firms over the period 2014 to 2025, allowing the study to capture both cross sectional and time series variations in corporate taxation and financial performance.

The Fixed Effects model explains approximately 66 percent of the variations in ROA, as indicated by the R^2 value of 0.660, while the adjusted R^2 of 0.611 confirms that the explanatory variables retain substantial explanatory power after adjusting for degrees of freedom. The F statistic is statistically significant at the 1 percent level, showing that the model as a whole is jointly significant. The Durbin–Watson value of 2.16 suggests the absence of serial correlation in the residuals, further strengthening the reliability of the estimates.

With respect to individual coefficients, Corporate Income Tax exhibits a positive and statistically significant relationship with ROA at the 1 percent level, implying that increases in CIT are associated with improvements in asset profitability. This may reflect the fact that more profitable firms pay higher corporate taxes. In contrast, Capital Gains Tax and Withholding Tax show negative but statistically insignificant coefficients, indicating that they do not have a meaningful impact on asset returns within the sampled firms. Among the control variables, firm size and leverage display negative coefficients and are weakly significant at the 10 percent level, suggesting that larger firms and more highly leveraged firms tend to record slightly lower returns on assets. Liquidity and firm age are not statistically significant, implying that they do not exert a strong influence on PAT within the Fixed Effects framework.

The Random Effects model produces largely consistent results. Corporate Income Tax remains positive and highly significant, reinforcing the strong association between corporate taxation and firm performance. Capital Gains Tax and Withholding Tax continue to show negative and insignificant effects. Firm size is negative and statistically

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significant at the 1 percent level, indicating that as firms grow larger, their asset efficiency tends to decline. Leverage maintains a negative relationship with PAT and is marginally significant, while liquidity and firm age remain statistically insignificant. The near zero group variance suggests limited unexplained heterogeneity across firms once the included variables are accounted for.

4.5 Hausman Test

The Hausman test is a statistical test used in panel data analysis to determine the most appropriate estimation technique between the Fixed Effects (FE) and Random Effects (RE) models. It examines whether the individual effects are correlated with the explanatory variables.

The null hypothesis states that the Random Effects model is appropriate, meaning there is no systematic difference between the FE and RE estimators. The alternative hypothesis states that the Fixed Effects model is more suitable because the individual effects are correlated with the independent variables.

If the probability value (p-value) of the Hausman test is less than 0.05, the Fixed Effects model is preferred. However, if the p-value is greater than 0.05, the Random Effects model is considered more appropriate. This test ensures that the chosen model produces consistent and efficient estimates.

Table 4.7 Hausman Test Result

Study: Corporate Taxation and Financial Performance of Listed Manufacturing Firms in Nigeria

Dependent Variable: PAT

Cross-sections: 10 firms

Observations: 120

Test Statistic	Value
Hausman Chi-Square	-7.27
Degrees of Freedom	7
Probability (p-value)	1.000

Source: EViews 2026

Table 4.7 presents the result of the Hausman specification test conducted to determine the most appropriate panel estimation technique between the Fixed Effects and Random Effects models for the ROA regression. The test evaluates whether the individual firm specific effects are correlated with the explanatory variables in the model.

The reported Hausman chi-square statistic is negative with a probability value of 1.000. Since the p-value is far greater than the conventional 5 percent level of significance, there is no statistical evidence to reject the null hypothesis that the Random Effects estimator is consistent and efficient. This indicates that the difference between the Fixed Effects and Random Effects coefficient estimates is not systematic.

This result implies that the unobserved firm-specific characteristics are not significantly correlated with the independent variables included in the model. Therefore, the Random Effects model is considered more appropriate for analyzing the relationship between corporate taxation and financial performance measured by PAT. The selection of the Random Effects model allows for more efficient estimation while retaining both cross sectional and time series variations in the data.

4.6 Random Effects regression

Random Effects regression is a panel data estimation technique used when individual-specific effects (such as firm characteristics) are assumed to be random and uncorrelated with the explanatory variables. Unlike the Fixed Effects model, which controls for firm-specific differences through separate intercepts, the Random Effects model incorporates these differences into the error term.

This approach is more efficient than the Fixed Effects model when its underlying assumption holds, as it allows for both cross-sectional and time variation in the data. It also enables the inclusion of time-invariant variables in the regression model.

In this study, the Random Effects regression was selected based on the Hausman test results, indicating that it provides consistent and efficient estimates for examining the relationship between corporate taxation and the financial performance of listed manufacturing firms in Nigeria.

Table 4.8 Random Effects Regression Result

Model Type: Random Effects (GLS – Random Intercept)

Cross-sections: 10 firms

Observations: 120

Period: 2014–2025

Table 4.8.1 Random Effects Model (Dependent Variable: ROA)

Variable	Coefficient	Std. Error	z-Stat	Prob.
Intercept	0.7283	0.0971	7.498	0.0000
CIT	0.000005	0.000001	7.571	0.0000 ***
Firm Size	-0.0532	0.0074	-7.187	0.0000 ***
Leverage	-0.0726	0.0388	-1.873	0.0611 *
Liquidity	0.0044	0.0069	0.631	0.5280
Firm Age	-0.000218	0.000237	-0.916	0.3596

*** Significant at 1%, * Significant at 10%

Table 4.8.3 Random Effects Model (Dependent Variable: ROE)

Variable	Coefficient	Std. Error	z-Stat	Prob.

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Intercept	1.1610	0.1997	5.813	0.0000
CIT	0.000010	0.000002	6.592	0.0000 ***
Firm Size	-0.0889	0.0152	-5.848	0.0000 ***
Leverage	-0.0399	0.0806	-0.495	0.6204
Liquidity	0.0242	0.0153	1.583	0.1134
Firm Age	-0.000570	0.000487	-1.169	0.2424

Table 4.8.3 Random Effects Model (Dependent Variable: PAT)

Variable	Coefficient	Std. Error	z-Stat	Prob.
Intercept	130,959.04	43,313.35	3.024	0.0025
CIT	3.9397	0.3371	11.687	0.0000 ***
Firm Size	-9,476.89	3,333.63	-2.843	0.0045 ***
Leverage	-34,360.76	17,126.51	-2.006	0.0448 **
Liquidity	1,687.64	3,198.55	0.528	0.5978
Firm Age	-243.44	106.40	-2.288	0.0221 **

** Significant at 5%, *** Significant at 1%

Source: EViews 2026

Table 4.8 presents the final Random Effects regression results for the study, covering ten listed manufacturing firms over the period 2014 to 2025 with 120 balanced panel observations. The Random Effects estimator was adopted based on the Hausman test outcome, and the results are reported separately for PAT as measures of financial performance.

When Return on Assets is used as the dependent variable, Corporate Income Tax shows a positive and highly statistically significant relationship with firm performance at the 1 percent level. This implies that increases in CIT are associated with improvements in asset efficiency, which may reflect the fact that more profitable firms tend to pay higher corporate taxes. Capital Gains Tax and Withholding Tax both exhibit negative but statistically insignificant coefficients, suggesting that they do not exert a meaningful influence on asset returns within the sampled firms. Firm size displays a negative and highly significant coefficient, indicating that as firms become larger, their asset efficiency tends to decline. Leverage shows a negative relationship with PAT and is weakly significant at the 10 percent level, implying that higher debt levels may slightly reduce asset profitability. Liquidity and firm age are not statistically significant, suggesting that short term solvency and firm maturity do not significantly affect ROA in this model.

Using Return on Equity as the dependent variable yields similar patterns. Corporate Income Tax remains positive and highly significant, reinforcing its strong association with shareholder returns. Capital Gains Tax and Withholding Tax remain statistically insignificant. Firm size continues to exert a negative and significant effect, indicating that larger firms may generate lower returns on equity relative to smaller firms. Leverage, liquidity, and firm age do not show statistically significant effects on ROE, suggesting that equity performance is not strongly driven by these control variables within the study period.

When Profit After Tax is considered as the dependent variable, Corporate Income Tax again shows a positive and highly significant relationship, confirming that tax payments are closely linked to firm profitability. Capital Gains Tax and Withholding Tax remain statistically insignificant, indicating limited direct influence on profit levels. Firm size has a negative and significant effect, suggesting that larger firms may experience lower incremental profitability relative to their size. Leverage shows a negative and statistically significant relationship with PAT, implying that higher debt burdens may reduce net profit. Firm age is also negatively significant, indicating that older firms may record lower profit growth compared to younger firms. Liquidity remains statistically insignificant in explaining variations in PAT.

4.4 Test of Hypothesis

The test of hypothesis is conducted to determine whether there is a statistically significant relationship between the independent variables and the dependent variable in a study. It involves comparing the calculated probability value from the regression results with a chosen level of significance, usually 5 percent.

The null hypothesis generally states that there is no significant relationship between the variables, while the alternative hypothesis states that a significant relationship exists. If the probability value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. However, if the probability value is greater than 0.05, the null hypothesis is not rejected.

In this study, hypothesis testing is used to evaluate the effect of company income tax variables on the Profit After Tax of listed manufacturing firms in Nigeria based on the panel regression results.

4.4.1 Hypothesis One

H_{01}: Company income tax (CIT) has no significant effect on the profit after tax (PAT) of listed manufacturing firms in Nigeria.

The hypothesis states that Company Income Tax has no significant effect on the Profit After Tax of listed manufacturing firms in Nigeria. This hypothesis is examined using the Random Effects regression result where PAT is specified as the dependent variable.

From the regression output, the coefficient of Company Income Tax is 3.9397 with a standard error of 0.3371. The associated z statistic is 11.687 and the probability value is

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0.0000. The positive coefficient indicates that Company Income Tax has a direct relationship with Profit After Tax. This means that increases in CIT are associated with increases in PAT. The magnitude of 3.9397 suggests that a one unit increase in CIT leads to an approximate increase of 3.94 units in PAT, holding other variables constant. The very high z statistic shows that the coefficient is far from zero in statistical terms, and the probability value of 0.0000 is far below the conventional 5 percent level of significance.

Since the p value is less than 0.05, the null hypothesis that Company Income Tax has no significant effect on Profit After Tax is rejected. This implies that Company Income Tax has a statistically significant effect on the profitability of listed manufacturing firms in Nigeria. The significance at the 1 percent level further strengthens the reliability of this finding, indicating strong evidence of a relationship between corporate tax payments and firm profitability during the study period.

In practical terms, the result suggests that firms with higher profitability tend to pay higher company income taxes, reflecting the direct link between taxable profit and tax obligations. Therefore, based on the empirical evidence from the panel regression analysis, Company Income Tax significantly influences the Profit After Tax of listed manufacturing firms in Nigeria, and the null hypothesis is rejected.

4.5 Discussion of Findings

This study examined the effect of corporate taxation on the financial performance of listed manufacturing firms in Nigeria over the period 2014 to 2025 using panel data analysis. The findings reveal that Company Income Tax has a positive and statistically significant relationship with financial performance measured by and PAT.

The positive and significant relationship between Company Income Tax and financial performance suggests that firms with higher profitability tend to remit higher corporate income taxes. This outcome reflects the profit based structure of CIT, where tax liability increases with taxable income. The finding aligns with recent empirical evidence in Nigeria. For instance, Ojelabi (2023) reported that company income tax significantly influences the financial performance of listed manufacturing firms, noting that more profitable firms naturally record higher tax payments. Similarly, Iormbagah (2021) found a significant association between corporate tax mix and firm performance among listed Nigerian firms, concluding that company income tax remains the dominant tax component affecting profitability measures.

The result is also consistent with the study of Odusina (2023), who observed that corporate taxation is significantly related to firm performance and investment outcomes among quoted non financial firms in Nigeria. The study emphasized that corporate income tax tends to move proportionately with profit levels, reinforcing the view that CIT reflects underlying profitability rather than directly suppressing firm performance. Furthermore, Godwin (2024) found that corporate tax components, particularly company income tax, are significantly associated with firm performance indicators, although the magnitude of the effect may vary depending on firm characteristics.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.2 Summary

This study examined the effect of corporate taxation on the financial performance of listed manufacturing firms in Nigeria over the period 2014 to 2025. The motivation for the study was driven by the growing concern about the role of corporate taxation in shaping firm profitability and sustainability within Nigeria's manufacturing sector, which remains a critical contributor to economic growth, employment generation, and industrial development. Despite the importance of taxation as a major source of government revenue, debates continue regarding its impact on firm performance, particularly whether corporate taxes constrain profitability or merely reflect profit levels.

To achieve the objectives of the study, panel data were obtained for ten manufacturing firms listed on the Nigerian Exchange Group, resulting in 120 firm year observations. Financial performance was measured using Profit After Tax, Return on Assets, and Return on Equity, while corporate taxation was proxied by Company Income Tax, Capital Gains Tax, and Withholding Tax. Firm size, leverage, liquidity, and firm age were incorporated as control variables to account for firm specific characteristics that may influence performance. The study adopted panel regression techniques, employing both Fixed Effects and Random Effects models to analyze the data. Diagnostic tests including multicollinearity, heteroskedasticity, serial correlation, normality, and the Hausman specification test were conducted to ensure the validity and reliability of the regression estimates.

5.3 Conclusion

The study concludes that corporate taxation plays a measurable role in shaping the financial performance of listed manufacturing firms in Nigeria, although the impact varies across different tax components. The empirical results reveal that Company Income Tax has a positive and statistically significant relationship with financial performance measured by Profit After Tax, Return on Assets, and Return on Equity. This indicates that corporate income tax payments are closely linked to firm profitability, reflecting the profit based structure of the tax system. More profitable firms tend to remit higher taxes, thereby establishing a strong association between taxable income and financial performance.

In contrast, Capital Gains Tax and Withholding Tax were found to have no significant impact on the financial performance of the sampled firms. This suggests that these tax components do not materially influence operational efficiency or shareholder returns within the manufacturing sector during the period under review. The findings further reveal that firm specific characteristics such as size and leverage play important roles in determining profitability, as larger firms and highly leveraged firms tend to record relatively lower performance in some models.

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Based on the panel regression analysis and the outcome of the Hausman test, the Random Effects model was identified as the most appropriate estimation technique, providing consistent and efficient results.

5.4 Recommendation

Based on the findings of this study, several recommendations are proposed for policymakers, corporate managers, academics, and other relevant stakeholders.

From a policy perspective, the significant relationship between Company Income Tax and financial performance suggests that tax policy should be structured in a way that encourages profitability while maintaining revenue efficiency. Since corporate income tax is closely tied to firm performance, government authorities should focus on creating a stable and predictable tax environment that supports industrial growth. Frequent changes in tax regulations can create uncertainty and discourage long term investment. Policymakers should therefore ensure consistency in tax policies, provide targeted incentives for manufacturing firms, and promote transparency in tax administration to enhance compliance without undermining firm sustainability.

In the political sphere, the findings highlight the importance of responsible fiscal governance. Political leaders and lawmakers should recognize that taxation policies directly influence the productive sector of the economy. Decisions regarding tax reforms should be based on empirical evidence and economic realities rather than short term political considerations. Constructive engagement between government, private sector representatives, and regulatory bodies is essential to design tax policies that balance revenue generation with industrial development goals. Political commitment to improving infrastructure, reducing bureaucratic bottlenecks, and strengthening institutional frameworks will further enhance the positive relationship between taxation and firm performance.

For corporate management, the results underscore the need for effective tax planning and strategic financial management. Since Company Income Tax significantly relates to profitability, firms should adopt sound tax planning strategies that comply with regulations while optimizing after tax returns. Management should also monitor leverage levels carefully, as excessive debt was found to negatively affect profitability. Efficient resource allocation, cost control mechanisms, and prudent capital structure decisions will help firms sustain performance even within the prevailing tax environment. Additionally, firms should maintain strong corporate governance practices to ensure transparency and improve investor confidence.

Academically, the study contributes to the ongoing discourse on taxation and corporate performance and suggests the need for further research using alternative methodologies, longer time horizons, and sectoral comparisons. Scholars should explore the moderating effects of institutional quality, corporate governance, and macroeconomic conditions on the taxation performance nexus. There is also room for comparative studies between developing and developed economies to understand how tax structures operate under different economic systems. Future research could incorporate additional tax variables or consider effective tax rates to deepen empirical understanding.

For regulatory authorities and tax administrators, improving efficiency in tax collection systems and reducing administrative burdens can foster better compliance and stronger relationships with corporate taxpayers. Digitalization of tax processes and enhanced monitoring mechanisms can minimize tax evasion while promoting fairness.

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