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Effect of Corporate Taxation Policies on Financial Performance of Quoted Firms in Nigeria

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Abstract:
This study examined the effect of taxation policies on the financial performance of quoted firms in Nigeria. The study was carried out with an aid of secondary data from annual report and financial statements of First Bank of Nigeria Plc and Zenith Bank Plc from 2010-2015. The study extracted six variables comprising of five dependent variables (Earnings Per Share, Dividend Per Share, Net Profit Margin, Return on Equity and Return on Assets) taken as proxies for performance and one independent variable representing corporate taxation policy. Data analysis were carried out using descriptive, quantitative and comparative approaches, while statistical tools used in testing hypothesis were Analysis of Variance (ANOVA) and simple regression analysis. Our findings from result of hypotheses test revealed that corporate taxation policies have significant effect on the earnings per share, dividend per share, net profit margin, but positive and insignificant influence on return on equity and return on assets of quoted firms in Nigeria. Based on the above finding, we recommend that the policy makers should review various tax policies in order to reduce multiple taxation that result in double taxation of company's income. Also monitoring of policy implementation and enforcement should be the sole responsibility of Federal Inland Revenue Service (FIRS) and State Inland Revenue Service (SIRS) to ensure compliance by businesses and organizations operating in Nigeria. Operators of companies and practitioners in the field must insist on observance of international standards in the preparation of financial reports.

Keywords: *Corporate taxation policies, financial performance, multiple taxation and quoted firms*

1. Introduction

The tax policy enumerates the monetary charges imposed by government on individual, companies, transactions or properties for the purpose of revenue generation. Taxation could be seen as non-punitive but yet a compulsory levy by government on property and income of individuals and corporations. The money realized therefore, constitute part of the sources for general government expenditure. It involves the transfer of resources or income from the private to the public sector in order to achieve some of the major economic and social objectives of government. The government in attempt to address the adverse economic conditions in the country introduced many measures among which are the tax policies which are designed to increase revenue and accomplish other economic goals but these polices have a significant impact on the business, investment decision and also on their financial report. The fact that most business entities are yet to come to terms with the realities of the implication of taxes on the overall performance of their undertakings remain the focus of this study. Each tax imposed on an organization needs continual interpretation of its specific application on the various transactions of the organization. Taxation, however, changes everyday as new court rulings are announced and as new polices and laws are made. To this end, every business organization must therefore be at alert to such changes. With the high corporate tax rate, say at 30% it is of course very necessary that tax implications of every business decision are well comprehended before the implementation of such decision.

It can be said that a company's tax liability goes a long way to determine their financial position at the end of the year. Thus, it would be of great importance for the management to plan their financial affairs in a manner that would reduce the taxes they are liable to pay at the end of their fiscal year. But poorer countries including Nigeria have indeed shifted towards more use of value-added tax in recent years on the advice and assistance of international organizations. It is still on public debate whether multiple taxation is a right or wrong policy considering its effect on the financial performance of quoted firms in Nigeria. Hence this work is set out to investigate the effect of corporate taxation policies on the financial performance of quoted firms in Nigeria.

1.1. Statement of the problem

Taxation policies and the structure of taxation in Nigeria is resulting to multiple taxation on businesses, forcing most businesses to run into losses or worst collapse. The survival of a company or any business organization depends on its ability to stay afloat and this is only possible by the level of its solvency. The need for most management of business entities to be aware of tax implications on the performance of their business remains an issue to be discussed. However, the government quest to raise revenue through various tax polices has caused untold hardship to business entities. Since taxation is a liability businesses have to incur, businesses are faced with the option of managing their tax liabilities in such a way that their tax burden is reduced. Every tax required of a business is an expense capable of raising cost of operation and invariably high cost of goods and services.

Taxation as an instrument of fiscal policy is used by the government to regulate the economy. It can be used to either stimulate or contract the economy depending on the policy trust of the government. Taxation policies affect business decision and choice of investment by foreigners. Harsh taxation policies for example, increase in tax rate can completely discourage foreign direct investment in Nigeria. It is therefore, the intention of the researchers to investigate the relationship between corporate taxation policies and financial performance of quoted firms in Nigeria.

1.2. Objectives of the Study

The main objective of this study is to determine the effect of corporate taxation polices on the financial performance of quoted firms in Nigeria, while the specific objectives include; to examine the effect of corporate taxation policy on earnings per share, dividend per share, net profit margin, return on equity and return on assets.

Research hypotheses were formulated in null form as follows:

- $H_{01:}$ There is no significant relationship between corporate taxation policy and earnings per share of quoted firms in Nigeria.
- $H_{02:}$ Corporate taxation policy has no effect on dividend per share of quoted firms in Nigeria.
- $H_{03:}$ There is no significant effect of corporate taxation policy on net profit margin of quoted firms in Nigeria.
- $H_{04:}$ Corporate taxation policy has no influence on return on equity of quoted firms in Nigeria.
- $H_{05:}$ There is no significant relationship between corporate taxation policy and return on assets of quoted firms in Nigeria.

2. Conceptual Framework

2.1. Evolution of Taxation in Nigeria

As observed in Okpe (2009), the earliest trace of any form of direct taxation in Nigeria even before the British Administration was in Northern Nigeria. The North was favoured for this because it had a form of organized central administration under the Emirs unlike the South which except in few places in the West was not as organized. Furthermore, Nworji (2000) noted that the Muslim religion adhered to by the people approved of taxation as being consistent with the demand of Islam

With the coming of the British and their consequent colonization of Nigeria they took advantage of tax system that was in place in the Northern part of the country to introduce direct taxation into the area since that was the only alternative available for them to raise fund to administer the region. Had it been there was any other attempt to impose indirect tax on goods imported into North, it could have been injurious and serious due to the fact that the North was not endowed as the South in terms of sea coast (Soyole and Kajola, 2006).

It was the 1961 enactment that gave the birth to separate laws on income and profit of both individuals and companies namely Income Tax Management Act (ITMA), and Companies Income Tax Act (CITA). The petroleum profit ordinance was passed in 1959 but took effect from 1st January, 1958. So many laws have been passed to date on taxation in Nigeria.

The most significant enactment on company's income tax is the companies Income Tax Act No 28 of 1979 which replaced Companies Income Tax Act (CITA) 1960.The Nigeria tax system has undergone several reforms geared at enhancing tax collection and administration with minimal enforcement by government. The recent reforms include the introduction of unique tax payer's identification number which become effective since 2008, automated tax system that facilitates tracking of tax position and issues by individual taxpayer, e-payment system which enhances smooth payment procedure and reduce the incidence of tax fraud.

The tax authority now has autonomy to asses, collect and record tax. This enabling environment which came into being or the basis of (section 8 (q) of FIRS Establishment Act 2007) has led for an improvement in tax administration in the country. The Nigeria tax system has undergone significant changes in recent times since the tax laws are consistently being reviewed with the aim of repealing obsolete provisions and simplifying the main ones. Under current Nigeria law, taxation is enforced by the 3 tiers of government, i.e. federal, state, and local governments with each having its spelt out in the taxes and levies (approved list for collection) decree, 1998. Despite this improvement, there are still a number of contentious issues that require urgent attention and among them is the issue of the appropriate tax authority to administer several taxes.

2.2. Concepts of Taxation Policies

Tax policies are used by government to regulate the economy by encouraging or discouraging certain economic decisions. According to the United Nation report (2000) cited in Evans-Obinna (2017), tax revenue contributes substantially to development. Also the 2010 National tax policy was geared towards expansion of Nigeria's treaty network to include major trading partners as well as review the existing double taxation agreement and to conform to the global best practices in order to align with the nation's social economic realities. The policy builds on the set of principles espoused by Adam Smith in his wealth of nations which includes equity, certainty, convenience, and administrative efficiency (Adeosun, 2016).Taxation is a compulsory levy which is required to be paid by every citizen as observed by Ojo (2008). Tax policy is the choice by a government as to what tax to levy in what amounts and whom. Policy makers debate the nature of the tax structure they plan to implement (i.e., tax incidence). The implementation of tax policy has always been a tricky business. Nigeria like other developing countries engaged in a quest for improvement in economic, infrastructural facilities and effective communication network which are basic necessities for growth and general well-being. All these are expected to be supplied by the government whose main source of revenue is various taxes levied on individual and commodities. It is only when there is employment that one can talk of meaningful growth and development. In effect, the major objectives of tax policy in every state is that of generating revenue for its own administrative needs and encouraging investors to invest for the growth and development of the country's economy (Nworji, 2004).

2.3. Companies Income Tax in Nigeria

The law regulating the taxation of companies in Nigeria is the Companies Income Tax Act 1979 (CITA) as amended by the companies income tax Act 2007. The Federal Board of Inland Revenue (FBIR) is responsible for the administration of CITA. This Board was first established under section 3 of the (colonial) income tax administration ordinance of 1958. The old board has been dissolved by section 2(2) of the companies' income tax Act 2007 as amended and re-established by section 1 of the Federal Inland Revenue Service (Establishment) Act 2007.

The basic taxation principle applicable to the trading income of individuals is also applicable to companies that is to say profits and gains are taxed while loses are allowed to be relieved against profits of other years with the four years carry forward time limitation except in the case of a person engaged in agricultural production, in which case the losses can be carried forward indefinitely and allowed for set-off against future profits in the same line of business (See S36(3) PITD 1993). All income accruing to a company chargeable under CITA are taxed on preceding year basis, none is taxed on actual basis except when the commencement or cessation rule is being applied.

2.4. General Features of Company Income Tax and with-Holding Tax in Nigeria

The structure and operation of company's income taxes among countries changes over time according to Aguolu (2011). The companies' income tax system has typical features which could be broadly sketched as follows:

- The tax burden is a stipulated percentage charged on profit as adjusted for tax purposes more often than not a flat rate applies. Different rates of tax could apply to firms in different industries or economic sectors. However, banks are required to pay a special levy of 10 percent on their excess profit in addition to normal tax rate. The construction firms are taxed at 2.5 percent at turn over or at normal rate of tax, whichever is greater for any particular period (CITA 1979: 5: 28 (A))
- Tax burden is generally ascertained on a previous year basis by implication; current payable tax is based on the profit earned in the previous year. Tax is based on the profit of a company accruing or derived from, brought into or received in Nigeria in respect of the company's trade, business and other earned taxable income.
- Companies could generally exercise right of set-off for taxes paid at source for instance, dividend, rates and royalties are usually taxed at source in Nigeria. Companies which receive such income are therefore allowed to set-off taxes paid on them at source against the overall tax computed on their total profit. The measure is designed to protect the companies from double taxation.
- Right of appeal to the year of assessment are usually granted and guaranteed. In addition to this, companies also arrange for installment payments and extension of time for payment.

2.5. Theoretical Framework

2.5.1. Cost of Service Theory

This emphasizes the semi-commercial relationship between the state and the taxpayer to a great extent. According to Jhingan (2007) cited by Omesi & Krukrubo (2015), this theory believes that tax is similar to price and if the taxpayer does not utilize the services of the state, he should not be charged to tax. The essence of tax should be to recover the cost of services which implies a balanced budget policy (Ogbonna & Appah, 2012).

2.5.2. Benefit Theory

This theory stipulates that the state should levy taxes on individuals according to benefit conferred on them. This implies that the more benefit a person derives from the activities of the state, the more he should pay to the government. This

means that each individual's tax obligations are as far as possible based on the benefit that he or she receives from the enjoyment of public services. The application of this theory in Tanzania was criticized for being against the basic principles of tax, since tax is known as compulsory contribution made to the public authorities to meet the expenses of government and the provisions of general benefit. The people in Tanzania argued that if this theory is applied, then the poor will have to pay the heaviest taxes because they benefit more from the service of the state which is against the principle of justice.

2.5.3. Sacrifice Theory

This theory is set out to determine the tax burden that rests upon an individual by virtue of his payment of taxes and how much of his or her income remains for purpose of his or her subsistence. Here payment of tax is a sacrifice that an individual makes towards the support of the government. The sacrifice is measured by giving up of enjoyments, which is giving up a portion of individual's means (income) of satisfying wants (consumption). The sacrifice theory demands that individuals should only pay tax on that portion of income that is spent on luxuries, that is, the sacrifice should only be in respect of individual's means over and above subsistence. This theory was also applied in Tanzania where the objective of tax experts there was to lower voluntary compliance by local tax payers, to reduce the tax burden by local tax administrators there, for causing an overall decline in local revenues that exceeded the direct impact of the tax reforms.

2.6. Empirical Review

The tax reform in Nigeria is spearheaded by the Federal Inland Revenue Service (FIRS), which is geared to achieving greater revenue, voluntary and willing compliance and breaking the long piercing phobia between taxpayers and tax collectors (Igboyi & Nwoha, 2015). In a study carried out by Ihendinihu et al (2014) on the Dynamic causal relationship between tax revenue components and economic growth in Nigeria using time series data on different types of tax and real GDP from 1986 to 2012, the results showed that total tax revenue has significant effect on economic growth explaining about 73.4% of variations in real GDP. The study also revealed that company income tax, education tax and other tax revenue have significant influence on economic growth and no significant relationship exist between petroleum profit tax, value added tax and economic growth.

Alpheaus & Nmesirionye (2016), studied impact of tax policy reforms on revenue generation and economic growth in Nigeria. They adopted Ex-post Facto research design using time series data from the various components of federally collectible taxes for each of the reform periods. The T-test statistics was used for data analysis and the results showed that contribution of direct and indirect taxes to federally collectable tax revenue significantly differ over the tax reform periods. Also, regression analysis was used and the result revealed that 46.7% and 48.1% of the changes in GDP could be explained by variations in federally collectable tax revenue in periods 1 and 4.The researchers conclude that total federally collectable tax revenue have significant effect on economic growth in periods 2 and 3 while in periods 1 and 4, total federally collectable tax revenue do not have significant effect on economic growth.

In the study carried out by Worlu and Emeka (2012), they examined tax revenue and economic development in Nigeria using three stage least square estimation technique and found out that tax revenue stimulate economic growth and has both direct and indirect relationship with infrastructural development and Gross Domestic Product (GDP). They posit that the channels which tax revenues affect economic growth in Nigeria are infrastructural development, foreign direct investment and GDP.

The study by Dickson and Rolle (2014), ascertained the impact of tax reforms on tax revenue in Nigeria. They employed regression analysis to determine the relationship between total federally collected revenue on several tax revenues (petroleum profit tax, companies' income tax, Value Added Tax, Custom and Excise Duties) which were proxy for tax reform from 1981to 2011. The results show that all the time series variables were non-stationery at all levels but became stationery after first differencing using the Augmented Dickey Fuller test. The Johasen'sco-integration test result shows that long run relationship exists between tax system and federally collected revenue in Nigeria. The Partial Stock Adjustment Model shows that the various income taxes were statistically significant and have positive relationship with federally collected revenue. The study concluded that by improving the tax system, reducing tax avoidance and evasion, reducing tax burden of personal and company income tax, tax reform improved the ability of the government to generate more revenue through taxation.

3. Methodology

The design adopted for this study is ex-po-facto research designs. Anexpo-facto is concerned with collecting data from past event in which the researcher is not capable of influencing the data. This study centers on banking industry with particular reference to First Bank of Nigeria Plc and Zenith Bank Plc, also issues on taxation polices and effective financial reporting was discussed. The study used secondary data, extracted from CBN statistical bulletin and Nigeria bureau of statistics from 2010 to 2015.

The data we reanalyzed using frequency distribution table, percentages and Analysis of Variance (ANOVA).The null hypothesis is accepted if it falls within the acceptance region and rejected if it falls within the rejection region. In order words, null hypothesis is rejected if the calculated value is higher than the critical (table) value and vice versa.

3.1. Model Specification

$EPS = \beta_0 + Tax + et$ 1
$DPS = \beta_0 + Tax + et$ 2
$NPM = \beta_0 + Tax + et$ 3
$ROE = \beta_0 + Tax + et$ 4
$ROA = \beta_0 + Tax + et$ 5
Where,
Tax = Corporate taxation policy
β_0 = Constant
EPS = Earnings per Share
DPS = Dividend per Share
NPM = Net Profit Margin
ROE = Return on Equity
ROA = Return on Assets
et = error term

4. Data Presentation, Analysis and Discussion of Results

4.1. Presentation of Data

YEAR	TAX	EPS	DPS	NPM	ROE	ROA
2010	14750	1.06	0.85	34768	2.74	15.21
2011	16820	1.32	0.95	26963	3.23	15.8
2012	12889	3.05	1.6	18636	5.22	18.23
2013	6075	1.95	1.88	76800	7.62	20.54
2014	6477	2.66	1.75	84011	7.84	24.71
2015	14921	2.95	1.89	15148	9.09	26.72

Table 1: Zenith Bank Plc Annual Report and Accounts
Source: Extract from CBN Statistical Bulletin & National Bureau of Statistics

YEAR	TAX	EPS	DPS	NPM	ROE	ROA
2010	7209	0.1	0.98	26936	2.43	11.71
2011	12291	0.6	0.71	12887	3.43	13.57
2012	14878	0.8	2.18	19664	4.76	16.87
2013	6028	1	1.82	2394.9	6.78	17.86
2014	8533	1.1	2.43	56831	6.11	22.19
2015	14724	1.15	1.89	2180	9.09	26.72

Table 2: First Bank Plc Annual Report and Accounts
Source: Extract From CBN Statistical Bulletin & National Bureau of Statistics

The study used secondary data, extracted from CBN statistical bulletin and Nigeria bureau of statistics from 2010 to 2015. Earnings per share (EPS), dividend per share (DPS), net profit margin (NPM), return on equity (ROE) and return on asset (ROA) were adopted as proxies for performance while corporate tax was adopted as proxy for taxation policy. The various ratios and each data set are as shown in the appendices of this study.

4.2. Analysis of Data on Hypothesis One

The data extracted was estimated based on the ordinary least squares based simple regression analysis method to determine the relationship of the variables. Earnings per share were used as the dependent variable while taxation was the independent variable. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model.

The results of the analysis are as shown below; Zenith bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681[a]	.579	.552	.91385	1.689

Table 3
a. Predictors: (Constant), CORPORATE TAX, b. Dependent Variable: EPS

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.285	1	.285	11.342	.003[b]
	Residual	3.340	4	.835		
	Total	3.626	5			

Table 4
a. Dependent Variable: EPS
b. Predictors: (Constant), CORPORATE TAX

First bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.554[a]	.465	.469	.42765	.480

Table 5
a. Predictors: (Constant), Corporate Tax
b. Dependent Variable: EPS

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.051	1	.051	12.276	.027[b]
	Residual	.732	4	.183		
	Total	.782	5			

Table 6
a. Dependent Variable: EPS
b. Predictors: (Constant), CORPORATE TAX

The analysis above shows the relationship between corporate tax and earnings per share (EPS) of Zenith bank and First bank plc for the period of six years.

The result of both banks shows that the variables have positive relationship with each other and therefore conform the Apriori expectation. The R^2 (Zenith bank) of 0.579 shows that 57.9percent variation in earnings per share is as a result of corporate tax. The value of R^2 proves that there is a significant and positive relationship between corporate tax and earnings per share.

The result is similar to that of First bank Plc which has the value of 0.465, the value implies that the total variation of earnings per share is explained by corporate tax. In other words, there is a positive but insignificant relationship between corporate tax and earnings per share. This is because the value of R^2 is less than 0.05.

However, the comparative analysis shows that there is a positive relationship between corporate tax and earnings per share of both Zenith bank and First banks. But Zenith bank has a significant relationship while First bank has insignificant relationship.

4.2.1. Test of hypothesis one

H_{01}: Corporate tax has no significant effect on earnings per share of corporate firms in Nigeria.

Since the probability value of both banks (0.03 and 0.027 respectively) is less than 0.05 we would reject the null hypothesis, H_0 and therefore conclude that corporate tax has a significant effect on earnings per share of corporate firms in Nigeria.

4.3. Analysis of Data on Hypothesis Two

The data extracted was estimated based on the ordinary least squares based simple regression analysis method to determine the relationship of the variables. Dividend per share was used as the dependent variable while taxation was the independent variable. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model.

The results of the analysis are as shown below;

Zenith bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637[a]	.405	.457	.40310	1.107

Table 7
a. Predictors: (Constant), CORPORATE TAX
b. Dependent Variable: DPS

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.443	1	.443	2.726	.014[b]
	Residual	.650	4	.162		
	Total	1.093	5			

Table 8
a. Dependent Variable: DPS
b. Predictors: (Constant), CORPORATE TAX

First bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.618[a]	.514	.533	.75403	1.291

Table 9
a. Predictors: (Constant), CORPORATE TAX
b. Dependent Variable: DPS

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.032	1	.032	9.056	.024[b]
	Residual	2.274	4	.569		
	Total	2.306	5			

Table 10
a. Dependent Variable: DPS
b. Predictors: (Constant), CORPORATE TAX

The analysis above shows the relationship between corporate tax and dividend per share (DPS) of Zenith bank and First bank plc for the period of six years.

The result of both banks shows that the variables have positive relationship with each other and therefore conform the Apriori expectation. The Zenith bank R^2 of 0.405 shows that 40.5 percent variation in dividend per share is as a result of corporate tax. The remaining 59.5 percent is as a result of other variables not captured in the model. The value of R^2 proves that there is a positive but insignificant relationship between corporate tax and dividend per share.

The result is similar to that of First bank Plc which has the value of 0.514, the value implies that the total variation of dividend per share is explained by corporate tax. In other words, there is a positive and significant relationship between corporate tax and earnings per share. This is because the value of R^2 has a positive sign and also has the value above 0.5.

However, the comparative analysis shows that there is a positive relationship between corporate tax and dividend per share of both Zenith bank and First banks. But First bank has a significant relationship while Zenith bank has insignificant relationship.

4.3.1. Test of Hypothesis Two

H_{01}: Corporate tax has no significant effect on dividend per share of corporate firms in Nigeria.

Since the probability value of both banks (0.014 and 0.024 respectively) is less than 0.05 we would reject the null hypothesis, H_0 and therefore conclude that corporate tax has a significant effect on dividend per share of corporate firms in Nigeria.

4.4. Analysis of Data on Hypothesis Three

The data extracted was estimated based on the ordinary least squares based simple regression analysis method to determine the relationship of the variables. Net profit margin was used as the dependent variable while taxation was the independent variable. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model.
The results of the analysis are as shown below;

Zenith bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.888[a]	.788	.735	15469.35733	2.865

Table 11
a. *Predictors: (Constant), TAX*
b. Dependent Variable: NPM

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3561812142.817	1	3561812142.817	14.884	.018[b]
	Residual	957204064.683	4	239301016.171		
	Total	4519016207.500	5			

Table 12
a. Dependent Variable: NPM
b. Predictors: (Constant), Tax

First bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.789[a]	.639	.648	15640.91924	2.692

Table 13
a. Predictors: (Constant), CORPORATE TAX
b. Dependent Variable: NPM

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	306884370.431	1	306884370.431	12.254	.025[b]
	Residual	978553419.069	4	244638354.767		
	Total	1285437789.500	5			

Table 14
a. Dependent Variable: NPM
b. Predictors: (Constant), CORPORATE TAX

The analysis above shows the relationship between corporate tax and Net Profit Margin (NPM) of Zenith bank and First Bank Plc for the period of six years.

The result of both banks shows that the variables have positive relationship with each other and therefore confirm the Apriori expectation. The Zenith bank R^2 of 0.788 shows that 78.8 percent variation in NPM is as a result of corporate tax. The remaining 21.2 percent could be as a result of other variables not captured in the model. The value of R^2 proves that there is a positive and significant relationship between corporate tax and NPM.

The result is similar to that of First bank Plc which has the value of 0.639 or 63.9%, the value implies that 63.9% of the total variation of NPM per share is explained by corporate tax. The remaining 36.1 percent is as a result of other variables not captured in the model. In other words, there is a positive and significant relationship between corporate tax and NPM of First bank Plc.

However, the comparative analysis shows that there is a positive and significant relationship between corporate tax and NPM of both Zenith bank and First banks.

4.4.1. Test of Hypothesis Three

H_{01}: There is no relationship between corporate tax and net profit margin of corporate firms in Nigeria.

Since the probability value of both banks (0.018 and 0.025 respectively) is less than 0.05 we would reject the null hypothesis, H_0 and therefore conclude that there is a relationship between corporate tax and net profit margin of corporate firms in Nigeria.

4.5. Analysis of Data on Hypothesis Four

The data extracted was estimated based on the ordinary least squares based simple regression analysis method to determine the relationship of the variables. Return on equity and was used as the dependent variable while taxation was the independent variable. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model.

The results of the analysis are as shown below;

Zenith bank Plc.

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.559[a]	.313	.141	2.43328	.743

Table 15

a. Predictors: (Constant), CORPORATE TAX

b. Dependent Variable: ROE

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.772	1	10.772	1.819	.249[b]
	Residual	23.683	4	5.921		
	Total	34.456	5			

Table 16

a. Dependent Variable: ROE

b. Predictors: (Constant), CORPORATE TAX

First bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate	Durbin-Watson
1	.245[a]	.160	-.175	2.61632	.641

Table 17

a. Predictors: (Constant), CORPORATE TAX

b. Dependent Variable: ROE

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.749	1	1.749	.255	.640[b]
	Residual	27.380	4	6.845		
	Total	29.129	5			

Table 18

a. Dependent Variable: Roe

b. Predictors: (Constant), Corporate Tax

The analysis above shows the relationship between corporate tax and return on equity (ROE) of Zenith bank Plc and First Bank Plc for the period of six years.

The result of both banks shows that the variables have positive relationship with each other and therefore conform to the Apriori expectation. The Zenith bank R^2 of 0.313 shows that 31.3 percent variation in ROE is as a result of corporate tax. The remaining 68.7 could be as a result of other variables not captured in the model. The value of R^2 proves that there is a positive but insignificant relationship between corporate tax and ROE.

The result is similar to that of First bank Plc which has the value of 0.160, the value implies that 16.0 percent total variation of ROE is explained by corporate tax. The remaining 84 percent is as a result of other variables not captured in the model. In other words, there is a positive but insignificant relationship between corporate tax and ROE of First Bank Plc.

However, the comparative analysis shows that there is a positive but insignificant relationship between corporate tax and ROE of both Zenith bank and First banks. The result implies that corporate tax does not affect ROE significantly. In other words, return can grow regardless of the amount of corporate tax.

4.5.1. Test of Hypothesis Four

H_0: There is no relationship between corporate tax and return on equity of corporate firms in Nigeria.

Since the probability value of both banks (0.249 and 0.640 respectively) is greater than 0.05 we would accept the null hypothesis, H_0 and therefore conclude that there is no significant relationship between corporate tax and return on equity of corporate firms in Nigeria.

4.6. Analysis of Data on Hypothesis Five

The data extracted was estimated based on the ordinary least squares based simple regression analysis method to determine the relationship of the variables. Return on asset and was used as the dependent variable while taxation was the independent variable. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model.

The results of the analysis are as shown below;

Zenith bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.409[a]	.167	-.041	4.74411	.569

Table 19

a. Predictors: (Constant), TAX

b. Dependent Variable: ROA

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	18.066	1	18.066	.803	.421[b]
	Residual	90.026	4	22.507		
	Total	108.092	5			

Table 20

a. Dependent Variable: ROA

b. Predictors: (Constant), TAX

First bank Plc

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.344[a]	.118	-.102	5.82476	.331

Table 21

a. Predictors: (Constant), CORPORATE TAX

b. Dependent Variable: ROA

ANOVA[a]						
Model		**Sum Of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	18.228	1	18.228	.537	.504[b]
	Residual	135.711	4	33.928		
	Total	153.939	5			

Table 22

a. Dependent Variable: ROA

b. Predictors: (Constant), CORPORATE TAX

The analysis above shows the relationship between corporate tax and return on assets (ROA) of Zenith bank Plc and First Bank Plc for the period of six years.

The result of both banks shows that the variables have positive relationship with each other and therefore conform to the Apriori expectation. The Zenith bank R^2 of 0.167 shows that 16.7 percent variation in ROA is as a result of corporate tax. The remaining 63.3 percent could be as a result of other variables not captured in the model. The value of R^2 proves that there is a positive but insignificant relationship between corporate tax and ROA. This is because the value of R-square is very low (less than 0.5).

The result is similar to that of First bank Plc which has the value of 0.118, the value implies that 11.8 percent total variation of ROA is explained by corporate tax. The remaining 88.2 percent is as a result of other variables not captured in the model. In other words, there is a positive but insignificant relationship between corporate tax and ROA of First bank Plc.

However, the comparative analysis shows that there is a positive but insignificant relationship between corporate tax and ROA of both Zenith bank and First bank. The result implies that corporate tax does not necessarily affect ROA of both banks. The growth of ROA is not wholly dependent on corporate tax.

4.6.1. Test of Hypothesis Five

H_0: There is no relationship between corporate tax and return on asset of corporate firms in Nigeria.

Since the probability value of both banks (0.421 and 0.504 respectively) is greater than 0.05 we would accept the null hypothesis, H_0 and therefore conclude that there is no relationship between corporate tax and return on asset of corporate firms in Nigeria.

5. Conclusion and Recommendations

The study revealed that there is significant relationship between corporate taxation policy and financial performance of quoted firms in Nigeria. Our findings indicated that corporate taxation policy has significant effect on the earnings per share, dividend per share and net profit margin of the banks under review. But there is little or no influence of corporate taxation on return on equity and return on assets of the banks studied. Government has set up different policies to regulate the activities and excesses of corporate firms especially on the area of revenue generation but tax evasion and avoidance are on the increase. Government plays a very significant role in ascertaining the best policy to put in place, but the secret to any successful or surplus economy is the ability of government to regulate the various policies outlined and the ability of the enterprise to adhere to those policies.

In consideration of the findings and conclusion the following recommendations were therefore suggested:

- Improvement of the microeconomic environment by putting in place policies that would increase the purchasing power of the populace, since there cannot be a market without effective demand.
- Ensuring that taxes imposed are determined by the Federal Inland Revenue Services.
- Continuous monitoring of the economic effect of specific taxes on the tax payer with a view of constantly updating and improving the existing tax laws in conformity with international acceptable standards.

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