TAX AGGRESSIVENESS AND CORPORATE SOCIAL RESPONSIBILITY FLUIDITY IN NIGERIAN FIRMS

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Abstract
Modern corporations epitomize the nexus between shareholding and wider-spectrum stake-holding, where key units desire to fundamentally maximize or fairly satifsice. Driven by benevolence, firms made meaningful contributions to society but now, many are exploiting the fluidity of corporate social responsibility (CSR) to lubricate tax aggressiveness. This study examines interfacing and intervening variables using data from 13 distinguished firms among Nigerian Stock Exchange (NSE) top 30. The analytical methods involve descriptive, correlation and regression statistics, with robust, fixed and random effects consideration. The results establish that tax aggressiveness is significantly related with CSR focal components (environmental enhancement and community involvement). Accordingly, the firms are implored to leverage on their fortunes to enhance tax compliance and reinvent CSR indulgence among globally competitive entities. This should strategically synchronize with transaction, speculation and precaution financing intents to forge mutually expedient cash flow mechanisms for sustainable corporate advancement and national development.

Keywords: Corporate social responsibility, environment, stakeholder, tax, aggressiveness

Introduction
Tax is a compulsory levy imposed on income earners in accordance with the provisions of extant fiscal laws. Essentially, tax expenditure is expected to be administered in a manner that reasonably minimizes tax burden on the focal citizens. This privilege prevails more with corporate tax payers who either engage the services of tax consultants and/or undertake corporate social responsibility (CSR) activities, which are tax deductible. The concern of corporate entities in this regard borders on tax planning, tax avoidance, and tax evasion (Lanis & Richardson, 2015). The latter is more synonymous with tax aggressiveness (which is a common practice in the business world). Unlike tax avoidance (which is permissible) tax evasion (aggressiveness) prevails as illegal tax saving scheme, but the dividing line between them is thin. This accounts for the increasing research interest towards addressing national development issues linked with tax aggressiveness (Ylönen & Laine, 2015).

CSR has equally received much attention from various (organizational) stakeholders, locally and internationally, as modern organisations represent diverse interest groups, beyond the traditional view of seeking purely economic fortunes (Olowe, 1998; Lanis & Richardson, 2015). Operationally, there is no parity of CSR dynamics in developed and undeveloped nations due to circumstantial disparities which the latter suffer as a result of weak enforcement of regulations, malaise of corruption, and lack of awareness of basic rights amongst shareholders. To galvanize firms in Nigeria towards compliance, intense advocacy is directed at enhancing labour relations, product efficiency, quality of life, and reduction in emission of environmentally harmful substances (NPC, 2004). These contemporary issues relating to CSR find analytical expression in Nigeria as the fluidity has national development implications (Usman & Amran, 2015). Recent features illuminating corporate tax aggressive behaviour are also identified with the contribution of Adebisi & Gbegi (2013).

Against this backdrop, this study examines CSR in relation to tax aggressiveness, with focus on national development concerns bordering on fluidity of environmental enhancement and community involvement. In this respect, it is noteworthy that while most investigations concentrate on tax evasion, the desired refocusing is exemplified by the contribution of Siyanbola (2016).

Literature review
CSR entails altruistic activities carried out by firms with the intention of featuring impressionist accomplishments to various stakeholders beyond the traditional economic/financial achievements. Given that CSR expenditure is not directly captured as a conventional business transaction sub-head, addressing the nexus between CSR and tax aggressiveness linkage has sensitive implications for managing extended stakeholder relations (Landry, Deslandes & Fortin, 2013). Basically, the strategic focus of CSR has to do with the provision of services
that boost environmental protection, community development, socio-infrastructural development and good governance. This goes a long way in complementing tax payments, which when harnessed by government, critically facilitate the provision of basic amenities, in the core areas of education, defence, good governance and other public goods for national development.

In connection with this, Jim Barry, the Head of Infrastructure at BlackRock (the world’s leading asset manager with infrastructure investment presently valued at $8 billion) volunteered an infrastructure investment gap analysis in which he contended that at the moment there is absolute zero correlation between infrastructure need and addressable opportunities for the private sector. Other analysts have equally observed that spending on infrastructure has become a geopolitical issue, with China proposing to float the Asian Infrastructure Bank to compete in the funding of projects, particularly in the areas of transport, power, water, sanitation and internet connectivity, which are very vital to development (Authors, 2015).

As firms seek to post positive images to the outside world, compliance with taxation and other CSR expectations are equally critical, bearing strategically on organizational sustainability and national development. Furthermore, in recognition of the imperative of instilling non-tax aggressive behaviour, a state government in Nigeria harnessed the public media platform to advocate the filing of pay as you earn (PAYE) tax returns and PAYE remittances. This is endorsed by Akinsehinwa (2017).

The fore-going suggests that tax aggressiveness remains a source of serious concern to governmental authorities in all tiers, added to the undue corporate advantage mined from the fluidity of CSR disclosures. In some climes, where scholarly inquest on CSR and tax aggressiveness relationship has intensified, there are interesting and infesting mixed results. In the work of Huseynov & Klamm (2012), the outcome illuminated the relationship of three CSR dimensions, namely, corporate governance, community involvement, and gender diversity with tax aggressiveness, using American firms that engaged external auditors for tax-related services. The study involved 2,459 firm year observations from the S&P 500, spanning 2000 – 2008. The results indicated that interface of community concerns with tax management fees relates positively and significantly with tax aggressiveness. On the contrary, the blend of corporate governance strengths and diversity concerns interfaced with tax management fees relates negatively and significantly with tax aggressiveness. By this, firms with community concerns, diversity appeals, and corporate governance strengths are socially responsive, featuring little or no tax aggressiveness.

In another investigation, Lanis & Richardson (2012) used cross-industry sample of 408 publicly listed Australian corporations to analyse the relationship between CSR and tax aggressiveness in the 2008/2009 financial year. The two proxies of tax aggressiveness adopted for analysis include the ratio of current tax payable to pre-tax income, and the ratio of tax payable to operating cash flows.

The study eventually reveals that higher levels of CSR activities are associated with lower tax aggressiveness; while for the disaggregate CSR components, corporate strategy and social investment items have negative and significant relationship with tax aggressiveness, leaving other categorizations with insignificant outcomes. Lanis & Richardson (2013) further sought to compare CSR disclosure practices using 20 tax aggressive and 20 non-tax aggressive Australian corporations in 2001-2006 time frame. The results indicate that the tax aggressive corporations featured more CSR disclosures in their annual reports than the non-tax aggressive corporations. This tilts the focal firms towards high tax aggressiveness which is apparently anchored on the fluidity of CSR.

Essentially, in addressing organizational and national development concerns, CSR is driven by the ideals of corporate governance. This inspires stakeholders to expect on a visible and sustainable basis, the fostering of investors’ interest, prevention of rights infringement, improvement of efficiency/transparency, compliance with statutory/regulatory requirements, promotion of best ethical practices, protection of consumers/customers rights, enhancement of integrity/credibility of financial reporting, elimination of fraudulent practices/window-dressing, upholding of internal audit standards/external auditors’ independence, and boosting of communication between (and among) core shareholders and sundry stakeholders (Agundu, 2008). In recent years, as observed by Aborode (2005), corporate governance has succeeded in attracting much public interest owing to its significance to the economic health and overall sustainability of corporations and society in general. Institutions of global reckoning also
underscore corporate governance as an elaborate system by which corporations are directed and controlled; using structures that specify robust distribution of rights and responsibilities among various participants in the corporation, including board, managers, shareholders and other stakeholders; and spelling out the rules and procedures for making decisions on corporate affairs.

The contributions of Eleje & Olopade (2015) and Jeroh & Okoro (2015) further address the corporate governance intrigues associated with equity ownership clause and critical disclosure practices. Amidst these concerns, CSR advocacy still leverages on the legitimacy theory to underscore the social contract between business and society (which transcends satisfying the yearnings of management, employees, and shareholders to satisfying the agitations of generality of stakeholders). Consequential collective compliance by all organizational functional components in this regard is crucial to national development.

**Methods**

This study covers a period of 10 years (2006-2015), with population encapsulating top 30 listed companies in Nigeria, distinguished by market capitalisation and liquidity as at 31 December, 2015. This index feature of the Nigerian Stock Exchange (NSE) has been trending since January 1, 2007, with 13 focal firms featuring consistently on 31st December of each of the years specified (NSE, 2013; Siyanbola, 2016). The top-ranking 13 firms provided the requisite data for analysis, as contained in their annual reports and accounts. They comprise:

- Four firms from the financial services bracket,
- Five firms form the consumer goods bracket,
- Three firms from the oil and gas bracket, and
- One firm from the healthcare bracket.

The data from the firms obtained are analysed using descriptive statistics, correlation and regression analyses, with the model specified as follows:

$$
etr = \beta_0 + \beta_1 csrd_{1it} + \beta_2 csrd_{2it} + \beta_3 cap_{it} + \beta_4 lev_{it} + \beta_5 sze_{it} + \beta_6 roe_{it} \epsilon_{it}
$$

Where:

- $i =$ Sampled firms (1 to 13),
- $t =$ Time frame/period (2006-2015),
- $\beta_0 =$ Intercept,
- $\beta_1 - \beta_6 =$ Slope coefficients of the variables,
- $etr =$ Effective tax rate (proxy for tax aggressiveness),
- $csrd_1 =$ CSR environmental disclosure,
- $csrd_2 =$ CSR community involvement,
- $cap =$ Capital intensity,
- $lev =$ Leverage,
- $sze =$ Size; and
- $roe =$ Return on equity.

Among the control variables, firm size features as natural log of total assets and mainly pertains to large firms which possess high economic/political clout, making them apparently more tax aggressive than their small-firm counterparts (Lanis & Richardson, 2016). However, some large firms may elect not to go the way that copiously exploits the fluidity of CSR, though not totally free of tax aggressiveness. The inclusion of return on equity (firm profitability) in the research apparatus is supported by contemporary analysts who argue that higher profitability incentivizes firms with tax savings to procure more logistics (Huseynov & Klamm, 2012; Lanis & Richardson, 2012). Thus, financial performance maintains analytical virility in its positive and significant relationship with tax aggressiveness, affirming that the higher the profitability of a firm, the lower the tax aggressiveness.

**Results**

The NSE profiles all listed firms under such categorizations as agriculture, conglomerates, construction/real estate, consumer goods, financial services, healthcare, ICT, industrial goods, natural resources, oil and gas, services and utility. However, four of these delineations account for the biggest firms christened the NSE 30. Fundamentally, 13 of the firms constitute the sample size, having shown consistent performance distinction over time. This statistically generates 130 analytical observations, comprising 50 (38.46%) consumer goods firms; 40 (30.77%) financial services firms; 30 (23.08%) oil and gas firms; and 10 (38.46%) healthcare firms (as shown in Table 1). Other quantitative profiles and ensuing descriptive/iterative statistics are presented in Tables 2, 3, and 4:
Table 1: Highlight of Observation Specifics
NSE Classification | Frequency | Percentage | Cumulative
--- | --- | --- | ---
Financial Services | 40 | 30.77 | 30.77
Consumer Goods | 50 | 38.46 | 69.23
Oil and Gas | 30 | 23.08 | 92.31
Healthcare | 10 | 7.69 | 100.00
Total | 130 | 100.00 | 

Source: Research Data (2016).

Table 2: Highlight of Descriptive Statistics
<table>
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<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Median</th>
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etr | 130 | .2032 | .1134 | -.23 | .22 | .60 |
csrδ₁ | 130 | .2057 | .2848 | 0 | 0 | .88 |
csrδ₂ | 130 | .4272 | .2323 | 0 | .50 | .83 |
cap | 130 | .2903 | .2443 | 0 | .28 | .98 |
lev | 130 | .3015 | .3182 | 0 | .17 | .89 |
sze | 130 | 10.9012 | .4558 | 9.41 | 11.02 | 11.60 |
roe | 130 | .3222 | .5221 | -3.69 | .27 | 1.36 |

Source: Research Data (2016).

Table 3: Highlight of Correlation Statistics
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<th>Variable</th>
<th>Etr</th>
<th>csrd₁</th>
<th>csrd₂</th>
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etr | 1 | | | | | | | |
csrδ₁ | -0.23* | 1 | | | | | | 2.98 |
csrδ₂ | -0.20** | 0.48* | 1 | | | | | 2.85 |
cap | 0.24* | -0.05 | -0.44* | 1 | | | | 2.65 |
lev | -0.23* | 0.20** | 0.41* | -0.61 | 1 | | | 2.42 |
sze | 0.08 | 0.25* | 0.21* | -0.09 | 0.45* | 1 | | 1.83 |
roe | 0.31* | -0.01 | -0.21* | 0.63* | -0.31* | 0.12 | 1 | 1.32 |

Source: Research Data (2016).

Table 4: Highlight of Regression Statistics
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<th>Variable</th>
<th>Predicted sign</th>
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* Significance at 1% level.
** Significance at 5% level.
*** Significance at 10% level.

Source: Research Data (2016).
The complementing statistical mechanisms adopted in furtherance of data analysis include estimation tests which operationalize the research model relative to multicollinearity, heteroscedasticity, and normality dynamics. As the correlation coefficients are tested in relation to Variance Inflation Factor (VIF), results of the independent variables are moderate, the observed mean being 2.34 while the highest reported value is 2.98 (below the threshold of 10). For homogeneity of variance of error term, the classical linear regression model involving test of heteroscedasticity, revealed no violation, with result exceeding the 10% threshold. However, the kurtic outlook reveal that the residuals are not normally distributed, which elicit the channelling of time series and cross sectional data through robust, fixed effects model (FEM) and random effects model (REM) frameworks. In the light of the ensuing results:

- The first null hypothesis is rejected; being the position that environmental enhancement has no significant relationship with tax aggressiveness.
- The second null hypothesis is rejected; being the position that community involvement has no significant relationship with tax aggressiveness.

Essentially, the alternate hypotheses are accepted, affirming that the two CSR components have significant relationship with tax aggressiveness. Community involvement in particular is so pivotal that analysts consider it justifiable to disaggregate it from the mainstream CSR social investment dimension. This makes for more focused assessment of tax aggressiveness and the fluidity of CSR disclosures. The results vividly substantiate that taking no advantage of CSR fluidity, environmental enhancement and community involvement are strategically fundamental to the overall success of firms’ CSR activities and contributions to national development.

Discussion

From the descriptive statistics, tax aggressiveness (by its effective tax rate proxy) average 20%, which implies that the firms’ remittances are inauspiciously below the statutory rate of 30%. The performance of the firms, with respect to environmental enhancement and community involvement average 21% and 43% respectively, which is also relatively low considering the intense agitations for industry participation, resource control, and other environmental right cravings. In terms of capital intensity, the firms have average investment of 29% of total asset held in property, plant and equipment. The range of 0% - 98% outlay indicates wide dispersal, unlike the mean leverage which shows interest bearing debt profile constituting 30% of total assets. Firm size averages 10.9, as the value ranges from 9.4 to 11.6, with standard deviation of 11.02; while the average earning of 32% is equally inauspicious. This apparently symptomizes exploitation of tax aggressiveness lubricants (particularly the fluidity of CSR) by firms. More fundamentally regarding correlation coefficients on the one hand, effective tax rate is negatively and significantly related with environmental enhancement, community involvement, and leverage.

On the other hand, it is positively and significantly related with return on equity and capital intensity, but not with firm size. By these revelations, the higher the levels of environmental enhancement, community involvement, and leverage enlistment credited to firms, the lower the effective tax rate (and contextually the higher the tax aggressiveness). Also, the higher the capital intensity and attendant improved financial performance, the higher the effective tax rate (and contextually the lower the tax aggressiveness). Accordingly, intensified environmental enhancement and amplified community involvement on the part of corporate entities results in lower effective tax rate, which is indicative of high tax aggressiveness. This clearly advances the fluidity of CSR impressionist features, even as the mean environmental enhancement assessment being 21% is indeed worrisome. They detestably portend lower tax revenue in the administration of the machinery of government for national development. In the work of Laguir, Staglianò & Elbaz (2015), the selected firms feature fairer tax aggressive tendency hence the relationship with environmental disclosure is insignificant.

The control variables (capital intensity, leverage and return on equity) are significantly related with effective tax rate; while firm size has no significant relationship with effective tax rate. From the results in Table 4,
capital intensity is negatively and significantly related with effective tax rate. Thus, the more the capital intensity of firms, the lower their tax aggressiveness; which is consistent with the position of Huseynov & Klamm (2012). Capital intensity basically reflects differences in financial reporting and tax compliance, hence analysts contend that capital intensive firms are influenced by treatment of depreciation expenses for tax and financial reporting purposes. For leverage, analysts argue that tax deductibility of interest expenditure is indeed potent, hence like capital intensity, it features a negative and significant relationship with tax aggressiveness. This implies that the more firms harness interest bearing financial instruments, the lower the tax aggressiveness (Hoi, Wu & Zhang, 2013).

Conclusion
This study examined the relationship of disaggregate CSR components and tax aggressiveness, focusing on the NSE 30. Two CSR components (environmental enhancement and community involvement) are addressed with FEM and REM analytical frameworks. The focal CSR components feature uniquely in the sense that both dimensions indicate significant relationship with tax aggressiveness, affirming that the more firms are CSR compliant, the more their tax aggressive tendency. These revelations further justify and amplify CSR as legitimate commitment that firms must fulfill in order to forge a more strategic relationship with critical stakeholders, meaningfully addressing corporate survival/competitiveness challenges, and ultimately underscoring national development/societal sustainability. Other concessional intricacies and operational realities of modern day commercial/industrial organizations have to do with apparent unethical corporate outlook associated with seeking to solely impress stakeholders in terms of incremental financial inflows (return on investments) to the detriment of non-conventional stakeholders. Instructively, the disaggregation of CSR components substantiates the position that all the focal dimensions do not relate with tax aggressiveness the same way. The profile peculiarities would not have been manifest if aggregate CSR disclosure index was adopted in the analytical framework. The control variables are clearly dominant in their relationship with tax aggressiveness; as higher investment in property, plant and equipment occasions higher possibility of exploiting ensuing incentives towards minimizing tax expense. Similarly, tax shield incentive inherent in interest bearing debt breeds tax aggressiveness, with analytical results affirming that the more firms are externally financed, the higher their tax aggressiveness. Also, higher financial performance (return on equity) of firms precipitates lower tax aggressiveness.

Another merit of the research framework is the use of publicly available information to track tax aggressiveness without prejudice to some reservations of conservative watchers. The ensuing wake-up call is for key players in Nigeria economy, particularly the upstream (oil) and telecommunication sectors which remain unlisted, to admit that CSR holds sway and the advocacy has come to stay. Therefore, they have got to shape up in the dispensing of their economic and financial fortunes or they will definitely shape out. Primordially, monetary logistics were directed at diffusing barter cumbersomeness, stimulating savings/investments, enhancing industry specialization, and boosting economic productivity. Now with corporate governance and other CSR ideals, monetary resources have to be conscientiously channelled to accentuate socio-economic growth, which ultimately and expeditiously bear on national development (Agundu, 2016; John, 2016; Lawal, 2017). To exercise utmost restraint with respect to cash flow management, they should be guided by strategic financial efficiency ideals (Agundu, 2016). The motives find expression in Keynesian and neo-classical dynamics associated with:

- Transaction financing,
- Speculation financing, and
- Precaution financing.

Without draining CSR fluidity and compromising tax compliance, cash flow conservation by firms should match impending payments which are not closely synchronized with cash receipts; meaningfully providing the needed financial cushion for exigencies. This should equally go with strategic logistic fusion for harnessing emerging investment opportunities occasioned by market fluctuations and associated vagaries. Contextually, going with the sensitization billing of Akinsehinwa (2017) and the advocacy fancy
of the Federal Inland Revenue Service (FIRS), economic recovery and national sustainability concerns have made it most imperative for top-listed firms (in particular), vibrant commercial/industrial organizations, and the generality of eligible entities/personalities to brace up and be counted in terms of CSR high definition. More than ever, all should pragmatically come to terms with the taxation slogan which says, *it pays to pay your tax.*

**References**


