

Effect of Corporate Tax Liabilities on Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

This paper examined the effect of corporate tax liabilities and financial performance of listed deposit money banks in Nigeria. The corporate taxes were proxied by company income tax and tertiary education tax while financial performance was proxied by return on assets. An ex-post facto research design was adopted for the study. A purposive sampling technique was used to select the sample using filter criteria. Data were obtained from annual reports and accounts of sampled deposit money banks in Nigeria for a period of ten years (2016-2025). Regression was used to test the hypothesis at a significance level of 5%. The findings showed that company income tax had a positive and insignificant effect on financial performance, while tertiary education tax has a positive and insignificant effect on financial performance of listed deposit money banks in Nigeria. The study concluded that the relationship between corporate tax liabilities and the financial performance of Nigerian deposit money banks is neither uniformly positive nor uniformly negative. The study recommended that deposit money banks should invest in professional tax advisory capacity to optimize legitimate tax planning without resorting to aggressive avoidance strategies that carry reputational and legal risk and that managers of banks should be sensitized on the need to pay the tertiary education tax and its collections from the various sources should be strengthened as tertiary education tax provides funds for research in higher institutions of learning which aim at solving existing company's problem and invention of new product which in turn leading to a higher profitability.

Keywords: Corporate Tax Liabilities, Company Income Tax, Financial Performance, Deposit Money Banks, Nigeria, Return on Assets

I. Introduction

Shareholders greatest emphasis and drive are clearly envisaged on a company's performance before embarking into business with that company. Consequently, profitability has evolved into the primary factor that is used to measure a company's financial performance (Taiwo & Oyedekun, 2022). Consequently, some of these companies have achieved the exact opposite of their goals, making it more difficult for firms to attain the standards they have set for themselves due to some tax liabilities (Habila et al., 2024). Taxation is one of the oldest and most significant tools of economic policy, taxes are the major source of income for funding expenditures and infrastructural development activities by governments globally. Corporate taxation refers to the obligations that companies must meet regarding their income or profits. These obligations are based on the net revenue or taxable profits accrued by businesses during a defined financial or fiscal period (Christiana & Francis, 2025). In Nigeria, corporate entities are subject to multiple layers of taxation, including company income tax (imposed under the Companies Income Tax Act), Education tax (now Tertiary Education Trust Fund levy), Value added tax, Capital gains tax, and withholding tax on qualifying transactions. In Nigeria, corporate tax liabilities especially from large corporations, who pay their fair share toward the provision of public goods and services are subject to multiple tax structure and evidences abound from literatures that these rates of corporate tax can have unintended consequences, as they place a significant burden on these companies, especially considering the volatile economic conditions and infrastructure deficits within the country (Kwara, 2024; Adebimpe & Dahiru, 2024). Corporate taxation guidelines can influence companies' decisions concerning investment, financing, and operations, thereby impacting their financial performance.

Corporate tax liability can also influence a company's competitive position in the market. Firms that are subject to higher tax burdens may face increased operational costs, which can affect their pricing strategies (Adu, et al., 2024). This, in turn, can lead to a loss of competitive advantage,

particularly in industries where price sensitivity is high, such as consumer goods or telecommunications. On the other hand, companies that effectively manage their tax liabilities and optimize their tax strategies can reduce their costs, improve their profitability, and position themselves more favorably in the market (Bala, et al., 2021). In this sense, managing corporate tax liabilities is not just about compliance; it is a strategic component of overall business performance.

Effective taxation management is important for listed consumer goods companies in Nigeria, as it directly impacts their financial performance, as they are crucial in the Nigerian economy (Adebimpe & Shittu, 2024). For publicly listed companies, these liabilities are recorded and disclosed in audited financial statements, making the consumer goods sector which includes major manufacturers of food, beverages, personal care, and household products a useful setting for examining the tax-performance relationship (Eneisik et al., 2020). Downward trend in Nigeria's economy, resulting from decline in crude oil revenue, as well as continuous increase in government expenditure has made the Federal government of Nigeria to realign her revenue focus to taxation (Ighosewe et al., 2021). The banking sector is particularly significant because it is capital intensive, and operates on relatively lean margins, and the sector is highly sensitive to macroeconomic shocks such as inflation, exchange rate volatility. Given these pressures, the extent to which tax liabilities further compress profitability without materially damaging performance has become an important subject of scholarly and policy interest, especially following Nigeria's recent tax reform efforts and the enactment of new tax administration legislation aimed at broadening the tax base while easing the compliance burden on formal businesses. Despite the growing body of research on corporate taxation and firm performance in Nigeria, findings remain inconsistent. Some studies conclude that corporate tax liabilities significantly and positively affect the financial performance of consumer goods companies, while others find that specific tax types, particularly capital gains tax and value added tax exert negative or statistically insignificant effects. This inconsistency may be attributable to differences in sample size, study period, performance proxies used (ROA vs. ROE vs. NPM), and whether studies examine aggregate tax burden or disaggregate it by tax type. Consequently, there remains no firm consensus on the direction, magnitude, or significance of the relationship between corporate tax liabilities and financial performance in this sector, creating both a theoretical and practical gap this article addresses. This study delves into the effect of tax on the financial performance of the listed deposit money banks in Nigeria. Against this backdrop, the broad objective of this study is to examine the effect of corporate tax liabilities on the financial performance of listed deposit money banks in Nigeria. The specific objectives are to:

- i. Examine the effect of company income tax on the financial performance of listed deposit money banks in Nigeria.
- ii. Examine the effect of education tax (tertiary education tax) on the financial performance of listed deposit money banks in Nigeria.

In order to achieve the objectives stated above, the following hypotheses were formulated in null forms to guide the study:

H₀₁: Company income tax has no significant effect on the financial performance of listed deposit money banks in Nigeria.

H₀₂: Education tax has no significant effect on the financial performance listed deposit money banks in Nigeria.

II. Literature Review

A. Conceptual Review

Independent variables

Corporate tax liability

Company income Tax (CIT)
Tertiary Education Tax (TET)

Dependent variable

Financial performance

Return on Assets (ROA)

Corporate tax liability refers to the statutory financial obligation a company owes to government tax authorities, arising from its taxable income, transactions, or asset disposals within a given accounting period (Habila et al., 2024). This concept is essential to corporate finance and accounting because it evaluates the amount a company is required to remit to the government as a result of its income, profits, or activities which is subject to tax. A company's tax liability is calculated according to the applicable tax laws in the jurisdiction where it operates (Zizzo, 2024). This tax responsibility is not a one-time payment but a recurring obligation that businesses must manage, ensuring compliance with tax regulations to avoid penalties or legal actions. In this context, corporate tax liability is not just an accounting figure but a key component of corporate responsibility, ensuring that businesses contribute to public finances, support infrastructure, and help fund various public services. Thus, it is a crucial financial concept that shapes a company's fiscal practices, governance, and strategic decision-making (Odum, 2025). Corporate taxes such as company income tax, capital gain tax, education tax, withholding tax, and value-added tax are some of the taxes paid by corporate bodies in Nigeria (Adejare, 2015).

B. Concept of Company Income Tax (CIT)

Companies Income Tax is a statutory levy imposed on the pre-tax profit of a corporate entity yearly and it is charged on the excess of a corporate allowable receipt over its allowable expenses. In Nigeria, the Finance Act, 2021 (as amended) requires that the profits earned by registered companies in Nigeria as well as foreign companies operating in Nigeria be subjected to tax under the Act (Adesanya et al., 2024). A tax charged on the profits of companies registered in Nigeria, currently administered under the Companies Income Tax Act (as amended by subsequent Finance Acts). Augustine et al. (2023) further define CIT as a tax chargeable on net profit after recognizing and accounting for all expenses. Eneisik et al. (2023) describe CIT as a direct tax levied on corporate entities engaged in commercial activities, with varying rates depending on the firm's size and sector. Christopher (2021) stated that companies' income tax is charged on the profits of incorporated entities in Nigeria. It also includes the tax on the profits of non-resident companies engaging in business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies.

C. Education Tax / Tertiary Education Trust Fund (TETFUND)

Tertiary Education Tax (formally Education Tax) is a tax imposed on the assessable profits of all companies registered in Nigeria for the enhancement of tertiary education in Nigeria. It is established by the Tertiary Education Trust Fund (Establishment, Etc.) Act No 16, of 2011 (Habila et al., 2024). A tax on assessable profit, earmarked for funding tertiary education infrastructure. Main aim of this tax is to help tertiary institution ameliorate numerous problems facing them such as poor infrastructure, poor staffing, low morale among workers, non-conducive working condition, brain drain of experts in this nation building profession (Nnamdi & Ike, 2020). Also, poor and irregular remuneration as well as lack of teaching aids due to insensitivity of all tiers of government in Nigeria. In addition, to ensure proper management and administration, the Federal government established Education Tax Fund (ETF) and a Board of Trustees (Rasheed & Lateef, 2023).

D. Concept of Financial Performance

Company financial performance is a concept that describes the corporate health and stability of a firm (Altman, 2004). Financial performance refers to a company's ability to achieve its primary objective of maximizing shareholder wealth while maintaining operational efficiency and profitability. It serves as a key indicator of a firm's overall success and sustainability. Financial performance is a composite of a company's financial well-being, its ability and willingness to meet its long-term financial obligations and its commitment to provide essential services in a foreseeable future (Weber, 2008). Financial performance refers to the extent to which financial goals and objectives have been accomplished. It is the process of measuring the results of a company's policies and operations in

monetary terms. Financial performance is broadly viewed as the ability of the firm to meet its financial objectives (Eneisik et al., 2023). According to Umar et al. (2021), financial performance is the monetary outcome of a company's operations, policies, and strategies.

In the context of this study, financial performance is measured using Return on Assets (ROA), which evaluates how efficiently a company utilizes its assets to generate profits. Return on Assets (ROA) evaluate how efficiently a company makes use of its assets to generate earnings, which provide varied hints into operational efficiency and asset productivity. A higher ROA indicates that a company effectively uses its assets to generate profits, while a lower ROA suggests inefficiencies or underutilized resources (Odum, 2025). A higher Return on Assets (ROA) shows that a company is efficiently utilizing its assets to generate revenue, whereas a lower Return on Assets (ROA) may suggest inefficiencies in asset usage and excessive operational costs, or poor financial management (Brigham & Ehrhardt, 2020).

B. Theoretical Framework

(a) Ability to Pay Theory

The ability to pay theory was propounded by Kendrick (1939), this theory holds that tax burdens should be distributed according to the taxpayer's capacity to bear them, those with higher income or profit should contribute proportionately more. The main postulations of the Ability to Pay Theory revolve around the belief that taxes should be levied based on the taxpayer's ability to bear the financial burden (Omodero & Ogbonnaya, 2018). The theory asserts that individuals or organizations with higher incomes or profits should pay more taxes, as they have a greater capacity to absorb the tax load without experiencing financial difficulties. This principle seeks to ensure that taxation systems are progressive, meaning that they are designed to adjust based on the economic standing of the taxpayer. Essentially, it emphasizes that taxation should not place undue strain on less affluent entities but should instead distribute the tax burden equitably according to the taxpayer's ability to pay (Akinleye et al., 2019). In the context of companies, the theory suggests that the tax obligations of these companies should be aligned with their financial strength and profitability. By applying the theory to the corporate tax landscape, it becomes evident that large and profitable conglomerates are expected to contribute more to the economy through taxes, without causing significant damage to their financial performance. The theory also offers a basis for evaluating whether tax policies are adequately designed to foster corporate growth while ensuring equitable contribution to national development. This study is primarily anchored on the ability-to-pay theory, as it most directly addresses the relationship between profitability and tax obligation centrally to the study.

C. Empirical Review

Onwughai et al. (2025) examined the effect of Company Income Tax (CIT) on the financial performance (ROA) of listed deposit money banks in Nigeria, with a particular focus on the moderating role of Firm Size in the CIT-ROA relationship. The study population comprised of all 43 deposit money banks as published on the Central Bank of Nigeria's website as at April 26, 2024. A sample of twelve banks was selected using a purposive sampling technique. The study covered a fifteen-year period from 2009 to 2023, and utilized secondary data extracted from the audited financial statements of the selected banks. The study utilizes ex-post facto research design; pooled regression was used for the analysis. The findings of the study revealed a statistically positive but insignificant relationship between CIT and ROA. However, with moderation, the company income tax to return on assets relationship was found to be negative and significant. The study recommended that banks should adopt effective tax planning by leveraging incentives and deductions while ensuring compliance.

Christiana and Francis (2025) investigated the effect of corporate tax on the financial performance of consumer goods companies in Nigeria. The study evaluated the impacts of company income tax, capital gains tax, and withholding tax on financial performance. For data collection, secondary sources were utilized. The data for this study was sourced from the annual reports of five selected consumer goods firms in Nigeria, and it spanned a five-year timeframe from 2019 to 2023.

The research employed inferential analysis techniques. The inferential analysis techniques included Pearson's correlation analysis along with. This result indicates a positive and statistically significant association between corporate income tax and financial outcomes. Additionally, the findings revealed that withholding tax has a significant and positive influence on financial performance, where an increase in withholding tax leads to an enhancement in financial performance. The results also reflected that capital gains tax has a negative effect and does not significantly affect financial performance. The study concludes that corporate taxes present a positive and statistically significant relationship with the financial performance of consumer goods firms in Nigeria. The study recommends that manufacturing companies should be encouraged and informed about the importance of corporate taxation and methods to improve it.

Odum (2025) examined the effect of corporate tax liability on the financial performance of listed conglomerates in Nigeria. The study utilized secondary data collected from the audited annual reports and financial statements of the conglomerate firms over a ten-year period from 2015 to 2024. The study employed descriptive statistics to summarize the distribution of variables. For the hypotheses testing, the study applied the Robust Least Squares (RLS) regression analysis. The findings are that total tax expense has a significant positive effect on return on assets of listed conglomerate firms in Nigeria; effective tax rate has a significant negative effect on return on assets of listed conglomerate firms in Nigeria; and that cash tax paid has a significant positive effect on return on assets of listed conglomerate firms in Nigeria. The study concluded that firms that are more profitable and operationally efficient tend to incur and pay more taxes in nominal terms, reflecting the positive association between tax remittance and return on assets. The study recommended amongst others that tax planning units of firms should develop and adopt effective tax planning mechanisms that minimize the tax burden without violating regulatory standards, ensuring that operational resources are not eroded by inefficient tax exposures.

Eneisik et al. (2023) ascertains the effect of company's income tax on financial performance of quoted manufacturing companies in Nigeria. Companies' income tax was proxied by capital gains tax, tertiary education tax and company income tax. The population of the study consisted of sixty quoted manufacturing companies in Nigeria. The study adopted a purposive sampling technique to select thirty quoted manufacturing companies as a sample size. Secondary data was obtained from audited annual financial reports of quoted manufacturing companies in Nigeria from 2006-2020. Hypotheses of the study were formulated were tested using panel least squares regression through pooled effect, fixed effect, and random effect, determined by the Hausman specification test, fixed effect regression was preferred for results interpretation with the aid of EViews 10 econometric statistical software. Findings from the study showed that company income tax had a negative and insignificant effect on net profit margin of quoted manufacturing companies in Nigeria. Capital gains tax had positive and significant effect on net profit margin of quoted manufacturing companies in Nigeria. Tertiary education taxes had negative and insignificant effect on net profit margin of quoted manufacturing companies in Nigeria. The study concluded that company's income tax reduced financial performance of listed manufacturing companies in Nigeria. The study recommended among others that government must ensure the eradication of multiple taxations and ensure transparency in corporate tax administration in order to attract investors and ensure tax compliance.

Sweetwilliams et al. (2023) examined the effect of corporate tax on the financial performance of Nigerian listed consumer goods companies from 2011 to 2021. A sample of sixteen (16) consumer goods firms was used for the study. Secondary data source was generated from the annual reports of the selected firms. The random effect panel regression results revealed that company income tax negatively affects financial performance. The findings of the study also revealed that education tax has a significant positive effect on financial performance. While Value Added Tax (VAT) has a significant negative effect on financial performance. The study concluded that corporate tax has a statistically significant effect on the financial performance of consumer goods firms in Nigeria. Based on these findings, the study recommended that to leave enough net income in the hands of the listed consumer

goods companies, the federal government should offer more tax exemptions that will lower company income tax payments.

Rasheed and Lateef (2023) examined the effect of corporate taxes and financial performance of listed information and communication technology companies (ICT) in Nigeria. The corporate taxes were proxied by company income tax and education tax while financial performance was proxied by profit after tax. Content analyses of the annual report of sampled companies were carried out using descriptive and inferential statistics. An ex-post facto research design was adopted for the study. A simple random sampling technique was used to select the sample. Data were obtained from annual reports and accounts of sampled ICT firms in Nigeria for a period of five years (2018-2022). Regression was used to test the hypothesis at a significance level of 5%. The findings showed that corporate taxation positively and significantly affected the financial performance of information and communication technology companies in Nigeria. The findings also showed that company income tax was positively and significantly related to financial performance in quoted information and communication technology companies in Nigeria. However, education tax has significant negative effect on financial performance of information and technology companies in Nigeria. The study concluded that the income tax that the company paid during the study period had a positive and significant impact on the financial performance of Nigerian enterprises that specialize in information and communication technology. The study recommended that the government should encourage voluntary payment of taxes with the introduction of reduced tax rates, public awareness, reduction of ambiguity in the tax law and provision of adequate infrastructural facilities which tax payer's fund was used to provide for the society to encourage taxpayers' compliance culture.

Nwoge et al. (2018) examined the impact of corporate income tax on the performance of the manufacturing sector in Nigeria from 2013 – 2017. The ex-post facto research design was adopted for this study. The population of this study covered all the 23 registered manufacturing firms dealing with consumable foods in Nigeria. The sample of five manufacturing firms, dealing with consumable foods in Nigeria which represent 35% of the quoted manufacturing firms on the Nigerian Stock Exchange (NSE) market was selected for the study. The data used for this research are secondary data obtained from various issues of Annual financial statement of five selected manufacturing firms in Nigeria namely: Dangote Sugar Refinery Plc, Cadbury Nigeria Plc, Guinness Nigeria Plc, Unilever Nigeria Plc and Nestle Nigeria Plc. This study made use of the fixed and random effect regression technique. The result showed that company income tax had direct significant impact on net income and return on equity of manufacturing companies in Nigeria. The study concluded that company income tax has direct significant impact on net income and return on equity of manufacturing companies in Nigeria. The study recommended based on findings amongst others that company income tax receipt should be channeled by the government into judicious use such as the provision of social amenities like electricity and good road network.

Kurawa and Saidu (2018) assessed the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006-2016. Data for the study were collected from the annual reports and accounts of the companies and regression analysis was used as a technique for data analysis. The findings of the study showed that there is an insignificant negative relationship between corporate tax and financial performance using return on assets as a measure. Age and risk, however, exhibited a positive but not significant relationship with ROA. Size on the other hand shows a positive and significant relationship with performance confirming prior expectations. The study concluded that as the tax being paid by the companies increases, their performance reduces with an insignificant amount, thus indicating that the accounting-based measures of financial performance of firms in the consumer goods industry can be enhanced by minimizing the tax paid by the companies. The study recommended that to improve the financial performance of listed Nigerian consumer goods, services of tax experts are needed to engage in legal tax planning like transfer pricing or structuring intra-company debt to reduce the net tax payment.

Omodero and Ogbonnaya (2018) examined the impact of corporate tax on profitability of Deposit Money Banks in Nigeria. The research adopted a causal research design, and a sample of 12

banks was selected out of the currently existing 21 banks based on the judgment of the authors and the availability of data. The secondary data utilized was collected from the published financial statements of banks via their websites. The panel data used in the study covered a period from 2006 to 2016. Multiple regression analysis and t-test were also used to analyze the data with the aid of SPSS version 20. The findings of the study revealed that there is a positive significant impact of company income tax (CIT) on profit after tax (PAT) and existence of a positive relationship between profit after tax (PAT) and company income tax (CIT). The study recommended a review of the Nigerian fiscal policy and introduction of tax reforms that allow adequate tax incentives for banks especially during financial crises and to cope with liquidity challenges.

D. Gap in the Literature

While a substantial body of Nigerian literature has examined the tax to financial performance relationship in the banking sector, some gaps still persist. First, studies vary considerably in the tax variables disaggregated some examine only company income tax (CIT), others include capital gains tax (CGT) and withholding tax (WHT), and few incorporate all five major tax types simultaneously. Second, there is limited consensus on which performance proxy, return on assets (ROA), return on equity (ROE), or net profit margin (NPM), is most appropriate, and studies using different proxies on similar samples sometimes reach different conclusions.

III. Methodology

This study adopts ex-post facto research design examine the effect of corporate tax on the financial performance of deposit money banks companies listed on the Nigeria Exchange Group (NGX). This design is appropriate as it allows for the analysis of the cause-and-effect relationship between the independent variable (company tax liabilities) and the dependent variable (financial performance). The population of the study consists of all the twenty-one (21) banks that have international and regional authorization from the Central Bank of Nigeria. The criteria for selection filters which were used in selecting the sampled companies for the study. Firstly, the companies must have be incorporated before 2025. Secondly, all selected companies must have their complete financial statement for the period under consideration (2016-2025) for the ten years period under study. Finally, the firms must not have been delisted between the periods of the study or have engaged in the process of merger. Ten (10) deposit money banks were drawn from the population employing a purposive sampling technique after the selection filter criteria to select the sample from a selection filter criterion. The source of data is secondary as it entails the use of documented sources (annual reports and accounts of the companies) from 2016-2025 which covers a ten-year period from 2016 to 2025, ensuring a robust dataset that captures short-term fluctuations and long-term trends. This study utilized inferential analysis methods. The inferential analysis methods included Pearson's correlation analysis and a panel regression estimation technique, fixed effects, and random effects are recommended, with the Hausman specification test used to determine the most appropriate model. Diagnostic tests for multicollinearity (variance inflation factor), heteroscedasticity, and serial correlation were also utilized.

B. Operationalization and Measurement of Variables

The variables in this study are classified into independent variables (corporate tax liability proxies) and a dependent variable (financial performance proxied by Return on Assets). These measurements provide a multidimensional view of tax liabilities and how they may affect the profitability and operational efficiency of consumer goods companies.

Table 1: Operationalization of Variables Variable

Variable	Type	Measurement
Return on Assets (ROA)	Dependent	<u>Net income</u> Total assets
Company Income Tax (CIT)	Independent Variable	Natural Log of Company Income Tax paid
Tertiary Education Tax (TET)	Independent Variable	Natural Log of Tertiary Education Tax Paid

Firm size (fsze)	Control variable	Natural log of total assets
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Source: Researcher's Compilation (2025)

C. Model Specification

The study adapted similar regression model of (Habila et al., 2024) which is expressed as follows: $ROA = f(CIT, TET)$ i

$$ROA = \beta_0 + \beta_1 CIT_{it} + \beta_2 TET_{it} + \beta_3 Fsize_{it} + \varepsilon_{it} \text{ii}$$

Where:

Where: ROA = Return on Assets

CIT = Companies Income Tax

TET = Tertiary Education Tax

fsze = Firm size

β_0 = Constant

$\beta_1 - \beta_5$ = Coefficients of independent variables

it = Residual

ε = Error term

IV. RESULTS AND DISCUSSIONS

Table 2: Descriptive Statistics

Variable	Obs.	Mean	Std. dev.	Min	Max
ROA	100	.021513	.0164878	.0025847	.1119887
CIT	100	75003.82	127537.6	1449	916462
TET	100	16608.15	97756.04	0	957276
fsze	100	1415.374	2977.481	.830803	17761.15

Source: STATA 17, Author's Computation (2026)

The descriptive statistics of this study have been illustrated in Table 2. It can be seen that a total of 100 observations were recorded. The table shows the minimum, maximum, mean and standard deviation of the variables of the study. The returns on assets (ROA) show a minimum of .0025847 to a maximum of .1119887, which indicates a significant number of possible returns in financial performance among the entities studied. The mean return on assets (ROA) of .021513 suggests that, on average, the entities in the sample earn approximately 2.1513% on their assets. The standard deviation of ROA is .0164878, indicating that the deviation from the mean is quite small, and thus the data are concentrated around the mean. The average company income tax is 75003.82 million, with a minimum and maximum of 1449 and 916462, respectively, and a standard deviation of 127537.6. This shows that companies paid companies income tax (CIT), average of N75,003.82million with a maximum loss of N1449millions and a maximum profit of N916462 million. The standard deviation of N127537.6. indicates that the profit after tax of the companies under consideration deviated from the mean value by up to N127537.6, this could be due to various factors, one of which may be differences in profitability. While the mean tertiary education tax of 16608.15million Naira indicates the average tax obligation. The substantial standard deviation of 97756.04 million Naira suggests that the tax payment deviates from the average by approximately 97756.04million Naira. Furthermore, firm size (fsze) has a mean score of N1415.374 million, which implies that the average firm total assets are N1415.374 million with a standard deviation of N2977.481 million. The result also reveals a minimum value of N.830803 million and a maximum value of N 17761.15million, respectively.

Table 3: Correlation Matrix of the Variables

	ROA	CIT	TET	fsze
ROA	1.0000			
CIT	0.2026*	1.0000		
TET	0.1490	-0.0207	1.0000	
fsze	0.3634*	0.2123*	0.0818	1.0000

Source: STATA 17, Author's Computation (2026)

The findings displayed in table 3 outlined the correlation coefficients showing the relationships between the selected variables for this study. The results clearly showed that financial performance (ROA) correlates significantly and positively with company income tax (CIT) meaning that as CIT increases, ROA tends to increase. However, the relationship is moderate, which suggests that while CIT and ROA move together to some extent, other factors may also influence ROA. Tertiary education tax has a moderate positive relationship with return on assets (ROA), suggesting that an increase in tertiary education tax is moderately associated with an increase in financial performance. The correlation between financial performance (ROA) and Firm size (fsze) is moderate, significant and positive. This indicates that larger firms tend to have higher ROA, which bring into line with the idea that larger firms may have better operational efficiency, economies of scale, or better financial management and make better use of their assets.

Table 4: Random Effect Regression Result

ROA	Coeff.	Std. Err.	z	Prob. value
CIT	1.07e-08	1.05e-08	1.02	0.308
TET	1.08e-08	1.32e-08	0.81	0.416
fsze	1.34e-06	5.96e-07	2.24	0.025
_cons	.0186377	.0037372	4.99	0.000
R ² =	0.1625			
Wald chi2(3) =	7.24			
Prob > chi2 =	0.0646			
Mean vif =	1.04			
Heteroskedasticity test =	0.6362			
Autocorrelation test =	0.8357			
Hausman test =	0.7944			

Source: STATA 17, Author's Computation (2026)

The reported R-square value was 0.1625, indicating that approximately 16.25% of the systematic variations in financial performance can be explained by changes in corporate taxes. This implies that 16.25% of the variation observed in the independent variable (companies income tax and tertiary education tax) was attributed to variation in the dependent variables (return on assets) while 83.75% of the changes were explained by unknown variables. The R² value indicated how well the corporate tax variables explained the ROA. Firm size, measured by taking the log of total assets, is found to have a positive and significant relationship with financial performance (ROA) of listed deposit money banks. This finding confirms that the larger the company, the higher the expectation of a robust financial performance.

The multicollinearity test was performed to test for the presence of multicollinearity. The results revealed that all VIF values are less than 10 and tolerance values are greater than 0.1. Furthermore, the average VIF is 1.04. As a result, no indication of multicollinearity among the explanatory variables is found.

A heteroscedasticity test was also performed to verify the regression model's homoscedasticity assumption. This study used the Breusch-Pagan/Cook-Weisberg test to perform the heteroscedasticity test. The study's Breusch-pagan/Cook-Weisberg test results show that the chi2 value is 0.22 and the chi2 p-value is 0.6362, suggesting the absence of heteroscedasticity.

The Hausman speciation test was used to choose between the random and fixed effect models. The Hausman test revealed that the chi2 value is 1.24 and the prob>chi is 0.7944. The probability of chi2 reporting an insignificant value indicates that the Hausman test favors the random effect model. As a result of the outcome of the Hausman test, the Breusch and Pagan Lagrangian multiplier test for random effect was used to select between the random effect and pooled regression results. The chi2 value was 52.52 with prob>chi2 = 0.0000. The result indicated that the random effect regression model is the best to interpret.

A. Test of Hypotheses

The study hypothesized that company income tax (CIT) has no significant effect on the financial performance of listed deposit money banks in Nigeria. Based on the result, the random effect regression model revealed that company income tax (CIT) had a coefficient and p-value of 1.07e-08 and 0.308 ($p > 0.05$). This finding demonstrates a positive and insignificant relationship between corporate income tax and financial performance proxied by return on assets (ROA), indicating that company income tax (CIT) does not have a statistically significant impact on the financial performance of listed deposit money banks for the year under study. The null hypothesis is therefore accepted.

The study hypothesized that tertiary education tax (TET) has no significant effect on the financial performance of listed deposit money banks in Nigeria. Based on the result, the random effect regression model revealed that tertiary education tax (TET) had a coefficient and p-value of 1.08e-08 and 0.416 ($p > 0.05$). This finding demonstrates a positive and insignificant relationship between tertiary education tax (TET) and financial performance proxied by return on assets (ROA), indicating that tertiary education tax (TET) does not have a statistically significant impact on the financial performance of listed deposit money banks for the year under study. The null hypothesis is therefore accepted.

B. Discussion of Findings

The study found out that company income tax (CIT) has a positive and insignificant effect on financial performance (ROA) with a z-value of 1.02, coefficient of 1.07e-08, and a p-value of 0.308. This implies that a unit increase in the payment of company income tax (CIT) of deposit money banks will result in an insignificant increase in financial performance (ROA). The finding agrees with Taiwo and Oyedekun (2022). However, it disagrees with Eneisik et al. (2023); Onwughai et al. (2025); Kurawa and Saidu (2018) and Orbunde & Arumona (2024).

The study found out that tertiary education tax (TET) has a positive and insignificant effect on financial performance (ROA) with a z-value of 0.81, coefficient of 1.08e-08, and a p-value of 0.416. This implies that a unit increase in the payment of tertiary education tax (TET) of deposit money banks will result in an insignificant increase in financial performance (ROA). The finding agrees with Orbunde & Arumona (2024). However, it disagrees with (Eneisik et al., 2023); (Sweetwilliams et al., 2023) and (Rasheed & Lateef, 2023).

V. Conclusion

The relationship between corporate tax liabilities and the financial performance of Nigerian deposit money banks is neither uniformly positive nor uniformly negative; it is contingent on the specific tax type, the performance measure adopted, the study period, and the extent to which firms engage in legitimate tax planning. Company income tax and tertiary education tax have, in several recent studies, shown positive associations with performance, while capital gains tax and value added tax tend to depress it.

VI. Recommendations

1. Deposit money banks should invest in professional tax advisory capacity to optimize legitimate tax planning without resorting to aggressive avoidance strategies that carry reputational and legal risk.
2. Secondly, managers of banks should be sensitized on the need to pay the tertiary education tax and its collections from various sources should be strengthened as tertiary education tax provides funds for research in higher institutions of learning, which aim at solving existing company's problem and invention of new product which in turn leading to higher profitability.

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