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Research Paper

Foreign and Government Ownership and Tax Aggressiveness of Listed Consumer Goods Firms in Nigeria

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Abstract

As the world's economies become increasingly integrated, the ability of a company to generate acceptable returns in a competitive environment will determine its ability to endure in the future. In light of this, the study investigated the impact of foreign ownership and government ownership on the tax aggressiveness of listed consumer goods firms in Nigeria for the twelve (12) year period 2010-2021. The study utilised an ex-post facto research design and secondary data obtained from the Nigerian Exchange Group for analysis. Using panel regression analysis, the research data were analysed. Government ownership was found to have a positive and significant influence on the tax aggressiveness of consumer goods firms in Nigeria, whereas foreign ownership had a negative and significant effect. The study concludes that foreign ownership and government ownership have a substantial impact on the tax aggressiveness of consumer goods firms in Nigeria. As a consequence of the favourable impact it has on the tax aggressiveness of the firm, the study suggests that the management of consumer goods companies should permit greater government ownership participation.

Keywords: Foreign Ownership, Government Ownership, Effective Tax Rate, Firm Size, Consumer Good Firm.

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I. INTRODUCTION

The separation of ownership from management gives rise to the concern of supervising managerial actions in order to guarantee investor trust, as posited by Onatuyeh and Ukolobi (2020). The proliferation of economic globalisation has resulted in a heightened level of professionalism among corporations, which has in turn led to a distinct separation between ownership and management. The separation of ownership and management in firms may play a crucial role in attaining favourable objectives. However, it can also lead to agency problems due to conflicting interests between managers and owners (Andow, 2019). The corporate governance function is responsible for ensuring that the ownership structures and corporate governance frameworks of companies enable managers to act ethically and make decisions that promote the interests of shareholders, thereby enhancing the efficiency of the firm. In contemporary times, there has been a significant focus on the matter of corporate governance, which has led to a resurgence of interest in the correlation between corporate tax planning and corporate governance within the Nigerian context. The resurgence of attention can be attributed to the government's apprehension regarding companies' endeavours to reduce tax liabilities, frequently by means of tax avoidance or tax evasion practises that verge on illegality or contravene tax regulations in Nigeria. According to Joseph's (2018) perspective, the implementation of a proficient governance framework can potentially discourage tax avoidance or evasion practises, thereby limiting corporate entities from pursuing aggressive tax minimization strategies. The effectiveness of tax minimization policies or tax aggressiveness is largely dependent on the institutional arrangements within a given economy. Consequently, the need for additional information on corporate governance and tax aggressiveness has become increasingly intricate. According to Muray's (2010) perspective, tax aggressiveness refers to a deliberate strategy employed by a company to decrease its exact tax obligations. According to Martinez (2015), tax aggressiveness has given rise to various terms in the accounting literature, including tax management, tax planning, tax sheltering, and tax avoidance, which are often used interchangeably with tax aggressiveness.

According to Joel et al. (2020), accountants and financial economists have noted that the root cause of corporate failures lies in the systematic deficiencies present in accounting standards and governance systems that produce financial information. Many countries worldwide have implemented new codes of best governance practises to prevent future company failures. These codes aim to align the interests of managers with the objective of maximising shareholder wealth. Additionally, they ensure that corporate reports communicate economic measurements and information about the resources and performance of the reporting entity to those who have reasonable rights to such information. The inadequate implementation of corporate governance principles has been identified as a contributing factor to the corporate failures observed in the financial sector of Nigerian firms (Adeyemi & Fagbemi, 2010). This phenomenon has resulted in a decline in public confidence, particularly among individuals in the accounting profession. Corporate governance practises have been a subject of persistent concern across a wide range of areas.

The issue of corporate tax aggressiveness poses a significant concern to both the government and firms, as it results in revenue loss and heightened reputational risk. Additionally, this matter has implications for corporate governance, as noted by Joel et al. (2020). The agency problem arises when shareholders become doubtful of the services provided by management due to an environment characterised by imperfect information. This variance in interest between management and shareholders can result in suboptimal management decisions. According to Andow (2019), it is anticipated that these issues will be considerably more substantial in a developing market where numerous market imperfections remain prevalent. This study investigates the relationship between foreign ownership, government ownership, and tax aggressiveness among publicly traded consumer goods companies in Nigeria.

Ho_1: Foreign ownership has no significant effect on effective tax rate of listed consumer goods firms in Nigeria

Ho_2: Government ownership has no significant effect on effective tax rate of listed consumer goods firms in Nigeria?

II. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Ownership Structure

Jensen and Meckling (1976) define ownership structure as the allocation of equity in terms of voting rights, capital, and the identity of equity owners. The aforementioned was cited in their research on the correlation between the nature of agency costs and equity, with the objective of integrating ideas into the initial stages of a theory on corporate ownership structure. In recent years, there has been a resurgence of interest in ownership structures as a result of the heightened dynamics of corporate ownership portfolios. The ownership structure of a corporation is considered a mechanism within the realm of corporate governance that can enhance a firm's efficiency, and has been observed to have a positive impact on the performance of said firm.

According to Jensen and Meckling's (1976) argument, joint-stock companies are comparatively less efficient than private co-partner companies due to the fact that the directors may not exercise the same level of carefulness in managing other people's money as they would with their own. The principal-agent theory addresses the potential discord that may arise between shareholders and management. The root of the conflict can be attributed to the disparate objectives of shareholders and managers, particularly with regard to the division between control rights and cash flow rights. Scholars have offered diverse definitions of ownership structure.

Oyejide and Soyibo (2001) have conceptualised ownership structure as the arrangement of equity owners, with a focus on the Government (state-owned) and private ownership. They have categorised ownership structure into two types: state-owned and private ownership. According to Mitra (2002), ownership structure refers to the makeup of individuals or entities that possess equity shares. In their investigation of the correlation between ownership structure and audit fees in the US market during the year 2000, the authors categorise ownership structure into institutional ownership, managerial structure, and block ownership. According to Joel et al (2020), the concept of ownership structure pertains to the degree of share concentration among managers, foreign entities, and government officials.

2.1.2 Foreign Ownership

According to Herbert (1995), the concept of foreign ownership encompasses various types of foreign private investment that grant control and ownership of a set of resources in a foreign nation. Liang and Weir (1999) and Estrin, Konings, and Agelucci (2001) suggest that foreign firms are believed to have superior ownership and internalisation advantages, such as greater business experience, technology, capital, managerial skills, and entrepreneurial skills, compared to their domestic counterparts. According to Andow's (2019) definition, foreign ownership pertains to the proportion of equity shares held by all shareholders. Conversely, Chai (2010) defines foreign ownership as the percentage of total shares held by foreign owners. According to Tsegba and Achua's (2011) definition, foreign ownership refers to the involvement of individuals who are not citizens of a particular country in the ownership framework of a company.

The term foreign control refers to a situation in which one or more foreign individuals or entities possess the power or capacity to establish or oversee the overall strategies or routine activities of a company. According to Usman and Yero (2012), if foreign individuals possess 25 percent or more of the outstanding voting securities, it is assumed that foreign control is present, unless a U.S. individual has control over an equivalent or greater percentage. Foreign investors are capable of serving as efficient monitors of managers in emerging markets due to their propensity to demand elevated levels of corporate governance. It is anticipated that an increase in firm performance will occur with an increase in foreign ownership if foreign investors take on the role of active monitors.

2.1.3 Government Ownership

The matter of significance concerning ownership structure pertains to government ownership, as stated by Samuel et al in 2018. According to Ohiani et al (2018) and Godwin et al (2020), the extent of government ownership in a firm can be determined by the proportion of shares held by the government. The authors suggest that the adoption of appropriate governance mechanisms by owners and managers can ensure the alignment of their interests. According to the agency theory, the problem of asymmetry of information regarding the firm's value that is provided to investors can be resolved through government ownership. The ownership of shares by the state can serve to align the interests of managers and owners, as posited by Jensen and Meckling in 1976.

In general, it can be observed that the government possesses the capacity to acquire information from diverse sources and enjoys convenient access to a range of financing organisations and non-state enterprises (Joseph, 2018). From an alternative standpoint, outsourcing is viewed through the lens of resource dependence theory, which posits that it facilitates access to established sources of diverse experience and qualifications, thereby mitigating the cost of capital. It functions as an effective control mechanism for multiple facets, facilitating the establishment of a conducive and efficient work environment.

According to Joseph (2018), this subsequently enhances the operational efficiency of the organisation. The political perspective suggests that the inefficiency of state shareholdings can be attributed significantly to government intervention. The divergent interests of majority stakeholders, minority shareholders, and the state they represent are likely to be observed in the actions of the de facto controllers. Upon gaining control of the companies, the owners are likely to prioritise their personal interests, potentially to the detriment of both minority shareholders and the state. Therefore, the present research anticipates that the government serves as a crucial outsourcing mechanism that is effective and efficient in enhancing the operations of companies.

2.1.4 Tax Aggressiveness

Tax aggressiveness pertains to the endeavour of corporate entities to curtail tax payments through the implementation of aggressive tax planning strategies and tax avoidance techniques (Chen et al., 2010). According to Frank et al (2009), tax aggressiveness refers to the strategic actions taken by corporate entities to reduce their tax liabilities through tax planning, which can be viewed as a form of tax management. The notion in question may be subject to various conceptualizations, references, and measurement approaches. Nonetheless, despite these differences, the concept generally carries the same definition and objective, albeit with varying implications for corporate well-being.

Bruce et al. (2007) define tax aggressiveness as the utilisation of tax management activities by corporate entities for tax planning purposes, which may ultimately lead to tax evasion. It is believed that engaging in tax aggressiveness leads to a decrease in tax returns. The concept of aggressive tax planning encompasses various strategies aimed at reducing taxable income, which may fall within the bounds of legality or illegality. The present investigation examines tax aggressiveness as a tactic utilised by corporate management, encompassing a series of procedures, methodologies, assets, and decisions aimed at optimising revenue after all expenditures and obligations to the government and other interested parties have been accounted for. The adoption of such strategies is aimed at diminishing the tax base, thereby facilitating the emergence of non-tax expenses with significant potential, which stem from agency conflicts or tax-authority, including but not limited to penalties and rent extraction (Desai & Dharmapala, 2006).

According to Chen et.al (2010) findings, the primary objective of tax aggressiveness is to enhance the net income of firms, thereby generating a favourable impression on foreign investors. It is noteworthy that tax aggressiveness shares a similar connotation with tax planning, tax avoidance, and tax shelters, as they all adhere to the legal and ethical guidelines set forth by tax authorities. Nevertheless, engaging in an excessive degree of tax aggressiveness can be considered a form of tax avoidance, which is the opposite of tax compliance. Tax aggressiveness is defined as the overuse of tax avoidance measures (Khurana & Moser, 2013).

2.1.5 Effective Tax Rate

The Generally Accepted Accounting Principles Effective Tax Rate (ETR) is the term used to describe the rate at which taxes are levied on income. According to Chen et al. (2010), a typical approach to determining the average tax rate per unit of income involves dividing the aggregate income tax expense by the aggregate pretax accounting income. Lee (2015) suggests that in order to assess the level of tax aggressiveness, the Generally Accepted Accounting Principles (GAAP) effective tax rate (ETR) is juxtaposed with either the corporate statutory rate or the rate of a control group. According to Lee (2015), the effective tax rate (ETR) under Generally Accepted Accounting Principles (GAAP) exposes discrepancies between book and taxable incomes, along with statutory adjustments, by incorporating both current and deferred tax expenses into the total income tax expenses. According to this statement, the tax strategy employed by a company to delay tax payments does not alter the effective tax rate (ETR) as per the Generally Accepted Accounting Principles (GAAP). The utilisation of Generally Accepted Accounting Principles (GAAP) in determining the effective tax rate (ETR) indicates that the total income tax amount does not necessarily equate to a tax liability.

2.1.6 Leverage

According to Joel et al. (2020), leverage can be indicative of intricate financial structures that aim to reduce tax liabilities. Companies that utilise debt financing to fund their operations and investments experience interest costs that are tax-deductible, in contrast to dividend disbursements. According to Joseph (2018), leveraged companies enjoy a tax advantage, which becomes more significant as their financial leverage increases. Therefore, companies that possess elevated levels of debt may encounter reduced incentives to utilise alternative non-debt tax shields, as per Andow's (2019) findings

According to Joseph (2018), it is possible to measure the complexity of a firm's financial transactions using leverage. This leads to the inference that firms with high leverage may possess a greater capacity to decrease their tax liabilities by utilising financing transactions. To summarise, companies that utilise leverage may exhibit either a heightened propensity to evade taxes in order to maintain sufficient funds to fulfil their debt obligations, or a diminished inclination to partake in tax avoidance due to the advantageous tax shield provided by debt (Joel et al, 2020).

According to the research conducted by Taylor and Richardson (2014), there exists a negative correlation between the practise of tax avoidance in commercial enterprises and their corresponding debt levels. According to Boussaidi and Hamed's (2015) assertion, debt can serve as a stimulant for companies as it has the potential to decrease their tax burden through the deduction of interest. This is due to the impact of interest payments, which may be utilised as a tax-deductible expense in the computation of a corporation's taxable income.

2.2 Empirical Review

Suleiman and Nasamu (2021) investigated the impact of ownership structure on the financial performance of oil and gas companies that are publicly listed in Nigeria, during the time frame spanning from 2006 to 2019. The financial reports and accounts of the sample companies were utilised to extract secondary data. The data extracted was analysed using Robust OLS, which is considered the optimal estimator for the regression model. The study's results indicate that the financial performance of oil and gas companies in Nigeria is positively and significantly affected by foreign ownership. The study's results suggest that it would be advisable to permit foreign entities to hold a significant proportion of the ownership structure of publicly traded oil and gas companies in the downstream sector of Nigeria's petroleum industry. Additionally, the study recommends that company management should develop policies that facilitate an increase in the allocation of shares to foreign investors, as foreign ownership has been shown to enhance financial performance.

Ogbodo and Omonigho (2021) investigates the impact of corporate governance on the tax avoidance practises of publicly traded consumer goods manufacturing companies in Nigeria. The study aimed to investigate the impact of board size and CEO duality on the effective tax rate. The research design utilised in the study was Ex Post Facto. The study population consists of all consumer goods manufacturing firms listed on the Nigerian Stock Exchange (NSE). The sample was intentionally selected from the population of consumer goods manufacturing firms listed on the Nigerian Stock Exchange (NSE). The data utilised in this study were sourced from the annual reports and accounts of the publicly traded corporations. The research employed a combination of descriptive and inferential statistical methods to analyse the collected data. The hypotheses were subjected to testing through the utilisation of the Regression analysis technique, with the assistance of E-view 9.0. Based on the analysis conducted, the study determined that a correlation exists between board size, CEO duality, and the effective tax rate of consumer goods manufacturing firms that are publicly traded. However, it was observed that this correlation does not possess statistical significance. The study recommends, among other things, that board sizes be moderated. It is advisable for the firm to maintain an optimal board size level, as an excessively large board may not necessarily enhance decision-making efficiency. The company should strive to identify and adhere to the sufficient number of board members required to effectively steer the organisation towards its vision.

Emmanuel and Omena (2021) investigates the impact of corporate governance on corporate tax aggressiveness within the banking and insurance sectors of Nigeria. The study employed an ex post facto research design and utilised secondary data obtained from the annual reports of thirteen (13) deposit money banks and thirteen (13) insurance companies spanning the period between 2013 and 2018. The study utilised the Generally Accepted Accounting Principle Effective Tax Rate (GAAP-ETR) to assess corporate tax aggressiveness. The analysis of the relationship between the study's variables was conducted through the application of the ordinary least squares (OLS) based panel regression technique. The findings indicate that there exists a positive and statistically significant correlation between board independence, board size, and corporate tax aggressiveness across both sub-sectors. The statistical insignificance of board gender diversity on tax aggressiveness is observed in both subsectors. Furthermore, the impact of the type of audit firm on the level of corporate tax aggressiveness is affirmative in both models. However, it was only statistically noteworthy in model one, which pertains to DMBs. As per the new code of corporate governance, the study suggests that the insurance subsector should prioritise the structuring of their boards to be predominantly composed of independent directors. The findings of our study pertaining to board size indicate that the current Nigeria Code of Corporate Governance (2018) is reasonable and consistent with contemporary developments. Regarding gender diversity, it is recommended that regulatory bodies provide explicit guidelines outlining the optimal gender composition and requisite expertise for board membership. In addition, it is observed that prominent audit firms exhibit a greater inclination towards cautiousness in conducting audits and recommending clients to adhere strictly to prevailing tax regulations, as opposed to indulging in tax evasion practises.

James and colleagues (2021) investigates the impact of ownership structure on the valuation of consumer goods manufacturing companies listed on the Nigerian Stock Exchange. The research encompasses the temporal span from 2011 to 2020. The study employed ex-post facto research methodology. The study involved twenty-eight publicly traded consumer products manufacturing companies listed on the Nigerian Stock Exchange. A purposeful sampling strategy was employed to select a sample population of fourteen manufacturers of consumer products. The present study has examined the correlation between managerial ownership, institutional ownership, foreign ownership, and firm value of a chosen group of consumer goods manufacturing firms listed on the Nigeria Stock Exchange. The results indicate a noteworthy association between these variables. The research proposed, among other suggestions, that the government should formulate and execute policies aimed at stimulating foreign direct investment in local enterprises. This measure has the potential to enhance the market value of our organisations.

Godwin and colleagues (2020) investigates the impact of ownership structure on the value of publicly traded manufacturing firms in Nigeria that specialise in consumer goods. The time frame for the study spans from 2010 to 2018. As of December 31st, 2018, there were a total of twenty-one (21) consumer goods firms that were quoted in the Nigeria stock exchange. The study employed a judgmental sampling method to select a total of nineteen (19) consumer goods companies for the sample. This study aimed to investigate the impact of ownership structure, as indicated by managerial ownership, institutional ownership, foreign ownership, and ownership concentration, on the quoted consumer goods firms' values in Nigeria. The study gathered data from secondary sources, specifically the annual reports and accounts of selected consumer goods companies in Nigeria. The research employed a panel regression methodology as a means of analysis. The findings indicate that there exists an adverse impact of managerial ownership on the value of the firm. The firm value of consumer goods firms in Nigeria is positively influenced by institutional ownership, foreign ownership, and ownership concentration. Consequently, the research suggests that a reduction in the quantity of shares held by management would enhance the firm value of consumer goods companies listed in Nigeria.

Zachariah and colleagues (2020) investigated the impact of board attributes on the tax planning practises of non-financial companies listed in Nigeria. The objective of this study is to employ a quantitative research approach to identify the board attributes that contribute to tax planning and subsequently decrease the tax liability of non-financial firms listed in Nigeria. The study's data was obtained from the annual reports and accounts of the selected companies over a decade-long period spanning from 2008 to 2017. The collected data underwent analysis and were subjected to regression analysis. The findings of the study indicate that tax planning is significantly negatively impacted by board independence in listed non-financial companies in Nigeria. On the other hand, foreign directorship has a non-significant negative effect, while gender diversity, board size, and board meetings have non-significant positive effect on tax planning. Furthermore, the impact of profitability on tax planning is noteworthy, as evidenced by the significant positive effect observed. Conversely, the effect of leverage on tax planning is significant but negative. The research is constrained to non-financial corporations operating in Nigeria, thus rendering the outcomes pertinent to the stakeholders of said corporations. Furthermore, the results have the potential to be extrapolated to developing nations that share comparable economic, political, and corporate governance frameworks with Nigeria. The research proposed that in Nigeria, corporate governance and tax planning could be improved by promoting a more proactive approach to tax planning among management of listed companies.

Tanko (2020) investigated the impact of ownership structure on the practise of corporate tax avoidance among consumer goods companies that are publicly listed in Nigeria. The study utilised managerial ownership, institutional ownership, and foreign ownership as proxies for ownership structure, while GAAP effective tax rate was used to measure tax avoidance and return on assets was used to measure profitability. The researcher obtained secondary data by extracting information from the annual report and accounts of the selected firms. The statistical analysis employed in this study involved the utilisation of Generalised Least Square. The research findings indicate that there exists a non-significant and adverse correlation between institutional ownership and the practise of corporate tax avoidance. The moderating effect of return on assets (ROA) on foreign ownership is found to encourage tax avoidance. The research suggests that tax authorities ought to conduct rigorous tax audits and scrutinise the operations of companies to ensure that their tax avoidance practises are in compliance with tax regulations. Determining whether firms are fulfilling their tax obligations is crucial, and conducting an assessment of their compliance is necessary to ascertain whether they are remitting the appropriate taxes. The study suggests that it would be beneficial for the government to review the current provisions for tax allowances and relief granted to corporate entities. Many companies have reported losses in certain years to benefit from loss relief, while others have acquired non-current assets to avail themselves of capital allowances.

Khadijat and Rodiat (2018) investigated the impact of ownership structure on the firm value of deposit money banks in Nigeria. The study also assessed the correlation between ownership structure variables, namely concentrated, managerial, and foreign, and firm value metrics, specifically Return on Equity and Return on Asset.Limited scholarly attention has been devoted to examining the relationship between ownership structure and corporate governance in Nigeria. As the ownership structure of a company undergoes changes and control becomes separated from ownership, issues related to incentive alignment become apparent, necessitating further research. The research employed a sample of 15 banks that were listed on the Nigerian Stock Exchange. The research utilised secondary data sourced from the Audited Report of Nigerian deposit money banks spanning a period of nine years (2008-2016). The acquired data underwent the System Generalised Moment Method. The results indicate that solely institutional ownership exerts a favourable and noteworthy impact on financial performance, whereas the remaining factors exhibit an inconsequential influence. The present empirical investigation yielded valuable insights into the relationship between ownership structure and financial performance of deposit money banks in Nigeria. The study suggests that institutional shareholders should persist in utilising their resources and expertise to exert control over instances of management abuse of power, as such instances have the potential to impact the company's performance.

Muhammad and colleagues (2021) investigates the impact of board structure on tax aggressiveness among a sample of 15 publicly traded industrial goods companies in Nigeria over the period of 2007-2018. The data utilised in this study were sourced from the annual reports and financial statements of the companies. The model was estimated using the ordinary least squares regression technique and descriptive statistics were employed. The Hausman specification test was employed to discern between fixed and random effects, and the results indicated a preference for random effects over fixed effects. The findings indicate an inverse correlation between tax rate and firm size (FSZ) as well as leverage (LEV). Conversely, a positive correlation is observed between tax rate and board size (BSZ), independent directors (IND), and return on equity (ROE). The study revealed that an independent director (IND) demonstrated statistical significance at a 1% level, whereas board size (BSZ) did not exhibit any significant negative impact. The research findings indicate that the size of the board of directors (BSZ) is a significant factor in mitigating tax aggressiveness among publicly traded industrial goods firms in Nigeria. Consequently, the study suggests that regulatory authorities should enforce stringent adherence to the codes of best practises by Nigerian corporations.

Gbenga and Festus (2020) investigates the correlation between corporate social responsibility (CSR) and tax aggressiveness among manufacturing firms that are publicly listed in Nigeria. The study employed an ex-post research design and the sample size consisted of 40 manufacturing entities. Utilising quantile estimation, the distributional dynamics pertaining to Tax aggressiveness indicate that a negative association exists between CSR and firms exhibiting high levels of tax aggressiveness in the uppermost quantile regions. The study's findings indicate that when tax aggressiveness is high, Corporate Social Responsibility (CSR) has a detrimental impact. Consequently, at these junctures, augmenting CSR endeavours tends to diminish the degree of tax aggressiveness. The study establishes statistical significance at 5% for points at Q[0.2] and 10% for points at Q [0.1] and Q[0.3]. The research indicates that there is a notable affirmative correlation between Corporate Social Responsibility (CSR) and companies that do not engage in tax avoidance. This discovery provides support for the perspective that regards the entity as artificial. The study proposes that tax authorities should enhance their enforcement measures and refine their approaches to identify instances of non-compliant tax planning by corporations. Further sensitization is required, particularly given that Corporate Social Responsibility (CSR) is a voluntary undertaking. As such, companies should not perceive it as a trade-off against tax payments.

Agbonrha and Samson (2019) investigates the impact of ownership structure on the environmental disclosure practises of oil and gas corporations in Nigeria. The study assesses the impact of various forms of ownership, including foreign ownership, managerial ownership, institutional ownership, and government ownership, on environmental disclosure. This research employs a sample of ten oil and gas corporations, whose annual reports span from 2009 to 2013. The Ordinary Least Squares (OLS) regression method was utilised as the primary data analysis technique. According to the study's findings, it has been determined that the impact of foreign ownership on environmental disclosure is not statistically significant at a 5% level of significance. At a significance level of 5%, there is no significant impact of managerial ownership on Environmental disclosures.The statistical significance of institutional ownership is observed at a 5% level, whereas the statistical significance of government ownership is not observed at a 5% level. The research findings suggest that the inclusion of environmental reporting as a crucial agenda item for ownership concerns, particularly in developing nations, is imperative. The research suggests that there are policy implications for standard setters and international organisations that collaborate with developing economies to attract foreign direct investments. Additionally, the findings have implications for individual and institutional investors, both domestically and internationally.

2.3 Theoretical Framework

2.3.1 Agency Theory

According to Jensen and Meckling's (1976) definition, agency theory pertains to the contractual relationship between a principal and an agent, wherein the former delegates decision-making authority to the latter to perform a service on their behalf. The phenomenon of agency problem arises when the goals of the principal and agent are at odds, and it poses a challenge for the principal to accurately discern the actions of the agent, which can be both arduous and expensive. The separation of ownership often results in managers prioritising their personal gains and interests over those of the shareholders, thereby giving rise to the agency problem. This phenomenon also incurs costs that are ultimately borne by the owners, known as agency costs. According to Jensen and Meckling (1976), the aforementioned inconsistencies stem from the shareholders' incapacity to oversee the conduct and efficacy of the management.

2.3.2 Information Asymmetry Theory

The implications of information asymmetries are significant for decision-makers. The theory of information asymmetry, which centres on the unequal distribution of knowledge between parties in a transaction, was first proposed by Akerlof in 1970. In his seminal paper entitled The Market for 'Lemons': Quality Uncertainty and the Market Mechanism, Akerlof illustrates the concept of asymmetric information through the example of the automobile market. The fundamental assertion is that in numerous markets, the purchaser employs specific statistical measures to assess the worth of commodities. The purchaser is presented with the mean value of the entire market, whereas the vendor possesses a more comprehensive understanding and awareness. Akerlof posits that the presence of information asymmetry provides sellers with a motivation to vend goods that are subpar in comparison to the average market quality, thereby engendering the information asymmetry predicament. The concept of Information Asymmetry Theory pertains to the unequal distribution of information between two parties involved in a transaction. This theory posits that the party possessing greater information may act in an opportunistic manner by selectively disclosing or withholding information from the other party (Kirmani & Rao, 2000).

As per Bello (2011) assertion, management is motivated to manipulate the company's reported earnings to attain specific earnings targets and receive bonuses linked to the company's earnings, which is commonly referred to as performance-related pay. There are several other factors that contribute to management's inclination towards achieving a particular earnings level. The presence of discretion in accruals management by managers results in an information asymmetry that undermines the credibility and reliability of financial statements, including reported earnings. The issue of information asymmetry among investors has been a persistent concern for regulatory bodies overseeing securities, as noted by Seligman (2001). The Securities and Exchange Commission (SEC) has implemented specific regulations and guidelines to prohibit companies from concealing significant information and from selectively disclosing information to particular investors and analysts.

2.3.3 Stakeholders Theory

Freeman (1984) proposed the Stakeholder Theory, which posits that organisations bear responsibility not only to their shareholders but also to other stakeholders. This perspective diverges from the conventional notion that shareholders are the sole stakeholders of a firm. Stakeholders refer to a collection of individuals or groups who may experience either positive or negative impacts resulting from the actions of a given organisation. The various stakeholders involved possess divergent interests that necessitate consideration when disseminating the audit reports. The significance of this matter lies in the fact that the diverse interests of individuals can have an impact on the firm's capacity to attain its goals, as posited by Freeman (1984). According to Freeman's (1984) definition, the stakeholder theory encompasses any individual or group that has the potential to affect or be affected by the attainment of an organization's goals. According to Carroll's (1993) assertion, the term stakeholder encompasses a vast array of participants, including individuals who possess a direct or indirect interest in the business. The direct stakeholders of a firm include shareholders, employees, investors, customers, and suppliers, whose interests are congruent with those of the firm.

Conversely, indirect stakeholders are those who are not directly impacted by the operations of the firm, such as the government (Kiel & Nicholson, 2003). The Stakeholder theory posits that organisations can be understood as complex agreements between the enterprise and its various stakeholders. This definition offers an alternative perspective on the nature of organisational relationships and highlights the importance of considering the interests and perspectives of multiple parties in organisational decision-making. The stakeholders of a firm can be categorised into two distinct groups: the internal group, which comprises of employees, managers, and owners, and the external group, which encompasses customers, suppliers, and the community. The interaction between the firm and these stakeholder groups is regulated by various types of regulations (Clarke, 2004). The present research investigates the correlation between ownership structure and tax aggressiveness in consumer goods companies in Nigeria, with a focus on stakeholder theory as the most pertinent theoretical framework.

III. METHODOLOGY

The present investigation employed an ex post facto research design and utilised secondary data as the primary source of information. The study's population comprises of 21 consumer goods firms that are listed and operating on the Nigeria Exchange Group (NGX) as of December 31, 2021. The study employed purposive sampling techniques with a sample size of 16. The present study sourced its data from the audited financial statements and annual reports of consumer goods firms listed in Nigeria over a period of 12 years (2010-2021). The utilisation of Panel Regression Analysis is necessary for inferential analyses due to the characteristics of the data. The present investigation involves the adaptation of Zachariah et al (2020) model.

The Panel regression model

$ETR = \beta_0 + \beta_1 FO + GO\beta_2 + \beta_3 LEV + \epsilon_{it}$ **...… (3.1)**

Where:

β_0 = The autonomous parameter estimate (Intercept or constant term)

β_1 - β_3 = Parameter coefficient of ownership structure

ETR = Effective Tax Rate

MO = Foreign Ownership

FOW = Government Ownership

LEV = Leverage

ϵ_{it} = Stochastic Error term

Study Variables and their Measurement

Variable Acronym	Variable Name	Variable types	Measurement	Source
ETR	Effective Tax Rate	Dependent	Tax expense divided by pre-tax income	Onyali & Okafor (2018)
FO	Foreign Ownership	Independent	The proportion of shares owned by the foreign investors to total number of shares issued.	Godwin, Shehu & Niyi (2020)
GO	Government Ownership	Independent	Measured as a dummy variable of 1 if the firm is own by government and 0 if otherwise	Agbonrha & Samson (2019)
LEV	Leverage	Control	Debt-equity ratio	Saidu & Gidado (2018)

Source: Author's Compilation, 2023

IV. DESCRIPTIVE STATISTICS

Descriptive statistics gives a presentation of the mean, maximum and minimum values of variables applied together with their standard deviations obtainable. The table below shows the descriptive statistics for the variables applied in the study.

Table 4.1: Descriptive Statistics Result

	ETR	FO	GO	LEV
Mean	1.298281	0.015000	0.348958	2.321927
Median	0.790000	0.010000	0.000000	2.420000
Maximum	5.540000	0.060000	1.000000	3.390000
Minimum	0.050000	0.010000	0.000000	1.010000
Std. Dev.	1.110643	0.006788	0.477887	0.527604
Skewness	1.280712	3.021337	0.633776	-0.526692
Kurtosis	4.172368	20.62810	1.401672	2.575053
Jarque-Bera	63.48271	2778.110	33.29072	10.32158
Probability	0.000000	0.000000	0.000000	0.005737
Sum	249.2700	2.880000	67.00000	445.8100

Sum Sq. Dev.	235.6039	0.008800	43.61979	53.16799
Observations	192	192	192	192

Source: E-View 10 Output, 2023

The descriptive statistics of foreign ownership, government ownership, and tax aggressiveness of consumer goods firms listed in Nigeria from 2010 to 2021 are presented in Table 4.1. The presented table displays the statistical values of effective tax rate (ETR) as a metric for measuring tax aggressiveness. The mean of ETR is 1.2982, while its standard deviation is 1.11064. The minimum and maximum values of ETR are 0.05000 and 5.5400, respectively. The narrow range between the minimum and maximum suggests a stable level of tax aggressiveness, as evidenced by the low standard deviation indicating minimal dispersion of data from the mean value. The mean values for the measures of foreign ownership and government ownership are 0.01500 and 0.3489, respectively. The standard deviations for these measures are 0.00678 and 0.4778. The minimum and maximum values for foreign ownership are 0.01000 and 0.06000, while those for government ownership are 0.00000 and 1.00000. The study period revealed a slight increase in foreign and government ownership, as evidenced by the relatively small standard deviation in comparison to the mean, as well as the narrow range between the minimum and maximum values. The study's variables, namely ETR, FO, and GO, were found to exhibit positive skewness, indicating a rightward tail in their distribution and a lack of symmetry. Specifically, all variables had skewness values greater than zero, while none exhibited negative skewness. This skewness measure is commonly used to assess the shape of a distribution.

Table 4.2: Correlation Matrix

The correlation matrix table presents correlation relationship between dependent and independent variables and the correlation among the independent variables themselves.

Covariance Analysis: Ordinary
Date: 01/04/23 Time: 19:21
Sample: 2010 2021
Included observations: 192

Correlation Probability	ETR	FO	GO	LEV
ETR	1.000000			

FO	0.004966	1.000000		
	0.9455	-----		
GO	-0.052131	-0.024211	1.000000	
	0.4727	0.7389	-----	
LEV	0.104562	-0.029020	-0.000189	1.000000
	0.1489	0.6895	0.9979	-----

Source: E-View 10 Output, 2023

Table 4.2 displays the results of a correlation analysis, which may be used to measure the strength of a relationship between two continuous variables (such as an independent and a dependent one, or two independent ones). The Pearson Product Moment correlation coefficient is the one most commonly used for this estimation in correlation analysis. The direction of the relationship may be inferred from the sign of the correlation coefficient. The significance of a correlation coefficient measures how strongly two variables are connected. This part continues the study begun in the previous one by using the E-views 10 Statistical software to find the linear correlation coefficient between the board characteristics variables in pairs. As seen above, there is a positive relationship between the independent variable of book tax difference and the foreign ownership and government ownership control variables (0.9455, 0.4727, and 0.1489).

Fixed Effect Likelihood Ratio Test

The Fixed Effect Likelihood Ratio test is used to decide between the pooled effect model and the fixed effects model in panel data analysis. The panel structure of the data necessitated the use of both pooled and fixed effect regressions. When deciding between the pooled effect and the fixed effect regression models, a fixed effect likelihood ratio specification test was used. The correlation between the error terms and the regressors was examined by means of this test. Thus, the fixed effect likelihood ratio specification determination rule is as follows: at 5% significance level.

Table 4.3: Fixed Effect Likelihood Ratio Table

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.407278	(15,173)	0.0000
Cross-section Chi-square	62.136700	15	0.0000

Source: E-View 10 Output (2023)

The fixed effect likelihood ratio test yielded a chi-square statistic value of 62.136700, with a corresponding probability value of 0.0000. This suggests that there exists sufficient evidence to reject the null hypothesis, which posits that the pooled effect is the most suitable approach for conducting Panel Regression analysis. Therefore, it can be concluded that the error component model (pooled effect) estimator is unsuitable due to the potential correlation between the pooled effects and one or more of the regressors. The optimal approach for the analysis of the study, when presented with the alternatives of a pooled effect analysis and a fixed effect analysis, is the fixed effect model of regression analysis due to its reliability and efficacy. The findings indicate that, among the two options presented, the fixed effect regression model is the most suitable for the sampled data. This conclusion is based on the probability value of the corresponding likelihood ratio test statistics, which is below 5%.

Hausman Test

The Hausman test is a statistical tool utilised in panel data analysis to assess model specification. Its primary function is to differentiate between the fixed effects model and the random effects model. The study employed fixed effect and random effect regressions due to the panel nature of the utilised data set. Subsequently, a Hausman specification test was performed to determine the favoured model between the fixed effect and random effect regression models. The examination primarily assessed whether the error terms exhibited correlation with the regressors. The decision rule for the Hausman specification test is expressed as follows: at a significance level of 5%. The level of significance refers to the probability threshold used to determine whether a statistical result is considered significant or not.

Table 4.4: Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.393877	3	0.2220

Source: E-View 10 Output, 2023

The findings of the Hausman test indicate that the chi-square statistic value is 4.39387, with a corresponding probability value of 0.2220. This suggests that there exists sufficient evidence to support the acceptance of the null hypothesis, which posits that the random effect is the most suitable approach for conducting Panel Regression analysis. Therefore, it can be concluded that the fixed effect estimator for the error component model is not the most suitable option due to the high correlation between the random effects and the regressors. The random effect cross-sectional model is deemed to be the most reliable and effective method of estimation for the study. The findings indicate that the random effect regression model is the most suitable for the sampled data, given that the probability value associated with the Hausman test statistics exceeds 5%.

Langranger Multiplier Test

The langranger multiplier test is a test for model specification in panel data analysis and this test is employed to choose between pooled effect model and the random effects model.

Table 4.5: Breusch-Pagan Langranger Multiplier Test

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 12
Cross-sections included: 16
Total panel observations: 192
Note: non-zero cross-section means detected in data
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	195.7217	120	0.0000
Pesaran scaled LM	4.887815		0.0000
Pesaran CD	-0.572685		0.5669

Source: E-View 10 Output, 2023

***Decision Rule: At 5% level of Significance**

H_0: Pooled Effect is more appropriate

H_1: Random Effect is more appropriate

Based on the probability value of the Breusch-Pagan Langranger Multiplier Test at 0.0000, the null hypothesis is rejected, thus random effect is most appropriate when compared to pooled effect

Multicollinearity Test (VIF)

A Multicollinearity test was conducted in order to assess the potential presence of strong correlations among the independent variables, which could potentially lead to inaccurate or misleading results. The modest magnitude of the correlations observed among the independent variables suggests that multicollinearity is unlikely to pose a concern for the dataset under examination. In order to provide additional evidence regarding the lack of multicollinearity issue among the independent variables, diagnostic tests for collinearity were performed utilising the variance inflation factor (VIF). Table 4.6 displays the outcomes of the collinearity diagnostics examination.

Table 4.6: Multicollinearity Test (VIF)

Variance Inflation Factors
Date: 01/04/23 Time: 19:35
Sample: 2010 2021
Included observations: 192

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.171185	26.59082	NA
FO	140.6612	5.917545	1.001431
GO	0.028354	1.536902	1.000587
LEV	0.023268	20.48647	1.000844

Source: E-View 10 Output (2023)

***Decision rule**: When the centred VIF is less than 10, it suggests that there is no presence of multi-collinearity. Conversely, when the centred VIF is greater than 10, it indicates the presence of multi-collinearity. As stated previously, the criterion for conducting a multicollinearity test utilising the variance inflation factor is that a centred VIF value below 10 signifies the lack of multicollinearity, whereas a centred VIF value exceeding 10 indicates the presence of multicollinearity. The absence of multicollinearity among the independent variables is evident from Table 4.6, as all independent variables (FO, GO, and Lev) exhibit a central VIF value of less than 10.

Heteroskedasticity Test

A diagnostic check in the form of a Heteroskedasticity test was conducted to validate the robustness of the estimates. Heteroskedasticity refers to the phenomenon wherein the standard errors of a variable exhibit non-constant behaviour over a given duration of time. Heteroskedasticity constitutes a breach of the underlying assumptions of linear regression modelling, thereby potentially compromising the validity of the outcome of any analysis. Although heteroskedasticity does not result in biased coefficient estimates, it does lead to a reduction in their precision. The decreased precision raises the probability that the coefficient estimates deviate further from the true population value.

Table 4.7: Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test
Null hypothesis: Residuals are homoscedastic
Equation: UNTITLED
Specification: ETR C FO GO LEV

	Value	df	Probability
Likelihood ratio	62.77900	16	0.0000

LR test summary:

	Value	df
Restricted LogL	-290.7595	188
Unrestricted LogL	-259.3700	188

Source: E-View 10 Output, 2023.

Table 4.7 shows the results of the panel cross-section Heteroskedasticity regression test. The decision rule for the panel cross-section Heteroskedasticity test is stated thus:
***Decision Rule: At 5% level of Significance**
H_0: No conditional Heteroskedasticity (Residuals are homoskedastic)
H_1: There is conditional Heteroskedasticity
The null hypothesis posits the absence of Heteroskedasticity, whereas the alternative hypothesis posits the presence of Heteroskedasticity. The acceptance of the null hypothesis is contingent upon the P value exceeding the 5% level of significance. Based on the findings presented in Table 4.7, wherein the ratio value is determined to be 62.77900 and the corresponding probability value is less than 5%, it can be inferred that the null hypothesis is to be rejected. Conversely, the alternative hypothesis, which posits the existence of a conditional Heteroskedasticity problem, is deemed to be accepted. Based on the diagnostic probability of 0.0000, the null hypothesis is rejected, indicating the presence of conditional heteroskedasticity. This suggests that the residuals are not homoskedastic, and therefore the samples may not accurately reflect the population. To address the issue of heteroscedasticity, the dependent variable is logged as the independent variable.

Table 4.8: Panel Regression Result (Random Effect)

Dependent Variable: ETR
Method: Panel EGLS (Cross-section random effects)
Date: 01/04/23 Time: 19:41
Sample: 2010 2021
Periods included: 12
Cross-sections included: 16
Total panel (balanced) observations: 192
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.188749	0.222718	5.337473	0.0000
FO	-2.097801	6.366362	-0.329513	0.7421
GO	-0.180938	0.090406	-2.001392	0.0468
LEV	0.149861	0.081923	1.829282	0.0689
LOGETR	0.887129	0.041038	21.61733	0.0000

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.596629	1.0000

Weighted Statistics			
R-squared	0.719737	Mean dependent var	1.298281
Adjusted R-squared	0.713742	S.D. dependent var	1.110643
S.E. of regression	0.594229	Sum squared resid	66.03112
F-statistic	120.0575	Durbin-Watson stat	2.358283
Prob(F-statistic)	0.000000		

Source: E-View 10 Output, 2023

The present research investigated the impact of foreign ownership, government ownership, and tax aggressiveness on publicly traded consumer goods companies in Nigeria. According to the data presented in Table 4.8, the coefficient of multiple determinations (R2) is 0.7197. Given the panel nature of the data utilised in this study, the regression model indicates that the adjusted R2 and R2 values range between 71% and 71%, respectively. The findings suggest that approximately 71% of the overall fluctuations in the effective tax rate (ETR) can be accounted for by the fluctuations in the independent variables (FO, GO, and Lev). The residual term captures the remaining 29% of the variability in the model, indicating a strong fit for the best-fit line. The findings of the panel regression analysis conducted on the selected consumer goods company, as displayed in Table 4.8, indicate an inverse correlation between foreign ownership and effective tax rate. The associated probability value of 0.7421 exceeds the 5% threshold, suggesting that this relationship is not statistically significant. A statistically significant correlation exists between government ownership and the observed outcome, as evidenced by a p-value of 0.0468, which falls below the commonly accepted threshold of 5%. The F-statistic value of 120.0575 and the probability value of 0.00000 were obtained when the regressors (FO and GO) were collectively applied against the regressed variable (ETR). The aforementioned outcome suggests that the regression as a whole exhibits a positive trend and holds statistical significance at a 5% level.

4.2 Discussion of Findings

The present research investigated the impact of foreign ownership, government ownership, and tax aggressiveness on publicly traded consumer goods companies in Nigeria. The objective of this study was to investigate the impact of foreign ownership and government ownership on the effective tax rate of consumer goods companies that are listed in Nigeria. Thus, the results of this investigation are predicated upon the development of hypotheses, models, and analyses. The present study has determined that government ownership, in general, exerts a noteworthy impact on the effective tax rate of consumer goods firms listed in Nigeria. The impact of foreign ownership on the effective tax rate is detrimental, and this research compares its results to those of prior studies.

The initial findings indicate that evaluating the foreign ownership and tax aggressiveness (measured by the effective tax rate) of consumer goods companies listed in Nigeria demonstrates a noteworthy inverse relationship between foreign ownership and the effective tax differential of these firms. The present study's results are incongruent with those of James et al. (2021) and Suleiman & Nasamu (2021), who reported a positive correlation between foreign ownership and tax aggressiveness in the oil and gas sector. This finding aligns with Zachariah et al.'s (2020) study, which also reported a negative correlation. The study found that there is a significant positive correlation between government ownership and effective tax rate of listed consumer goods firms in Nigeria. The present study's findings are consistent with those of Agbonrha and Samson (2019), who observed a negative correlation between government ownership and firms' tax aggressiveness. However, Ogbeide and Iyafekhe's (2018) research supports this outcome as they discovered a positive association in their investigation.

V. Conclusion and Recommendations

The primary objective of the study was to investigate the tax aggressiveness of consumer goods firms listed in Nigeria between 2010 and 2021, with a specific focus on the impact of foreign and government ownership. The impact of foreign and government ownership on tax aggressiveness in Nigeria has resulted in a notable reduction in the effective tax rate. Hence, the study has concluded that there exists a significant impact of foreign ownership and government ownership on the tax aggressiveness of consumer goods firms in Nigeria.

Based on the findings of this study and the conclusion made, the following recommendations are made to management of consumer goods firm in Nigeria:

i. Management of consumer goods firm should not increase the proportion of foreign ownership due to negative influence effect it has on the firm tax aggressiveness

ii. Management of consumer goods firms should allow more government ownership participation in the firm as a result of positive significant it has on the tax aggressiveness of the firm.

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