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TAX BURDEN AND FINANCIAL PERFORMANCE OF CONSUMER GOODS FIRMS IN NIGERIA

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ABSTRACT
This study examined tax burden and the financial performance of consumer goods firms in Nigeria over a ten-year period spanning 2016 to 2025. The specific objectives were to determine the effect of tax payable, deferred tax expense and education tax expense on the profit for the year of consumer goods firms in Nigeria. An ex-post facto research design was adopted and secondary panel data were obtained from the audited annual reports and financial statements of four consumer goods firms listed on the Nigerian Exchange Group, yielding a balanced panel of forty firm-year observations. The panel least squares regression technique was employed for the analysis. The regression results revealed that tax payable has a negative and statistically significant effect on profit for the year, with a coefficient of −16.70033 and a probability value of 0.0224, and that deferred tax expense likewise has a negative and statistically significant effect, with a coefficient of −12.75279 and a probability value of 0.0303. Education tax expense, by contrast, exhibited a positive and statistically significant effect, with a coefficient of 3.083930 and a probability value of 0.0322. The model returned an R-squared of 0.876354 and an F-statistic of 7.064982 with an associated probability of 0.002519, indicating that the three components of tax burden jointly exert a significant influence on profitability. The study concludes that tax burden significantly influences the financial performance of consumer goods firms in Nigeria, and that while tax payable and deferred tax expense reduce profitability, education tax expense reflects underlying profitability levels rather than causing improvements in performance. The study recommends that firms adopt effective tax planning strategies to reduce avoidable tax burdens, improve deferred tax management practices so as to minimise timing-related inefficiencies, and ensure efficient compliance with statutory education tax obligations without undermining profitability.

Keywords: Tax burden, tax payable, deferred tax expense, education tax expense, profit for the year, financial performance.

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Introduction

Taxation constitutes one of the major sources of government revenue and plays a significant role in promoting economic development, financing public infrastructure and providing essential social services. Governments impose taxes upon corporate organisations in order to generate revenue for the provision of public goods, the redistribution of income and the stabilisation of the economy. In Nigeria, companies operating across the several sectors, including the consumer goods industry, are required to comply with statutory obligations such as companies income tax, education tax, value added tax, withholding tax and other applicable levies stipulated by the relevant tax laws. While taxation remains an important fiscal instrument for national development, it simultaneously represents a significant financial obligation that influences the profitability and overall financial performance of corporate organisations (Adeyemi & Bello, 2025).

Tax burden refers to the total amount of taxes borne by an organisation in the course of its business operations, and it represents the financial obligation imposed upon firms through statutory payments, encompassing current tax liabilities, deferred tax expenses, education tax expenses and other tax-related obligations recognised in corporate financial statements. The magnitude of the burden affects earnings, cash flows, investment decisions, dividend policy and long-term sustainability, so that effective tax planning and efficient tax management have become important strategic considerations for organisations seeking to maximise shareholders' wealth while complying with statutory regulation. Because the burden is composite rather than unitary, its effect upon performance can only be properly understood when its constituent elements are examined separately rather than aggregated into a single charge (Okonkwo & Ibrahim, 2025).

One of the principal components of the burden is tax payable, which represents the amount of current income tax liability owed by a company to the revenue authority in respect of its taxable profit for an accounting period. Tax payable constitutes a direct financial obligation that reduces the earnings available to shareholders after tax, and consumer goods firms are required to compute and remit companies income tax in accordance with the relevant provisions of Nigerian tax law. An increase in tax payable reduces disposable corporate earnings, limits the internally generated funds available for reinvestment and may thereby influence profitability and financial performance, although efficient planning and proper administration can assist firms in minimising unnecessary tax cost while maintaining full compliance (Adebayo & Okafor, 2025).

The consumer goods industry remains one of the major contributors to Nigeria's industrial growth, employment generation, manufacturing output and government revenue, yet firms operating within the sector continue to face increasing obligations arising from companies income tax, education tax, deferred tax liabilities and other statutory fiscal requirements. These firms incur substantial liabilities through tax payable, deferred tax expenses and education tax expenses, all of which reduce the earnings available for business expansion, investment, research and development, dividend payment and other strategic activities. Mounting obligations may also reduce internally generated funds, weaken liquidity, discourage investment and limit the ability of firms to compete effectively in a business environment already characterised by inflation, foreign exchange volatility, rising production costs and intense market competition (Akanbi & Nwachukwu, 2026).

Although deferred tax expense does not require immediate cash payment, it nonetheless influences reported earnings and shapes investors' perception of corporate financial performance, while education tax expense represents an additional statutory levy that further increases the total burden borne by consumer goods firms. Firms carrying heavier obligations may consequently

experience reduced profitability, slower expansion and lower returns to shareholders where those obligations are not effectively managed. Existing empirical work in Nigeria has nevertheless concentrated upon the relationship between taxation and the financial performance of manufacturing firms, deposit money banks, oil and gas companies or listed companies generally, and comparatively little evidence exists on the effect of tax payable, deferred tax expense and education tax expense upon the profit for the year of consumer goods firms, an empirical gap that creates the need for further investigation (Oluwatobi & Okwu, 2026).

The broad objective of this study is accordingly to examine the effect of tax burden on the financial performance of consumer goods firms in Nigeria, and its specific objectives are to determine the effect of tax payable on profit for the year, to ascertain the effect of deferred tax expense on profit for the year, and to examine the effect of education tax expense on profit for the year. Consistent with these objectives the study asks what effect tax payable has upon profit for the year, to what extent deferred tax expense influences profit for the year, and how education tax expense affects profit for the year, and it tests the three null propositions that tax payable, deferred tax expense and education tax expense respectively have no significant effect on the profit for the year of consumer goods firms in Nigeria. The findings are expected to provide useful information for corporate managers, investors, revenue authorities, policymakers and other stakeholders concerned with improving tax administration, corporate tax planning and financial performance within the sector (Oladipo & Ezeaku, 2026).

The study is expected to assist the Federal Government and the revenue regulatory authorities in evaluating tax policy, improving administration, encouraging voluntary compliance and promoting the growth and sustainability of consumer goods firms; to furnish the management of those firms with information capable of improving tax planning and financial performance while assisting regulatory bodies in strengthening financial reporting, corporate governance and transparency; and to provide investors, shareholders, financial analysts and researchers with insight capable of supporting investment decisions and of serving as a reference in accounting, taxation, finance and business management. The study covers the period 2016 to 2025 and examines International Breweries Plc, Guinness Nigeria Plc, Nigerian Breweries Plc and Champion Breweries Plc, measuring tax burden by tax payable, deferred tax expense and education tax expense and measuring financial performance by profit for the year, using data drawn from the audited annual reports of those firms. Its principal limitation is that it is confined to listed firms for reasons of data availability and consistency, so that the findings may not be generalised without qualification to unlisted firms or to other sectors of the economy, and it is further limited to a ten-year window that may not fully capture changes in tax policy and corporate performance beyond the study period (Akinfenwa & Madu, 2026).

Literature Review

Conceptual Review

Tax burden refers to the total financial obligation imposed upon a firm by government through the various statutory taxes payable on its income, profits, assets and business transactions, and it represents the proportion of a firm's earnings or resources that is transferred to government in the form of taxes and other compulsory fiscal levies. The burden constitutes an important component of corporate financial management because it directly influences the amount of profit available to shareholders once statutory obligations have been met. For consumer goods firms in Nigeria the burden has become a critical issue on account of the multiplicity of taxes imposed by federal, state and local government, since these firms must comply with companies income tax, education tax, value added tax, withholding tax, capital gains tax, stamp duties and other levies

that collectively influence financial performance, so that the capacity of management to plan, manage and comply with those obligations determines profitability, liquidity, competitiveness and long-term sustainability (Akanbi & Nwachukwu, 2026).

Tax payable refers to the amount of current income tax liability that a company owes to government in respect of its taxable profit for a particular accounting period, representing the portion of corporate earnings legally required to be remitted to the relevant authority after the provisions of the applicable law have been applied. It is recognised as a current liability in the statement of financial position until settled and constitutes one of the most important components of corporate tax burden. For consumer goods firms in Nigeria, tax payable reflects the immediate obligation arising from business operations and directly affects the profit available for reinvestment, dividend distribution and expansion, so that its effective management is essential to the maintenance of financial stability, the assurance of regulatory compliance and the enhancement of corporate profitability (Oluwatobi & Okwu, 2026).

Deferred tax expense arises from temporary differences between the accounting treatment of income and expenditure under prevailing financial reporting standards and their treatment for tax purposes under the applicable revenue legislation, and it represents the tax consequence of those differences as they reverse in subsequent periods. Although it does not ordinarily require an immediate outflow of cash, it is recognised in the statement of profit or loss and therefore reduces reported earnings in the period of recognition, while also signalling to users of the financial statements the tax obligations that will crystallise in future periods. Because consumer goods firms hold substantial investments in plant, machinery and distribution assets, the capital allowance and depreciation differences arising on those assets generate material deferred balances, and the manner in which those balances are recognised and disclosed consequently bears directly upon reported profitability (Okafor & Emecheta, 2023).

Education tax expense refers to the statutory levy imposed on the assessable profits of eligible companies in Nigeria for the purpose of financing educational development across the country. It represents one of the compulsory obligations recognised in the statement of profit or loss and constitutes an important component of corporate tax burden, the proceeds being applied to the development of educational infrastructure, research, teaching facilities, staff training and other interventions within the education sector. Consumer goods firms are among the major contributors to the levy because of their profitability and the scale of their operations, and the expense therefore directly affects the profit available to shareholders once statutory obligations have been discharged and consequently influences the financial performance of those firms (Oladipo & Ezeaku, 2026).

Financial performance refers to the extent to which an organisation effectively utilises its available financial, human and material resources in the pursuit of its operational objectives and the maximisation of shareholders' wealth within a specified accounting period. It reflects the overall financial health, profitability, efficiency and sustainability of the business and serves as an important indicator of managerial effectiveness, enabling stakeholders to assess whether the firm has generated adequate returns from its operations while maintaining stability and long-term growth. In consumer goods firms the measure carries particular weight because the industry operates in a highly competitive environment marked by shifting consumer preference, fluctuating production costs, technological innovation and mounting regulatory requirement, so that performance determines the capacity of the firm to expand, satisfy shareholders, attract investment and sustain competitive advantage (Akinfenwa & Madu, 2026).

Profit for the year refers to the final earnings remaining after an organisation has deducted from total revenue all operating expenses, finance costs, taxation, depreciation, amortisation, administrative expenses, selling and distribution expenses and every other allowable expenditure incurred during an accounting period. It represents the residual income attributable to the owners of the business once all statutory and operational obligations have been satisfied, and it is among the most comprehensive measures of financial performance because it reflects the combined outcome of the firm's operating, investing and financing activities within a financial year. For consumer goods firms in Nigeria it serves as an important indicator of business success, operational efficiency, managerial effectiveness and long-term sustainability, and it is adopted as the dependent variable of this study for that reason (Akanbi & Nwachukwu, 2026).

The relationships posited among these constructs are set out in Figure 1, which depicts tax burden as the independent variable operationalised through tax payable, deferred tax expense and education tax expense, and financial performance as the dependent variable operationalised through profit for the year. The framework treats the three components as distinct channels through which the fiscal obligation transmits to reported earnings, and it is this disaggregation, rather than the aggregate tax charge, that the empirical analysis of the study interrogates (Adeyemi & Bello, 2025).

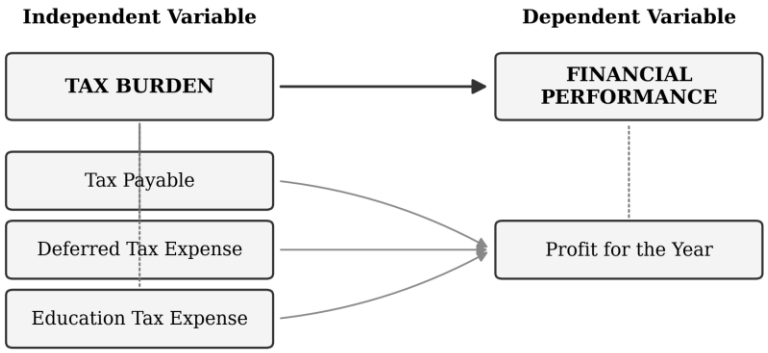


Figure 1: Conceptual Framework of the Study

Source: Author's conceptualisation, 2026.

Theoretical Framework

This study is anchored on the Ability-to-Pay Theory of Taxation, which holds that taxation should be imposed according to the taxpayer's capacity to bear the burden rather than according to the benefits received from government, and which argues that individuals and corporate organisations possessing greater financial capacity should contribute a larger proportion of their income or profits because they possess the stronger economic ability to support public expenditure (Pigou, 1920). The theory further maintains that taxation should promote fairness, equity and social justice while ensuring that the burden is distributed according to the financial strength of those who bear it, and it therefore supplies a normative standard against which the incidence of the several statutory levies may be assessed.

The theory provides the most suitable explanation for the question addressed in this study because the analysis concerns the effect of tax payable, deferred tax expense and education tax expense upon profit for the year, and each of those charges is assessed by reference to the earning capacity of the firm. Consumer goods firms operate in a highly regulated and competitive

environment in which statutory obligations constitute a major component of operating expenditure bearing directly upon profitability, so that firms recording higher earnings are expected to contribute more and consequently to experience a larger absolute reduction in distributable profit. The theory therefore furnishes an appropriate framework for explaining the relationship between tax burden and financial performance, and it also anticipates the possibility, examined in the results section below, that a profit-sensitive levy such as education tax may move in the same direction as earnings rather than against them (Adekunle, 2024).

Empirical Review

Adebayo and Udo (2019) examined the effect of tax payable on the return on assets of listed manufacturing firms in South Africa, covering twenty firms listed on the Johannesburg Stock Exchange and drawing on audited financial statements from 2010 to 2018. An ex-post facto design was adopted and panel regression analysis employed, with return on assets used as the dependent variable in order to capture efficiency in asset utilisation and tax payable measured as the current tax liability recognised in the statement of financial position. The findings revealed that tax payable exerts a significant negative effect on return on assets, indicating that higher obligations reduce the earnings generated from total assets through the contraction of retained earnings available for reinvestment, and the study further observed that firms carrying heavy burdens tend to underutilise assets on account of liquidity constraints.

Eze and Mensah (2019) investigated the relationship between tax payable and the return on equity of listed banking institutions in Ghana, covering twelve banks and using secondary data drawn from annual reports for 2011 to 2018, with ordinary least squares regression as the estimation technique and return on equity employed to measure the creation of shareholder wealth. The study revealed that tax payable significantly reduces return on equity, implying that higher obligations diminish the net earnings available to equity holders, and it emphasised that institutions carrying substantial burdens experience declining investor returns through reduced distributable income and lower reinvestment capacity. Both studies are similar to the present one in their treatment of the current tax liability but differ in jurisdiction, in sector and in the performance measure adopted.

Okafor and Emecheta (2023) examined the effect of deferred tax expense on the return on equity of listed manufacturing firms in South Africa, covering eighteen firms over the period 2012 to 2021 by means of an ex-post facto design and panel regression analysis, and disaggregating deferred tax expense into deferred tax liabilities and deferred tax assets in order to capture its full effect upon profitability. The findings revealed a significant negative effect on return on equity, indicating that higher deferred obligations reduce shareholders' returns through timing differences in income recognition and the accumulation of future liabilities, and the study further observed that firms holding large deferred balances tend to experience reduced dividend capacity and lower retained earnings.

Umeh and Nwachukwu (2023) investigated deferred tax expense and the economic value added of listed industrial firms in Ghana, using fifteen firms selected from the Ghana Stock Exchange over the period 2011 to 2020, adopting panel least squares regression and controlling for firm size, leverage and capital intensity. The findings showed that deferred tax expense significantly reduces economic value added, suggesting that timing differences impair the capacity of firms to generate value once the cost of capital has been taken into account, and the study noted that firms with higher deferred liabilities frequently face reduced investment flexibility. The study is similar to the present one in its treatment of the deferred component but differs in the performance measure adopted and in its geographical scope.

Adegoke and Yusuf (2025) examined the effect of education tax expense on the return on equity of listed manufacturing firms in India, covering twenty firms over the period 2014 to 2023 by ex-post facto design and panel regression, and decomposing the expense into statutory education levies and sectoral development taxes. The findings revealed a significant negative effect on return on equity, indicating that mandatory educational levies reduce shareholders' returns by increasing the overall burden and contracting the earnings available for reinvestment. Okoye and Sharma (2025), investigating education tax expense and the economic value added of seventeen listed industrial firms on the Bursa Malaysia over the period 2013 to 2022 by panel least squares regression with controls for firm size, leverage and capital intensity, likewise found that the levy significantly reduces economic value added.

Chukwu and Patel (2025) analysed the relationship between education tax expense and the return on assets of fourteen listed commercial banks in Kenya, using secondary data drawn from financial statements for 2012 to 2022 and adopting a panel regression approach. The findings revealed a significant negative relationship between the two variables, indicating that education-related statutory contributions reduce asset efficiency by increasing total outflows and lowering the net income available for asset utilisation, and the study further explained that institutions recording higher profitability tend to incur larger education tax obligations because of their broader earnings base. That last observation is directly germane to the present study, since it raises the possibility that the observed association between the levy and performance may reflect the sensitivity of the levy to profit rather than any causal influence running in the opposite direction.

Considered as a body, the empirical literature reviewed above discloses several gaps that justify the present investigation. Most of the reviewed studies employed data ranging from 2010 to 2024, with very limited evidence extending into the most recent fiscal periods, which creates a temporal gap because tax regulation, corporate reporting standards, inflationary pressure and fiscal policy have altered substantially in recent years across emerging economies and those alterations bear directly upon corporate tax burdens and reported profitability. Almost all of the reviewed work was moreover conducted outside Nigeria or outside the consumer goods sector, and none examined the current, deferred and education components within a single specification against profit for the year. This study addresses those gaps by incorporating more recent data and by estimating the three components jointly, thereby providing updated evidence on how each influences profitability under contemporary economic and regulatory conditions (Adeyemi & Bello, 2025; Okonkwo & Ibrahim, 2025).

Methodology

This study adopted an ex-post facto research design, the justification being that it relied upon already existing and published audited financial statements and annual reports of listed consumer goods firms in Nigeria, and that the researcher did not manipulate any of the variables, namely tax payable, deferred tax expense and education tax expense as the independent variables or profit for the year as the dependent variable. The area of the study is Nigeria, with specific focus on consumer goods firms listed on the Nigerian Exchange Group, and the study utilised secondary data obtained from audited annual reports and financial statements. The population comprises the twenty-one consumer goods firms listed on the Nigerian Exchange Group as at 31 December 2025, and a purposive sampling technique was employed, involving the deliberate selection of firms on the basis of relevance to the study and the availability of complete financial data, from which four firms were selected out of that population (Adebayo & Okafor, 2025).

The model is specified in functional form as PFY = f(TP, DTE, ETE), and in linear regression form as $PFY_{it} = \beta_0 + \beta_1 TP_{it} + \beta_2 DTE_{it} + \beta_3 ETE_{it} + \mu_{it}$, where PFY denotes profit for the

year as the dependent variable, TP denotes tax payable, DTE denotes deferred tax expense, ETE denotes education tax expense, β_0 is the constant term, β_1 to β_3 are the coefficients of the explanatory variables, μ is the error term, i indexes the firm and t indexes the time period. The a priori expectation is that tax payable, deferred tax expense and education tax expense will each bear a negative relationship with profit for the year, because a heavier burden reduces retained earnings, increases total expenses and lowers overall profitability, although the theoretical framework adopted admits the possibility that a profit-sensitive levy may behave otherwise (Adekunle, 2024).

The data covering the period 2016 to 2025 were analysed using panel regression techniques, an approach appropriate to the present purpose because it combines the time-series and cross-sectional dimensions of the data and thereby permits control for firm-specific and period-specific effects across the balanced panel of forty firm-year observations. Descriptive statistics were computed before estimation in order to summarise the characteristics of the data, including the mean, standard deviation, minimum and maximum values, skewness, kurtosis and the associated probability values, and the Jarque-Bera statistic was used to assess the normality of each series. The decision rule adopted for hypothesis testing is that a null hypothesis is rejected where the probability value associated with the estimated coefficient is less than 0.05 and is not rejected otherwise, and all computations were performed with EViews version 10.0 (Okafor & Emecheta, 2023).

Results and Discussion

The data used for this study were obtained from the audited annual reports and financial statements of the selected consumer goods firms listed on the Nigerian Exchange Group and covered the ten-year period from 2016 to 2025. The variables extracted for analysis were profit for the year, tax payable, deferred tax expense and education tax expense, each derived from the statement of profit or loss and other comprehensive income and from the statement of financial position of the selected firms, and the data were carefully extracted, coded and organised so as to ensure consistency and suitability for statistical analysis. The descriptive characteristics of the four series are reported in Table 1 (Akanbi & Nwachukwu, 2026).

Table 1: Descriptive Statistics of the Study Variables

Statistic	Profit for the year	Tax payable	Deferred tax expense	Education tax expense
Mean	0.234750	1.259229	−0.908110	0.351118
Median	3.060000	0.449322	0.069693	0.561507
Maximum	13.72000	31.94322	0.503542	0.990441
Minimum	−26.87000	0.161324	−38.88415	−6.940930
Std. Dev.	10.99503	4.981307	6.166389	1.209977
Skewness	−1.090842	6.064439	−6.060940	−5.667614
Kurtosis	3.192586	37.86302	37.83165	34.70394
Jarque-Bera	7.994717	2270.900	2266.973	1889.379
Probability	0.018364	0.000000	0.000000	0.000000
Sum	9.390000	50.36914	−36.32441	14.04473
Sum Sq. Dev.	4714.735	967.7234	1482.950	57.09772
Observations	40	40	40	40

Source: Author's compilation using EViews 10.0 statistical software, 2026.

Using the conventional benchmark of plus or minus one, variables falling within that range are treated as approximately normally distributed while values outside it indicate departure from

normality. The skewness value for profit for the year of −1.090842 indicates slight negative skewness, meaning that the distribution is tilted towards lower profit values on account of a small number of extreme negative observations, and suggesting that while most firms recorded moderate to high profits a few severe losses distorted the distribution. Tax payable, at 6.064439, exhibits extreme positive skewness attributable to a small number of firms carrying exceptionally high obligations, which reflects the inequality of the burden across firms and confirms the presence of significant outliers, while deferred tax expense at −6.060940 and education tax expense at −5.667614 both exhibit extreme negative skewness indicating that the distributions are heavily influenced by unusually low or negative values arising from inconsistent recognition of timing differences (Okafor & Emecheta, 2023).

Applying the conventional benchmark of three for kurtosis, values above that threshold indicate leptokurtic distributions with heavy tails and outlying observations. Profit for the year, at 3.192586, lies only slightly above the benchmark and therefore indicates mild leptokurtosis, suggesting a broadly normal shape disturbed by some extreme profit or loss values. Tax payable at 37.86302 shows extreme leptokurtosis indicative of a highly peaked distribution with significant outliers, reflecting the fact that a small number of firms carried exceptionally high obligations relative to the remainder, while deferred tax expense at 37.83165 and education tax expense at 34.70394 exhibit comparable severity, indicating strong concentration of values about the mean with heavy tails produced by outlying observations. All four series accordingly display pronounced departure from normality (Umeh & Nwachukwu, 2023).

The Jarque-Bera test assesses normality at the five per cent level of significance, and the probability value for profit for the year of 0.018364 lies below that threshold, indicating that the series is not normally distributed. The probability values for tax payable, deferred tax expense and education tax expense are each below 0.000001 and therefore likewise confirm departure from normality. All four variables consequently reject the assumption of normality, which suggests that the dataset contains significant skewness and outlying observations. This pattern is typical of financial panel data involving taxation and profitability measures, where a small number of large firms and occasional loss-making years generate distributions that depart materially from the Gaussian form, and it does not impair the validity of the least squares estimates given the size of the panel (Adegoke & Yusuf, 2025). The regression results are reported in Table 2.

Table 2: Panel Least Squares Regression Results

Variable	Coefficient	Std. error	t-Statistic	Prob.
Tax payable	−16.70033	7.007981	−2.383044	0.0224
Deferred tax expense	−12.75279	5.661159	−2.252681	0.0303
Education tax expense	3.083930	1.386613	2.224074	0.0322
Constant	9.683342	3.995364	2.423644	0.0204

Table 3: Model Summary and Diagnostic Statistics

Model statistic	Value
R-squared	0.876354
Adjusted R-squared	0.737238
S.E. of regression	9.602645
Sum squared residual	3411.799
F-statistic	7.064982
Prob (F-statistic)	0.002519
Durbin-Watson statistic	1.751763
Observations (balanced panel)	40

Note. Dependent variable: profit for the year. Method: panel least squares. Sample: 2016–2025; periods included: 10; cross-sections included: 4. Source: Author's compilation using EViews 10.0 statistical software, 2026.

The coefficient of tax payable is −16.70033 with a probability value of 0.0224, which lies below the five per cent threshold and therefore indicates that tax payable has a negative and statistically significant effect on profit for the year. A one-unit increase in tax payable is associated with a reduction of approximately 16.70 units in profit for the year, other variables held constant, implying that heavier current obligations significantly reduce retained earnings and weaken overall profitability as firms direct a larger share of operating cash flow towards the settlement of tax liabilities rather than towards reinvestment or dividend distribution. The first null hypothesis is accordingly rejected, and the finding corroborates the earlier evidence obtained on the current tax liability in comparable jurisdictions (Adebayo & Udo, 2019; Eze & Mensah, 2019).

The coefficient of deferred tax expense is −12.75279 with a probability value of 0.0303, which likewise lies below the five per cent threshold and indicates a negative and statistically significant effect on profit for the year. This suggests that increases in deferred obligations reduce current profitability, principally because of timing differences in income recognition and the accumulation of liabilities falling due in later periods, and it reflects the pressure that the deferred component places upon earnings stability and long-term financial planning. The second null hypothesis is therefore rejected. The result is consistent with the evidence that deferred balances reduce shareholder returns and constrain dividend capacity among firms holding substantial long-lived assets (Okafor & Emecheta, 2023; Umeh & Nwachukwu, 2023).

The coefficient of education tax expense is 3.083930 with a probability value of 0.0322, which lies below the five per cent threshold and indicates a positive and statistically significant effect on profit for the year, so that the third null hypothesis is also rejected. This unexpected positive relationship most plausibly indicates that firms recording higher profitability pay more education tax because the levy is assessed on assessable profit, which implies a reverse causal ordering in which profitability drives the levy rather than the levy enhancing profit, and it may additionally reflect compliance behaviour whereby the more profitable firms contribute more fully to statutory obligations. The interpretation aligns with the observation, made in respect of Kenyan banks, that institutions recording higher earnings incur larger education-related contributions precisely because of their broader earnings base (Chukwu & Patel, 2025; Okoye & Sharma, 2025).

The R-squared value of 0.876354 indicates that approximately 87.64 per cent of the variation in profit for the year is jointly explained by tax payable, deferred tax expense and education tax expense, which establishes that the model possesses strong explanatory power and that tax-related variables play a major role in determining profitability among consumer goods firms. The adjusted R-squared of 0.737238 shows that approximately 73.72 per cent of the

systematic variation remains explained once the degrees of freedom have been taken into account, the residual 26.28 per cent being attributable to factors outside the model such as production efficiency, exchange rate fluctuation, operating costs and managerial effectiveness. The F-statistic of 7.064982 with an associated probability of 0.002519 indicates that the overall model is statistically significant, and the Durbin-Watson statistic of 1.751763, lying close to two, indicates that no serious autocorrelation is present and that the residuals are independently distributed, so that the estimates are reliable for inference and for policy interpretation (Akinfenwa & Madu, 2026).

The finding that tax payable reduces profit for the year is economically intuitive, since the liability represents a compulsory outflow that directly diminishes the earnings available for distribution to shareholders or for reinvestment in operations, and heavy liabilities additionally reduce liquidity by compelling firms to allocate a larger proportion of operating cash flow to tax settlement rather than to production expansion, marketing activity or capital investment. The parallel finding for deferred tax expense indicates that the deferred component reduces current profitability by introducing differences between accounting profit and taxable income, which arise where income and expenses are recognised in different periods for accounting and for tax purposes and which generate future obligations that reduce expectations of future cash flow. Taken together the two results establish that the current and deferred elements of the burden operate in the same direction upon reported earnings (Oluwatobi & Okwu, 2026; Okafor & Emecheta, 2023).

The result obtained for education tax expense requires a different construction. The levy does not appear to reduce profitability directly; rather it moves in tandem with firm performance, and because it is computed by reference to assessable profit the firms generating higher earnings are naturally required to pay more. The positive coefficient should therefore be read as evidence of the profit-sensitivity of the levy rather than as evidence that the levy improves performance, and the practical implication is that management should not treat a rising education tax charge as a symptom of deteriorating tax efficiency. This reading is consistent with the Ability-to-Pay Theory upon which the study is anchored, since that theory predicts precisely that firms of greater financial capacity will contribute proportionately more, and it accounts for the divergence between the present result and the negative coefficients reported in jurisdictions where the levy is assessed on a different base (Pigou, 1920; Adegoke & Yusuf, 2025).

Conclusion

This study concludes that tax-related obligations exert a significant effect on the financial performance of consumer goods firms in Nigeria. Tax payable and deferred tax expense each exert a negative influence on profit for the year, implying that increased current obligations and timing differences in tax recognition reduce retained earnings and overall profitability, and that heavier burdens place liquidity pressure on firms while contracting the proportion of income available for reinvestment and for the creation of shareholder value. Education tax expense, by contrast, shows a positive and significant relationship with profit for the year, which reflects the profit-sensitivity of the levy rather than any direct enhancement of performance, since firms of greater earning capacity necessarily contribute more (Akanbi & Nwachukwu, 2026; Adekunle, 2024).

The explanatory power of the model, reflected in an R-squared of 0.876354 and a significant F-statistic, further indicates that the three tax variables jointly play a substantial role in determining profitability within the consumer goods sector. A material proportion of the variation in profit for the year nonetheless remains attributable to factors lying outside the model, among them operating efficiency, the structure of production costs, inflationary pressure, exchange rate fluctuation and managerial effectiveness, and this residual variation should be borne in mind by

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those who would draw policy conclusions from the estimates reported here. The wider implication of the analysis is that the composition of the tax burden, and not merely its aggregate magnitude, determines its effect upon corporate performance (Adeyemi & Bello, 2025; Akinfenwa & Madu, 2026).

Recommendations

Arising from the findings, the study recommends first that consumer goods firms in Nigeria strengthen their tax planning strategies with a view to reducing excessive tax payable burdens through effective cost management and the full utilisation of allowable deductions, since the significant negative coefficient obtained establishes that high current obligations materially reduce profitability. It recommends second that management adopt more efficient deferred tax management practices by improving the alignment of revenue recognition with tax reporting, so as to reduce the adverse effect of deferred tax expense on profit for the year and to limit the accumulation of obligations that will fall due in later periods (Adebayo & Okafor, 2025; Okafor & Emecheta, 2023).

The study recommends third that firms comply fully and efficiently with education tax requirements while ensuring that increased profitability is not eroded through inefficient cost structures, since the expense reflects profitability levels rather than improving them directly and should accordingly be planned for as a function of expected earnings rather than treated as an avoidable charge. Finally, it recommends that revenue authorities and policymakers take account of the differential effects established here when framing fiscal policy for the consumer goods sector, so that measures designed to raise public revenue are calibrated to preserve the reinvestment capacity upon which the future earnings base, and therefore future collections, ultimately depend (Okonkwo & Ibrahim, 2025; Oladipo & Ezeaku, 2026).

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