



IMPACT OF CORPORATE GOVERNANCE AND TAX PLANNING ON SUSTAINABLE PERFORMANCE OF LISTED OIL MARKETING COMPANIES IN NIGERIA

By

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Abstract

This study investigates the impact of corporate governance and tax planning on performance of listed oil marketing companies in Nigeria from 2013 to 2022. The study used ex post facto correlational research design while, eleven (11) listed oil-marketing companies made up the population of the study. The data was collected from the published financial statements of five sampled listed oil-marketing companies. Using multiple regression analysis technique, the multiple regression results revealed that firm size has positive but insignificant effect while gender diversity and board size has negative and insignificant effects on sustainable financial performance; however, effective tax rate has positive significant effects on sustainable financial performance of oil marketing firms. The study concluded that corporate governance does not influence sustainable financial performance of listed oil marketing firms in Nigeria, while tax planning influences sustainable financial performance of listed oil marketing firms in Nigeria. Hence, it is recommended that firms need to employ the services of tax experts and implement more healthy tax planning strategies for greater sustainable financial performance. Finally, this study will assist users of financial information and prospective researchers in making informed decisions; this is besides, providing the management with the vital information on how to sustainably improve their firms' performance.

Keywords: corporate governance, firm performance, listed oil marketing companies, tax planning,

1. Introduction

Recently, corporate governance and tax planning has become a topical issue that has attracted the attention of academic scholars and practitioners. Tax planning is the process of formulating a system to minimize or somewhat restrict the charge against an individual's property, income, or activity, for the definite course of creating revenue to another party. Thus, the process of tax planning involves a wide-ranging consideration and application of appropriate provisions and inducements in tax laws and enactments by economic units. It includes the reliefs entitled in acknowledgment of the pioneer status, the rules and respites applicable to the commencement and cessation of a business, the allowances given in respect of the purchase of the asset used exclusively for business purposes. Others includes venture in rural areas and the company's location, roll-over as applied to the disposal of items in which capital gain tax is deductible, or tax savings on interest on finance cost and loss reliefs (Fagbemi *et al.*, 2019).

Corporate governance is perceived as a system of directing and controlling corporate entities, be they in the private sector, public sector or be they financial institutions to fulfill long – term strategic goals (Onyema & Major, 2021; Hasibuan & Khomsiyah, 2019). According to Chytis, *et al* (2019), corporate governance is all about the relationship between the owners and managers in directing and controlling companies as separate entities. It provides the mechanisms, processes and structures by which



management ensures that resources are effectively and efficiently managed to achieve desired results by the owners (Salawu & Adedeji, 2017). Worlu (2018) maintain that corporate governance encompasses the efficient and effective management of the resources of a firm within the ambit of regulatory, compliance and risk management principles.

Sustainable Financial performance is said to be the act of conducting a financial activity. In other words, the sustainable financial performance also refers to the extent to which financial objectives have been or are accomplished. It comprises assessing outcomes of a firm's operations. Financial performance is also considered as a fundamental objective that companies specifically the profit-oriented companies aim or yearn to achieve (Kajirwa, 2015). Financial performance emphasizes more on the entries that affect the financial reports or directly affect the company statements.

The petroleum industry in Nigeria comprises two major sectors: the upstream sector that deals with oil exploration and production activities, while the downstream sector deals with the storage, transportation, refining, hydro processing, marketing, and distribution. The sector had a market capitalization of N40.92 trillion as of December 2023 with an all-share index of N45.95% of gain. Despite the above performance, studies on corporate tax planning and performance of listed Oil & Gas firms in African context have mixed and inconclusive results, and relatively few studies have been undertaken to examine the relationship that exists between corporate tax planning and performance of Nigerian listed firms. For instance, the study of Olayiwola and Stephanie (2021) examined the interactive effect of tax planning and corporate governance on the financial performance of 50 non-financial quoted firms in Nigeria. Therefore, this study is an attempt to empirically investigate the interactive effects of tax planning and corporate governance on the sustainable financial performance of listed oil marketing companies in Nigeria. The interactive effect simply means the effect of an interface between two independent variables on the dependent variable.

Statement of the problem

The multiple taxation is one of the major set-back of the Nigerian tax system besides lack of accountability, the judiciary on taxpayers matters arising, non payment of tax refunds, complex nature of tax laws, lack of clarity, and harsh method of collection by the government (Hart, 2018). A competent tax system can also decrease unemployment and stimulate economic growth through its impact on capital formation and investment. On the other hand, the challenges facing the Nigerian tax system appear to have persuaded companies to develop means of decreasing tax liability, some of which are against the law (Olawaju and Olayiwola, 2019). However, the cost of business operation in Nigeria because of higher corporate taxes is one of the major causes of tax deficiencies. Moreover, these taxes become a considerable cost to organizations and if not skillfully and legally planned and reduced, it may adversely affect cash flow and ability to invest.

The associated problem combating tax planning as a management strategy in corporate firms is agency cost and non-tax costs. These costs issues have widened the gulf between management and shareholders due to information lopsidedness between the two parties just as agency theory suggested. It has further led to acute agency conflicts. Therefore, to mitigate this agency problem especially between the shareholders and managers of companies, shareholders and other major investors mostly rely on corporate governance mechanisms in guaranteeing that managers carry out the tactic of aggressive tax planning practices to enhance performance and in turn increase the shareholders' value



in the literature that management of firms can hijack the potential benefits of tax planning activities and enrich themselves through it, which could create serious conflicts and mistrust issues between managers and shareholders (Jensen & Meckling, 1976).

Research Questions

In the light of the foregoing, the following research questions were raised in order to provide specific answers to the research problem of whether tax planning and corporate governance have any impact on sustainable financial performance.

- i. Does the effective tax rate have any significant impact on sustainable financial performance of listed oil marketing companies in Nigeria?
- ii. Does the firm size have any significant impact on sustainable financial performance of listed oil marketing companies in Nigeria?
- iii. Does the gender diversity have any significant relationship on sustainable financial performance of listed oil marketing companies in Nigeria?
- iv. Does the board size have any significant relationship on sustainable financial performance of listed oil marketing companies in Nigeria?

Objective of the Study

The main objective of this study is to determine the impact of corporate tax planning and corporate governance on sustainable financial performance of listed oil and gas firms in Nigeria. However, the specific objectives are:

- i. To determine the impact of effective tax rate on sustainable financial performance of listed oil marketing companies in Nigeria.
- ii. To determine the impact of firm size on sustainable performance of listed oil marketing companies in Nigeria.
- iii. To determine the impact of gender diversity on sustainable financial performance of listed oil marketing companies in Nigeria.
- iv. To determine the impact of board size on sustainable financial performance of listed oil marketing companies in Nigeria.

Significance of the Study

Sustainable financial performance is a continuing goal of any corporate organization. This study can review whether tax planning and corporate governance practice contribute to the sustainability of a company's financial performance, which is progressively more important in the context of environmental, social and governance (ESG) criteria. Investors often consider corporate governance and tax practice when making investment decision.

Positive findings in the study can boost investor confidence and potentiality attracts more responsible and sustainable investment. However, safeguarding compliance with tax laws and ethical standards relies on understanding the connection between corporate governance and tax planning.

It can reveal the significance of relating legal and ethical guiding principle with tax strategies. The study can assist in government regulations and tax policies. For instance, if certain tax planning practices are found to be detrimental to sustainable financial performance, regulators may consider revising tax laws and regulations. Therefore, this research can identify best practices in tax planning



corporate governance that leads to sustainable financial performance, providing guidance to company looking to improve their performance.

It contributes to the existing body of academic knowledge and real insights in the fields of accounting, finance and corporate governance. This knowledge can be used to develop better strategies and policy. In summary, this study is significant as it bridges the gap between financial performance, tax planning, and corporate governance, offering understandings that can benefit various stakeholders, guide regulatory agencies and more importantly stimulate sustainable business performances.

The remaining sections of this paper include section 2-reviewed related literature, section 3 discusses material and method used in data collection and analysis of the study, section 4 presents and analyzed the data collected while section 5 discusses and summarized the findings of the stud besides revealing the limitation of the study and suggestion for future research.

2. Empirical Review of Literature

Corporate tax Planning and Firms' Sustainable Financial Performance

Concerning the impact of corporate tax planning and firm performance, many studies have been conducted and provided mix results. Among which, George, Samuel, Isaac, Vincent and Ahmed (2022) examined the moderating impact of corporate governance (CG) on the relationship between TP and the performance of insurance companies in Ghana. Using a sample size of 35 insurance companies and generalized method of moments (GMM) as dynamic method of data analysis, the study found evidence of a non-linear relationship between tax planning measured by effective tax rate (ETR) and the performance of insurance companies measured by return on equity (ROE) and return on asset (ROA).

According to Olayiwola and Stephanie (2021) who study the interactive effect of tax planning and corporate governance on the financial performance of 50 non-financial quoted companies in Nigeria between 2007 and 2018. The study extracted its samples from 9 sectors using a stratified sampling technique. The Findings of this study provide insight into the effect of corporate tax planning measured by effective tax rate, on financial performance measured by return on capital employed, return of assets, return on equity and earnings per share of food and beverage firms in Nigeria. It also reveals confirmation of the extent to which the variations in the dependent variable are caused by the independent variables covered in the models as depicted by the R-squared and adjusted R-squared.

Similarly, Abdullahi, Norfadzilah, Umar and Lateef (2021) examined the impact of corporate tax planning on the financial performance of listed companies in Nigeria. The study used a secondary source of data of 113 companies sampled from 169 companies listed on the Nigeria stock exchange. The results of the panel data method of analysis revealed that there is evidence on the relationship between the three explanatory variables (Inventory Intensity, Capital Intensity and Leverage) with the outcome variable referred to as financial performance, which is measured using ROA.

Conversely, David, Emmanuel, bassey and Emmanuel (2019), conducted a study *evaluate the impact of corporate tax planning on financial performance of listed industrial firms in Nigeria* using 12 industrial firms sample size of the study via Judgmental sampling. After using secondary data and ordinary least square regression and panel regression model as method of data analysis the findings revealed that a change in the Effective Tax Rate (ETR) leads to 9.3% decrease in ROA; this connote that as ETR



increases, there is a reduction of 9.3% in the ROA. In a similar vein, Temitope, Taiwo, and Ayoboawale (2019) investigates the corporate tax planning and financial performance of systemically important banks in Nigeria. The study used secondary source of data from a sample of eight listed deposits money banks in Nigeria. The results of (OLS) Regression analyses revealed that effective tax rate is negatively related to return on equity (ROE), thus suggesting that an increase in the effective tax rate of banks in Nigeria tends to reduce their financial performance.

Corporate Governance and Firms' Sustainable Financial Performance

The critical review of literature revealed a mix result while some study indicated positive and significant relationship corporate governance characteristics and firm financial performance like Ahmed and Hamdan (2015), others reveal negative or even no relationship between the two variables like Ziad & Marashdeh (2020), Zabri, Ahmad & Wah (2015), and Xavier *et al* (2015). In their parts, Ziad and Marashdeh (2020) who investigates the impact of corporate governance on firm performance of the Jordanian industrial and services companies. Using a sample of 115 firms from entire population of 131 firms listed in the Amman Stock Exchange. The findings using Generalized Least Square (GLS) Random Effects models fail to reveal any significant impact for the board size on firm performance.

Similarly, the study of Zabri, Ahmad and Wah (2015) focused on the relationship between corporate governance practices with firm performance. Descriptive and correlation analysis were used to examine the hypotheses where Board size and Board Independence were the corporate governance's indicators and return on asset (ROA) and return on equity (ROE) as firm performance. The findings revealed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. The other finding indicated that there was no relationship between board independence and firm performance.

Xavier *et al* (2015) had a study on the effect of corporate governance measured by board size, and board composition among other variables on financial performance of commercial banks in Rwanda. With a sample of 92 senior managers and a descriptive research design, findings revealed that board size, board composition, have no effect on performance. It was recommended that the regulatory body of commercial banks in Rwanda is to provide guidance on the use of corporate governance practices which may impact positively the financial performance of commercial banks.

On the other hand, Ahmed and Hamdan (2015) investigated impact of corporate governance on firm performance in Bahrain Stock Exchange (BSE), 42 financial companies were sampled from period 2007 to 2011 and descriptive results indicated that ROA and ROE are significantly related to corporate Governance. In related research conducted by George and Karibo (2014) on Corporate Governance Mechanisms and Financial Performance of Listed Firms in Nigeria: A Content Analysis, the Study adopted a content analytical approach to obtain data through the corporate website of the respective firms and website of the Securities and Exchange Commission. A total of 33 firms were selected for the study cutting across three sectors: manufacturing, financial and oil and gas. The result of the study showed that the case study firms disclosed most of the corporate governance items. Moreover, there were no significant differences among firms with low corporate governance quotient and those with higher corporate governance in terms of their financial performance.



Theoretical Framework

Agency Theory

The agency theory view directors as the agent of the shareholders and therefore there is a need for them to act in the best interest of the shareholders. In this situation, sometimes the agent may not act in the best interest of the shareholders which result in an agent loss situation. The agency theory stresses that, manager may sometimes pursue opportunistic behavior, which may conflict with the goal of the owners (principals) and therefore destroy the wealth of the shareholders. Advocates of the agency approach view the manager (director) as an economic institution that will mitigate the problems and serves as the guardian to shareholders (Fama & Jessen, 2013). Agency theory emphasizes that natural selection processes that favour governance structures economize agency costs which are defined as the sum of the principal monitoring expenditures and the agent bonding expenses plus any remaining residual losses.

Political Cost Theory

Watts and Zimmerman (1978) voiced the Political cost theory. They emphasized that Political cost theory upholds that larger firms possess greater economic and political influence relative to small firms. Bigger firms take advantage of economic and political advantage to lessen their tax burden as they are able to engage in aggressive tax planning and manipulate the political process in their favour. In support of this theory, Rego (2003) posited that economies of scale can significantly affect a firm's ability to reduce its tax burden.

Lorentz and Moore (2009) however, argued that tax planning decisions, similar to a firm's operational decisions, are made in a competitive environment. This implies that where tax payments made by the company differ significantly from those of the peer group, it could lead to "reputational loss." Hence, managers have to strike a balance between the benefits to reduce the tax burden and the costs of reputational loss if they deviate too much from the behavior of peer group. Based on the findings of the previous literature reviewed and the theoretical background, hypotheses were formulated in a null form to guide the study:

Research Hypotheses

In line with the above stated objectives, the following research hypotheses were formulated and stated in their null forms.

- H₁: There is no significant impact between effective tax rate and sustainable financial performance of listed oil marketing companies in Nigeria.
- H₂: There is no significant impact between firm size and sustainable financial performance of listed oil marketing companies in Nigeria.
- H₃: There is no significant impact between gender diversity and sustainable financial performance of listed oil marketing companies in Nigeria.
- H₄: There is no significant impact between board size and sustainable financial performance of listed oil marketing companies in Nigeria.

3. Research Methodology

Material and Method

The research design adopted for this study is ex-post facto research design. The choice of this design was chosen because the researchers are reporting what is already in existence (that is published



financial statements). Secondary data was used for this study. The population for this study consists 11 listed oil-marketing companies in Nigeria (MRS oil Nigeria, 11 Plc, Oando, Seplat Energy, Total Nigeria, Capital Oil, Conoil, Ardova Plc, Japaul Gold, Venture, and Eterna). Using Judgmental-sampling technique, five (5) sampled oil companies were selected (MRS Oil, Conoil, Ardova plc, Total Nigeria, and 11Plc). The choice of listed oil marketing companies is because it enables one to have easy accessibility to their annual reports, which is the major source of the secondary data.

This study uses secondary data which were derived from the published audited financial statements of the listed oil marketing companies under review for the period of ten (10) years (2013-2022), which covers 50 observations from audited annul reports of the listed oil marketing companies under review. In analyzing the relationship that exists between good corporate governance, tax planning and the sustainable financial performance of the studied listed oil marketing companies, this study used multiple regression analysis Techniques (STATA) version 15).

Variables Measurement

Table 1

List of Variables and Measurement

S/N	Variables	Type of Variable	Measurement	Sources
1	Sustainable financial performance	Dependent variable	Return on asset (ROA) measures how effectively a company has used the owner's asset. ROA is calculated as (profit after tax/ total assets)×100%	Bawulah (2019)
2	Effective tax rate	Independent variable	(Tax expense- deffered tax) × 100% /profit before tax	Agye et al. (2020)
3	Firm size	Independent variable	Natural log of total asset	Bawulah (2019)
4	Gender diversity	Independent variable	Total number of female board members/ total number of board members	Bawulah (2019)
5	Board size	Independent variables	Total number of board members	Yimbila (2017)

4. Results and Discussions

This section reveals, interprets and discusses the data analysis results of the study. It comprises the outcomes of the descriptive statistics and correlation analyses of the study variables collected from the sampled of listed oil marketing companies in Nigeria for a period of ten years. It then presents the various robustness tests conducted on the variables to ensure the validity of inferences. This includes the normality test of residuals, Multicollinearity test, heteroskedasticity test, the Hausman



specification test, Lagrangian multiplier test and then model regression result. Nevertheless, the section presents the results on the tests of formulated research hypotheses for the study and inferences thereof. In addition, the implications of the findings were explained.

Descriptive Statistics

The descriptive statistics of the dataset from the sampled Oil and Marketing companies are presented in Table 2 below, where the mean, standard deviation, minimum and maximum values of the data for the variables used in the study are described.

Table 2

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	50	5.16	4.582	-6	17
F SIZE	50	7.867	.1848	7.564	8.488
GD	50	.1548	.1286	0	.444
B SIZE	50	9.2	1.989	6	14
EFTAX	50	-35.06	206.4	-821	702

Sources: STATA 15 Output, 2022

Table 2 shows the outcomes of the descriptive statistics results for both the dependent and independent variables. Return on assets (ROA) which is the dependent variable of the study has a minimum value of -6 and a maximum value of 17. The average value of the ROA is 5.16 which represent 5%, with standard deviation of 4.581, signifying that the data deviate from the mean value by 5%. This implies that there is variation across the sample firms because the standard deviation is equal to the mean.

The result also indicates that Firms Size (F Size) has minimum and maximum value of 7.56 and 8.48 respectively. The average value of the Gender Diversity (GD) is 0.1547863 and a standard deviation of .1285839. The high average is an indication that more than 15% of the firm are liable to gender diversity. Board Size has an average of 9.2 and a standard deviation of 1.99 showing large variations across the sample firms. Lastly, the effective tax rate has an average of -35.06 and a standard deviation of 206.362 showing there is no variation across the sample firms because the standard deviation is not close to the mean.

Table 3

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	Z	Prob>z
ROA	50	0.987	0.593	-1.115	0.867
F SIZE	50	0.933	3.172	2.462	0.007
GD	50	0.937	2.985	2.332	0.009
B SIZE	50	0.925	3.552	0.003	0.003
EFTAX	50	0.598	18.915	6.270	0.000

Source: STATA 15 OUTPUTS, 2022



Table 3 above shows the result of Shapiro-Wilk W test for normal data. The assumption of this test is that the data is normally distributed. It is common for continuous data to be normally distributed. From the result, all variables both dependent and independent variables are normally distributed because not all the variables have probability chi2 value of 0.0000 which are all significant at 1% and signifies that all variables are normally distributed.

Table 4
Correlation Matrix

	ROA	FSIZE	GD	BSIZE	EFTAX
ROA	1.0000				
FSIZE	-0.2242	1.0000			
GD	-0.3694**	0.1078	1.0000		
B SIZE	-0.1737	-0.1187	0.1434	1.0000	
EFTAX	0.1743	0.0875	0.1979	0.1762	1.0000

Sources: STATA 15 Output, 2022

Table 4 above reveals the connection lattice among the dependent and independent variables. The correlation result in Table 4 indicated that effective tax rate has a positive correlation while firm size, gender diversity & board size has negative correlation with return on asset for measurement of Nigeria Oil Marketing Companies' sustainable financial performance. This implies that when the effective tax rate of an Oil Marketing Companies is properly managed, the sustainable financial performance of Nigerian Oil Marketing Companies will go up (the higher the effective tax rate = higher ROA). This implies that only effective tax rate is positively correlated with return on asset, while the other variables such as Firm size, Gender diversity and board size are negatively correlated with return on asset.

Table 5
Robust Random Effects Regression Results

Variables	Coefficients	Probability -Value
R²	0.5147	
Hausman Chi2	4.51	0.3414
Hetttest Chi2	2.01	0.1563
Mean VIF	1.06	
LM Test	0.00	1.000
FSIZE	5.747	0.182
GENDER	-15.228	0.096
BSIZE	-.3016	0.450
EFTAX	.0058	0.027
CONSTANT	-34.719	0.0316

Source: STATA Output (Appendix)



Table 5 shows that for the model of the study, the Hausman Specification test of the model suggested Random Effects Regression Model (Hausman Chi2 of 4.51 with p-value of 0.3414. The LM test for random effect also confirm that Random Effect Regression Model is the suitable model for the study as shown by the Chi Square of 0.00 and p-value of 1.000. The Breusch and Pagan test for heteroscedasticity (Hetttest Chi2 value of 2.01 with p-value of 0.1563) suggested that there is no problem of heteroscedasticity. In addition, the table shows an absence of perfect multicollinearity as evident by the mean Variance Inflation Factor (VIF) value of 1.06. The VIF value of 10 and above is a sign of perfect collinearity among the independent variables.

From table 5 above, using the random effect model, the coefficient of multiple determinations (R^2) is 0.5147. This indicates that about 51.47% of the total variations in return on assets (ROA) is explained by the variations in the independent variables (FS, GD, BS and ETF), while the remaining 48% of the variation in the model is captured by the error term. The coefficient of Firm Size (FS) is 5.74, Gender diversity (GD) is -15.22, and Board Size (BS) is -0.30 while effective tax rate (ETF) is 0.05. This shows that ROA has positive relationship with Firm Size and negatively related to Gender diversity and Board size. However, effective tax rate (ETF) was found to be statistically significant (0.027) at 5% level of significance with a positive coefficient of (0.0058). Consequently, when taken collectively and based on the F-statistics value of 6.88 and the probability value of 0.1426, which is greater than 0.05, the null hypotheses H_1 is rejected while all other three are hereby accepted.

Discussion of Findings

The findings of this study revealed negative association between board size and sustainable financial performance of listed Oil marketing firms in Nigeria. The finding is in line with Ziad & Marashdeh (2020) and Zabri, Ahmad and Wah (2015) who investigates the impact of corporate governance on firm performance of the Jordanian industrial and services companies. Their findings revealed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. Moreover, the study found that Firms Size rate has no significant effect on sustainable financial performance of listed Oil marketing firms in Nigeria. Firm Size threaten financial viability and long-term sustainability. However, the result supports the finding of Chukwunulu, Ezeabasili and Igbodika (2019) who found out that Firms Size has no significant impact on bank performance in Nigeria.

The study found that Gender Diversity (GD) has negative and insignificant effect on financial performance of listed Oil Marketing Companies in Nigeria. This result is consistence with Ogbeide and Obaretin (2018) who studied corporate governance and tax aggressiveness of quoted non-financial companies in Nigeria for the period 2012 to 2016 and found that, board gender diversity showed a negative effect on effective tax rate. However, it was found that effective tax rate has a significant positive impact on the sustainable financial performance of oil-marketing Companies in Nigeria and this finding is in line with the findings of Olayiwola & Stephanie (2021) who study *the interactive effect of tax planning and corporate governance on the financial performance of 50 non-financial quoted companies in Nigeria*. This contradicts with the earlier expectation that bigger firms face a lot of pressure by regulators to ensure credibility in their financial report and that makes it difficult for them to manage Tax. However, it agrees with the postulate of Jensen and Meckling (1976) which says that the agency costs are expected to rise when the firm's size increases, and this allows for greater managerial preference and opportunism.



5. Conclusion and Recommendations

The study used data collected from secondary sources and was analyzed in line with the objectives of the study and the hypotheses were tested. The sample population of the study consist of five out of the 11 oil-marketing companies listed in the Nigerian exchange group Ltd formerly known as Nigerian Stock Exchange because their data were fully obtained. Data was mainly collected from Nigeria Stock Exchange (NSE) for a period of 10 years from 2013 to 2022. The panel data collected was analyzed using regression analysis by using Stata Software version 15.

The finding from the regression result shows that the relationship between effective tax rate and sustainable financial performance that is measured by return on asset is positive and has significant. While, the relationship between firm size and sustainable financial performance is positive, that of gender diversity and board size is negative and there is no significant relationship between the variables which led to the rejection of the alternative hypothesis and acceptance of the null hypothesis of all the three variables. Meanwhile, only the null hypothesis of effective tax rate was rejected.

This study also suggests that tax planning measures should be put in place by corporate managers of oil-marketing Companies in Nigeria to grow and strengthen the firm financial performance in the course of corporate tax planning. However, companies in general whether listed or unlisted should practice legitimate corporate tax planning strategy that will give rise to enhanced financial performance given that this translates into improved shareholder wealth which is the ultimate goal of a company. Hence, the need for tax experts to enlighten and sensitize the companies on the great benefit derived from an effective tax planning activity that might increase shareholder wealth.

Limitations of the Study

The study was carried out in the context of oil marketing firms across Nigeria. However, the study faced challenges on non-full disclosure of information by certain oil marketing companies that regarded information as private and confidential. This limitation was overcome by gathering information from the various sources. There was also limited empirical literatures in the oil and gas sector. The researcher therefore utilized literature that exceeded 3 years old.

Areas for Further Research

For future researchers, this study would be important in that it would act as an empirical source for their research works besides directing their research by making suggestions on areas requiring further research. This would help grow the literature on corporate governance, tax planning and sustainable financial performance of firms. Future researchers shall investigate other variables that are not used in this study. The other variables that can be used are Return on Equity (ROE), and the thin capitalization which can be investigated to discover different factors of good corporate governance and tax planning impacting on the sustainable financial performance of oil marketing companies listed in the Nigerian exchange group Ltd formerly known as Nigerian Stock Exchange.

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Appendices

Appendix 1

VIF test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of ROA

chi2(1) = 2.01

Prob > chi2 = 0.1563

. VIF

Variable	VIF	1/VIF
EFTAX	1.07	0.930820
BSIZE	1.07	0.935507
GD	1.07	0.937223
FSIZE	1.04	0.962043
MeanVIF	1.06	

Source: STATA13OUTPUTS, 2022

Appendix 2

Hausman Specification Test

Variable	Coefficients		(b-B) Differences	sqrt (diag (V_b V_B)) S.E
	(b) Fixed	(B) Random		
FSIZE	.7661582	5.747302	-4.981144	2.288587
GD	-7.310398	-	-.6598307	4.932415
		15.2 283 6		
BSIZE	-.2869291	-	0.147164	
		.301 645 5		
EFTAX	-.0001418	.0058092	-.005951	.0010958

Sources: STATA13Output



b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg
 Test: Ho: difference in coefficients not systematic
 $\chi^2(4) = (b-B)'[(V_b-V_B)^{-1}](b-B)$
 = 4.51
 Prob>chi2 = 0.3414
 (V_b-V_B is not positive definite)

Appendix 3

Breusch and Pagan Lagrangian multiplier test for random effects

	Var	sd = sqrt(Var)
ROA	20.99429	4.581952
E	9.959366	3.155846
U	0	0
chibar2(01)	0.00	
Prob > chibar2	1.0000	

Source: STATA13OUTPUTS, 2023

Appendix 4

RandomEffectRegressionResult
 .xtregROAFS,GD,BS, EFTAX,re

Random -effects GLS regression	Number of obs	=	50
Group variable: COMPANIES	Number of groups	=	10
R-sq: within=0.0289	Obs per group: min=		10
between=0.5147	avg=		10.0
overall=0.2782	max=		10
	Wald chi2(3)	=	6.88
corr(u _i ,X) = 0 (assumed)	Prob>chi2	=	0.1426

	Robust					
roa	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
fsize	5.747302	4.306527	1.33	0.182	-2.693336	14.18794
gd	-15.22836	9.156405	-1.66	0.096	-33.17458	2.717862
bsize	-.3016455	.3997213	-0.75	0.450	-1.085085	.4817938
eftax	.0058092	.0026264	2.21	0.027	.0006616	.0109568
_cons	-34.71997	34.62898	-1.00	0.316	-102.5915	33.15159
sigma_u	0					
sigma_e	3.1558462					
rho	0 (fraction of variance due to u _i)					

Sources: STATA13 Output