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Consequences of Corporate Tax on Dividend Policy of Selected Firms in Nigeria

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Abstract: *The study evaluated the consequences of corporate tax and dividend policy DVP of listed firms in Nigeria from (2012-2022). Sample size purposively selected six firms with the highest dividend yield stock out of the population of ten firms with the highest dividend yield stock within the period. To achieve this, three variables of corporate tax: company income tax CIT, education tax ETAX and value added tax VAT were applied to determine their consequences on corporate DVP. Research analyses methods applied the following statistical models: Descriptive statistics, Pearson Correlation, Unit Root, Error Correction and Panel ordinary least square. The model showed an overall significant at 5% level. Further, the model values showed about R-square 0.92 (92%), and adjusted R-square 0.93 (93%) of the systematic variations in the dependent variable (DVP), was individually and jointly explained by the independent variables; while the unexplained part of the dependent variable were outside the scope of this study. Other results showed that: CIT and VAT are negative and significant; while ETAX is negative and non-significant on the pooled firms' DVP for the period considered. Recommendations are that: government should not indiscriminately raise tax rate because it can negatively change firms' DVP; and possibly reduce investing interests in such corporate shares. The study contributes with: the variables that were positive and significant on DVP in Nigeria, the modernized models and the empirical literatures for academia.*

Keywords: Corporate; Dividend; Value; Tax; Education; Income.

Introduction

Background to the Study

Hamid, Harit, Sait-Ui-Maloon and Wasimullah (2017) defined dividend as "the money a company pays to its shareholder from the profit made over a period of time". Dividend policy decision of any firm has always been very crucial to any corporate firm from time to time. Such decisions that involve the total amount and unit per dividend on each share that should be declared is a matter that needs round table decisions by the board of directors; while dividend amount to be declared out of the profits is affected by the total net profit after tax deduction. The total profit after tax is as well affected by many factors ranging from the exogenous to endogenous factors surrounding the firm's existence. Corporate authorities such as Board of Directors and financial managers have the final decision as regards the proportion of the total corporate profit for the period under reviews that are to be allotted as dividend to shareholders, (Oboh, & Dabor, (2019), and as well the amount of reserves to be taken into account. As a matter of facts, dividend payout policy has been viewed by some authors as important considerations by several interested parties such as: shareholders, academia, accounting practitioner, investors etc. (Li, Ying-Feng, Song & Man-shu, 2016). The total profit earned by corporations are affected by both endogenous and exogenous factors; while dividend payout amount is specifically affected by some endogenous decisions such as the corporate tax systems applicable within the economy of the host country of the corporate operations under considerations. Government tax decisions can be either an encouraging or discouraging factor to both society and corporations, (Onwuka, 2019; while corporate dividend payout policy is viewed by Omran and Pointon (2010), as a trade-off between "retaining earnings and paying out cash or issuing new shares". Low dividend payout policy of any corporate is in direct opposite relations with the total amount of retained earnings for further expansion (Adelegan, 2013). Some opinions argue that corporate taxation paid should not be misinterpreted with individual income tax, (Adegbite, & Shittu 2018).

The history of corporate tax in Nigeria dates back from the colonial era known as company income tax act CITA, 1960; but this was codified with 1961, and replaced by 1979 CITA. Ever since that period, there have been many amendments called Financial Taxation Provisions in the form of various decrees enacted from 1979 to 1999 up to the establishment of CITA of 2007. The CITA of 2007 vested the Acts' regulations and administrations on the Federal Inland Revenue Services FIRS, (Ani & Ugbo, 2010). It is the FIRS board that is vested with the power of administering tax rules and collecting the tax revenues in Nigeria. Thus taxation is not a new development in Nigeria, (Azubuike, 2017).

The impact of taxation on dividend policies of firms has been a long debate, first by Miller and Modigliani theory known as "M and M" (1961) and Dharmapala, (2018) on whether tax is irrelevant or not on firm's dividend decision. Hubbard, (2015) agrees that it reduces "the distortions to organizational form, pay-out policy and financing decisions". Brennam (2010); Masulis and Trueman (2018); Wu, 2016) all argue that government tax policy affects the level of firms' dividend payout. On the other hand, there are other factors that can change dividend payout policy of corporation such as: frequent changes in the tax laws, the environment where tax is administered and the institutions that administer it, and the various forms of tax involved; can also impact on the amount of tax to be paid which in turn determined the amount of corporate dividends policy. Thus, we argue: if tax systems influence corporate decisions on dividend payout policy, to what extent does tax policy influences it?

Various forms of taxes systems are part of the exogenous factors that determine the amount of corporate left over funds after taxes are paid. Some past literatures have argue that tax systems affects financial status of firms (Onoja & Ibrahim, 2020; Olaoye & Ayeni, 2019; Oraka, Okegbe & Ezejiofor (2017; Usman & Adegbite, 2015; Nweze, Ogbodo, & Ezejiofor, 2021) and ultimately this will determine the level of net profit after tax. In other words, they argue that there is a significant relationship that tax moderation has on financial performance and dividend payout policy of corporations. This study continues to argue, to establish if there is any direct relationship that various tax systems have on dividend payout policy of corporate in Nigeria. Abiahu & Amahalu, (2017) found a negative significant relationship between tax and dividend policy". Sanjay and Ravinder, (2019) reported that change in tax system affects dividend policy. Offiaeli and Oziegbe, (2019), discovered that the level of taxes paid does not determine dividend policy. Matray and Boissel (2020) found that tax increase makes firms to swiftly cut dividend payments and use this tax-induced increase to invest more. Eklund, (2022), discovered that income taxes as it relates dividends does not relate with the amount of dividend payout to investors outside or within. Thus, this study asserts according to (Ugwu, 2020) that dividends are returns from corporate earnings to shareholders and they are one way to receive a return from investment shares. Therefore, it is received as a reward for investing money through shares in a company. Ugwu, (2020), asserted that prior literatures have argued that, "there are a number of factors affecting dividend policy decisions of a firm such as investor's preference, earnings, investment opportunities; actual or target capital structure, flotation costs, signaling, stability, government policies and taxation". However, this study argues on one of these factors on whether taxation system reduces the amount of dividends paid to shareholders or not. The literatures considered already show that there is not a clear assertion on whether tax systems, really relate positively with dividend policy or the amount of dividends to be paid or not. This study seeks to find out if there is any such relationship that exists between tax systems and dividend policy of selected firms in Nigeria with the highest dividend payout stock from 2010 to 2021.

Objectives of the study

The main focus of this work is to determine the consequences of corporate tax on dividend policy of selected firms listed in Nigeria stock exchange Ltd. Other objectives are to determine the consequences of: company income tax CIT, education tax ETAX and value added tax VAT relates on dividend policy from 2011 to 2021.

Research questions

The research questions focuses on what are the consequences of CIT, ETAX and VAT with dividend policy of selected firms?

Research Hypotheses

CIT, ETAX and VAT have no significant relationship with corporate dividend policy of firms in Nigeria

Review of Related Literature

Conceptual Review

Dividend Policy

According to (Abor, and Bokpin, (2010); Ugwu, 2020) , the early stages of researching on dividend policy, gave researches only two choices of studying corporate as they choose to pay dividends to shareholders in cash or retain a part of the earnings. Dividend policy and payments were focused on the occurrence of distribution such as: annually, semi-annually or quarterly and what has the firm to offer, (Aduda & Kimathi, 2011). But, dividend policy has been discovered in terms of not only ordinary aspects such as the company's options to pay dividends in cash or redeeming shares, but also other issues such as how to balance the interests between high tax bracket investors and low tax bracket investors, (Ugwu, 2020). Dividend policy according to Eniola, and Akinselure, (2016) is the method of choosing appropriate dividend policy by management on the amount of dividend to pay to shareholder and the retention to account after every accounting year. Oworu, (2015) said that "dividend policy comprises the guidelines, regulations, and corresponding decisions of managers of a company concerning dividend payments to the shareholders of the company". Dividend policy is a function of dividend payout ratio, (Akani & Sweneme 2016). Increase in dividends has resulted in increase in stock prices (Fairchild, 2010), and it "serves as an indicator" to the corporate future growth, (Kajola, Adewumi, & Oworu, 2015).

This study applies three theories that postulates investor's preferences as it pertains to dividend policy as according to (Ugwu, 2020): 1) "Dividend Irrelevance Theory", which some argue that the dividend policy neither effects stock price nor on its cost of capital; If it is non-significant, thus it is irrelevant, Modigliani-Miller (MM), propounded this theory; 2) Theory of Bird in the Hand was proposed by (Gordon, 1962; Gujarati, 2003), who argue that "equity will decrease if the dividend payout ratio is raised", because shareholders do not trust in the unknown returns that capital gains yield from retained earnings instead of paying them dividends. Hashemijoo, and Ardekani, 2012) also argue, that investors are much more appreciative of the expected earnings from dividends than those from capital gains. Bird in the hand theory posited that the firm value will be maximized by setting a high dividend payout ratio. Then, 3) Tax Preference Theory or Tax Differential theory was proposed by Litzenberger and Ramaswamy, who argue that "due to taxes on dividends and capital gains, investors prefer capital gains because they can delay tax payments" (Hashemiyoo, 2012). The theory of tax Dividends policies, according to (Inyiama., Okwo & Inyiama, 2015) are "payments by a corporation to its shareholder members that forms part of corporate profits paid to shareholders".

Companies Income Tax CIT

Taxation is a compulsory levy imposed on all kinds of: incomes, goods, services, properties of individuals, partnership, trustees, companies and all that are taxable by authorities (Yunusa, 2013). Also, Nwadighoha (2011) defined it as "a compulsory levy imposed by a public authority" in all kinds of productions and services or earnings such as "interest income, dividends, royalties, etc". Soyode and Kajola (2016) explained tax to be a "system of raising money for the purpose of government". Agbo (2014), on the other hand says it is "a compulsory contribution imposed by the government" on all earned or received income. Companies Income Tax (CIT) is a tax on the profits of registered firms and foreign companies carrying on any business in Nigeria; unless exempted from tax for reasons as provided in the company income tax laws. Resident companies are incorporated and they pay tax under the Companies and Allied Matters Act (CAMA) 2004. Every corporation "shall pay provisional tax not later than three months from the beginning of each year of assessment which is an amount equal to the tax paid in the previous year of assessment" (Joseph & Omodero, 2020). CIT is imposed on all registered firms and public limited liability companies, Anyaduba (2017). CIT on adjusted profit to arrive at tax purposes only, (Osundina & Olanrewaju, 2019). However, according to Onoja and Ibrahim (2020) a "minimum tax under CITA" can emerge, when a corporation made a loss or has no tax to pay or tax payable is less than minimum tax. There are other forms of taxation imposed that can affect corporate dividend policy such as: withholding tax on dividend, interest, or royalties received by Nigerian companies; company income tax, tax represents a sacrifice based on the profits of companies for the purpose of creating revenue for the government (Doki & Sule, 2015); Education Tax, introduced in 1993 for supporting research and infrastructural development which is at the rate of 2 percent, (Ekeocha, Ekeocha, Malaou & Oduh, 2012). Imed & Saadi, (2008) discovered that taxation does not impact firms' dividend policy.

Mohammed, & Meziane, (2008) show the kind of "dividend tax system impact the size of dividend payout; while the tax rate" difference within dividends and capital gain impact decisions on either "to pay, initialize, increase, cut" or not to pay dividends. Onwuka, (2019) reported that corporate returns positively affects dividend pay; while taxes paid reduces the amount of divided paid by banks in Nigeria. Iorlaha., Kukeng1 And Orban, (2021) discovered that tax paid by corporate is "significant on progressive dividend, constant dividend and zero dividend" of firms in Nigeria. Ani., Okorie and Onyeji (2023), found CIT positive and significant on dividend policy in Nigeria. Lu, (2020), reported that dividend payout relates with the amount of tax paid at long run.

Education Tax ETAX

PCW, (2023) says that ETAX is imposed on every Nigerian corporate at 2.5% of their assessable profit for the period and is given two month to be paid as soon as notice of assessment is received from FIRS. ETAX is treated as allowable deduction in other corporates; while it is not tax deductible for oil and gas industries under Petroleum Industry Act PPA 2021 and non-resident firms and companies not corporate are exempted from education tax. Ordu, & Nkwoji. (2019) reported that education tax revenue generated is significant on GDP. Onwuzurike and Ugwu, J. (2020 found that CIT and ETAX is positive and significant; while ETAX is negative and non-insignificant on Asset Turnover in Nigeria.

Value Added Tax VAT

Oghuma (2017), stated that VAT is a "consumption tax levied at each stage of the consumption chain" suffered by the final buyer of the products or services. VAT is imposed on every purchase (Kagan, 2019); but exempted from VAT are such services by: Lawyers, Engineers, Accountants, Contractors and Consultants etc., (Asquith, 2019). Wikipedia, traced VAT origin to the "French Economist, Maurice Laure in 1954". However, in Nigeria it surfaced in 1991 to replace sales tax of 1986 and become effective as Economic Development from 1994-2018 and was first issued in Decree No. 102 of 1993, but started functioning from 1994 January up to date; (Odiambo & Olushola 2018) asserted that, VAT is controlled by VAT Act Cap V1, LFN 2004 as amended in Nigeria, but administered by FIRS. VAT cuts across all consumables goods, services made by persons, government or its agencies, firms and organizations in both wholesaler, retailer and otherwise to the final consumer of the goods and services who pay in input tax and ultimately refunded by the consumer in output tax.

Empirical Review

Ani., Okorie and Onyeji (2023) investigated the factors affecting dividend policy DVP decisions in Nigeria from 2011 to 2020. They applied secondary data collected out of "sample of two of five pharmaceutical" firms. Their analysis methods were "correlation and regression". The findings were "that firm liquidity and leverage" were "positive and non-significant" on DVP; while CIT is "positive and significant on DVP" Chuang, Chen, Lin and Lee, (2018) investigated DVP, dividend payout impact on tax reform. The study used 790 observations before; and 871 after cut in tax credits. Their analysis results were that dividend payout ratios DVPR reduced after the tax reform reduction and that firms who offer stable dividends keep steady DVP in their DVPR. Oloyede, Olaoye and Oluwaleye, (2018) observed "the impact of corporate taxes on dividend policy of firms in Nigeria". The study used CIT and ETAX on dividend per share of ten consumer firms, (2011-2015). Their analysis methods applied "pooled OLS, fixed and random effect". They discovered that CIT does not impact DVP firms in Nigeria. Chidoziem and Ndubuisi, (2017) examined taxation effects on DVP of banks in Nigerian (2006- 2015). The analysis applied correlation, and OLS regression techniques. The study discovered that tax has a negative and significant affect on DVP. Mohammed and Hauwa, (2015) investigated effect of corporate tax on DVP consumer goods in Nigeria (2009-2013). The statistical methods used OLS regression, fixed and random effect. Their results show that taxation and board structure do not impact DVP of firms. Odia and Ogiedu, (2013) examined taxes effect on the DVP of 19

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banks in the Nigerian. Their analyses results show that profitability and taxation are negative and non- significant on DVP of banks. In India, Pandey and Ashvini (2016) studied dividend policy DVP from (2003-2012). One of their major findings was CIT is significant on earning per share EPS and it predict DVP's payout of the firms. Onwuka, (2019) examined corporate taxation, profit and dividend payments in Nigeria banks. The analysis used standard multiple regression and found that profit is positive on DVPs; while corporate taxes decrease DVP in Nigeria banks.

Sajid, Muhammed, Bilal, Shafiq and Mehran (2012) investigated taxation and dividend policy on 120 firms in Karachi (2000-2011). The analysis applied "Panel standard multiple regression" and the result found a positive and statistically non-insignificant relationship between profit and taxes; while dividend has positive relationship with profit. The analysis using OLS to determine CIT effect on DVP from (2006-2010) on forty banks in Nigeria by (Uwuigbe & Olowe (2013), found a positive and significant impact between corporate income tax and DVP of sampled firms. Samuel and Iyanda (2010) studied CIT on DVP fifteen firms in Nigeria. This was anaysed with correlation and regression techniques. The study found that any change in CIT find a correspondence change DVP of the selected banks; while DVP is positive with firms' profitability. Onuorah and Chigbu (2013) investigated taxation on corporate reserve and DVP in some Nigeria firms from (2000-2011). The findings show that reserves and tax do not affect DVP in Nigeria.

Research Methods

Research Design

Ex-post facto research design was used in the course of this study and data was collected from the financial reports of the selected firms.

Population, Sample Size and Sampling Techniques

Sample size purposively selected six firms out of the population of ten firms that have the highest dividend yield stock for 2022 chosen from the several listed and quoted firms from, (2012-2022), and retrieved from the publications online, Nigerian Exchange Limited, 2022.

Data analysis Methods

The study analyses methods applied: Descriptive statistics, Correlation, Unit Root, Error Correction Model and Ordinary Least Square OLS panel data

Model Specification

The study determines the consequences of corporate tax and dividend policy by adapting the models of Iorlaha., Kukeng1 and Orban (2021) as:

(Dividend policy) = f(Corporate Tax) (PDP, CDP and ZDP) = (Corporate Tax) $PDP_{it} = ß0 + ß1CT_{it} + \varepsilon_{it}$ ……………………………………………..(1)

The study developed the empirical model by modernizing the above to ascertain the consequences that the study explanatory variables have with the dependent variable.

Model modified as:

$DVP_{it} = \beta\alpha 0 + \beta\alpha_1 CIT_{it} + \beta\alpha_2 ETAX_{it} + \beta\alpha_3 VAT_{it} + \mu_{it}$ ....(2)

Where the study define the working variables as follows:

Where $\alpha 0 \neq 0$, $\alpha_1, \alpha_2, \alpha_3 > 0$; the a priori $\alpha 0$, α_1, α_2, α_3, and $\beta 0$, β_1, β_2, β_3, as the parameters of the models to be estimated. These show the model signs and sizes or the model directions and magnitudes of the estimated coefficients

$lgDVP_{it} =$ Dividend Policy of the firms; where the lg = the log which is the logging line that raises the model for easy interpretation of the coefficient of study variables in any form or amount in values differing in some years; β_o = Constant term (intercept) of the study model; β_1- β_3 = Explanatory variables coefficients of government tax systems imposed on firms; μ_t - μ_t = Stochastic Elements that represent all other variables affecting dividend policy decisions of the firms which were not captured in our models; CIT_{it} = Corporate income tax, i in period t; $ETAX_{it}$ = Education tax, i in period t; VAT_{it} = Value added tax, i in period t; while t = 11 years from (2012-2022).

Data Presentation, Analysis, Interpretation, Discussions and Summary of Findings, Contribution and Recommendations

Descriptive Statistics Analysis Table

Model: 1 Descriptive Statistics Tables

	DVP	CIT	ETAX	VAT
Mean	11.7982	11.0685	10.7752	11.1649
Median	12.3918	11.3549	9.88184	12.0475
Maximum	16.946	16.8435	17.4410	15.6922
Minimum	7.94560	6.57326	4.95512	6.02053
Std. Dev.	2.56533	2.50230	3.39052	2.50886
Skewness	-0.10655	0.08206	0.27450	-0.37733
Observations	66	66	66	66

Note: DVP=Dividend policy, CIT=Corporate income tax, ETAX=Education tax, VAT= Value added tax, * significance

Source: Researchers Computation, (2024)

The model 1 of the descriptive statistics shows the sampled firm paid dividend to the shareholders despite all the tax systems during these periods. The mean value of the average dividend paid amounted to N11.26 approximately, within these periods. The ratios of taxes paid are as follows: CIT (11.0685), ETAX (10.7752), VAT (11.1649) with a corresponding standard deviation of: CIT (2.50230), ETAX (3.39052), VAT (2.50886); showing that the firms have consistently paid dividends for the whole period under despite taxation. The highest dividend policy within this review shows a figure of 16.3946; while the minimum dividend value of 7. 94560. The values of the Skewness show DVP is negatively skewed with VAT; while the remaining variables are positively skewed.

Correlation Matrix Table

Model 2: Correlation Matrix Result

	DVP	CIT	ETAX	VAT
DVP	1.000000	-0.101218	-0.187177	-0.184051
CIT	-0.101218	1.000000	0.572222	0.688377
ETAX	-0.187177	0.572222	1.000000	0.988745
VAT	-0.184051	0.688377	0.988745	1.000000

Note: DVP=Dividend policy, CIT=Corporate income tax, ETAX=Education tax,
VAT= Value added tax, * significance.

Source: Researchers Computation (2024)

Model two above did not observe any problem of Multicollinearity none of these applied variables exceeded 80% stipulated by Feldman (1985)

Panel Unit Root Test

This study applied Panel unit root test on all the variables to determine whether or not the panel data was stationary as applied in, (Ugwu. 2020). The study shows the equation hereunder to solve for the value of panel unit root test problems. Here is the general equation formulae for it: "***Ya =a+pYu-i+ or – uita***" From our data for the study: t = 1. ... 11 years and i = 6 firms selected; p = 1, shows that the observed criterion i.e. dependent on its lag value Yit-l and thus we show the data was non-stationary. Alternatively, it would be true if p<l. This procedure was to avoid spurious regression results that might hinder the testing of hypothesis as found in, (Ugwu, 2020; Olowoniyi & Ojenike, 2012). The study uses Fisher-type panel unit root test that requires a specification of Dickey-Fuller to test whether a variable has unit root. The augmented Dickey-fuller (ADF) test is employed in this test.

Unit Root Test

Model 3: Result of the Unit Root Test

Variables	ADF	Integration Orders	Significance
DVP	-7.14445	1(1)	1% (0.01)*
CIT	-5.35079	1(1)	1% (0.01)*
ETAX	-5.43838	1(1)	1% (0.01)*
VAT	-5.65241	1(1)	1% (0.01)*

Note: DVP=Dividend policy, CIT=Corporate income tax, ETAX=Education tax,
VAT= Value added tax, * significance

Source: Researcher's Computation, (2024)

Model the result of ADF test observed that none of the applied variables is stationary at level, but almost all the variables show stationary at 1st difference expect DVP that is stationary at 2nd difference. By this simple rule of thumb that once a unit root is conform, co-integration is necessary to established.

Co-integration Analysis

The Engle-granger co integration variables seem to be co-integrated or have a long-run equilibrium relationship in OLS regression with one variable or the others**.** The Johansen co integration examined the existence of long-run relationship between the variables of interest. Below are the summaries of co integration result

Model 4: Johansen Multivariate Cointegration Test

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Traced Statistic	5%/0.05 Critical Values	Probabilties**
None *	0.57247	68.6803	47.7561	0.0002
At most 1 *	0.47715	34.3250	29.6970	0.0144
At most 2	0.23174	10.1574	15.3947	0.2574
At most 3	0.07745	2.22526	3.74146	0.1329

Source: Author's computation (2024)

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Trace test indicates I co-integrating equ(s) as the 0.05 level
*** shows the rejection of the hypothesis at the 0.05 level**
**** shows the Mackinnon-Haug-Michelis, (1999) P – values**

Cointegration Test
Model 5: Unrestricted co-integration Rank Test (Maximum Eigen value)
Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Traced Statistic	5%/0.05 Critical Values	Probabilties**
None *	0.55156	34.7643	27.6533	0.0051
At most 1 *	0.53625	23.8585	21.2116	0.0164
At most 2	0.23264	8.03129	14.3540	0.3655
At most 3	0.06746	2.24621	3.93137	0.1428

Note: DVP=Dividend policy, CIT=Corporate income tax, ETAX=Education tax,
VAT= Value added tax, * significance Level
Source: Authors Computation, (2024).
Max-Eigen value test indicates 2nd co-integrating equ (s) at the 0.5 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) P-values.
The Max-Eigen equation value and trace test indicates 1 at the 0.05 level. It thus suggests a long run equilibrium relationship among the variables.
This model Co-integration is normally applied as a pre-requisite for Error Correction Mechanism after the result of Co-integration. Since the model shows that there is a long-run equilibrium relationship among the variable, the study employs the Error Correction model as follows:

Ordinary Least Square Regression
Model 6: Error Correction OLS Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.80551	0.36451	2.64545	0.0165
CIT	-0.03655	0.02520	-2.86563	0.0058
ETAX	-0.76576	0.02446	-1.21316	0.0604
VAT	-0.27219	0.15209	-3.78415	0.0028
R-squared	0.92323	Mean dependent var		2.86618
Adjusd R-sqrd	0.91546	S.D. dependent var		1.36467
F-statistic	130.3485	Durbin-Watson stat		2.04864
Prob(F-statistic)	0.00000			

Note: DVP=Dividend policy, CIT=Corporate income tax, ETAX=Education tax,
VAT= Value added tax, * significance Level 5%
Source: Authors Computation, (2024)
Model six has the R-square and the adjusted R-square values of the explanatory variables as 0.92323 and 0.91546 respectively. This is the evidence that various tax systems in Nigeria, individually and collectively accounted for 92% and 93% of the dividend decision of the firms; while the remaining where accounted by other endogenous and exogenous factors that were not captured in this study variables.
F-statistics shows the overall significant of the entire explanatory parameters and this has the value of 130.3485, with a corresponding probability of 0.0000. Applying this fact, this study rejects the null hypothesis and accepts the alternative hypothesis that there is a significant relationship between the variances in estimated regression model.
The t-statistics determined the individual statistical significance of the study variables in the model; while Durbin-Watson statistics which has value approximately 2 tested the presence or otherwise of autocorrelation in the model. The value shows the absence of autocorrelation amongst the explanatory parameter, (Koutsoyannis, 1997).

Hypothesis Testing

The posited hypotheses are tested on the basis of quantitative statistical analysis in this study.

Ho1: CIT has no significant effect on DVP of firms in Nigeria.

Regression model shows the value of CIT to be -0.03655 with its probability value as 0. 0058. Since its probability is less than 0.05% the level of significance, the study rejects the null hypothesis and accepts the alternative hypothesis and thus concludes that CIT has a negative and statistically significant effect on DVP of firms in Nigeria.

Ho 2: Educational tax has no significant effect on DVP of firms in Nigeria

The study finds that ETAX has the coefficient value as -0.76576; while the corresponding probability is 0.0604, and this tends to be less than the study level of significance level of 5%. Based on this accepts the null hypothesis and rejected the alternative and concludes that ETAX is negative and statistically non-significant on DVP in Nigeria

Ho3: Value added tax VAT has no significant effect on DVP of firms in Nigeria

The model results shows coefficient value of VAT is -0.27219; while the probability value is 0.0028, and this seems to be less than the significance level of 5%. With this evidence, the study rejects the null hypothesis that VAT is negative and statistically significant on DVP of firms in Nigeria

Discussions, Conclusions, Summary, Recommendation, Contributions and Implications

Discussions of the Findings

One of the findings of this study variables show that CIT has a negative and statistically significant effect on DVP of firms in Nigeria. This variable finding seems to agree with some of these prior works that found significant: (Okorie et al., 2023; Ani, et al., 2023; Pandey & Ashvini, 2016; Uwuigbe & Olowe, 2013; Samuel & Chigbu 2010); while it tends to disagree with these authors who found non-significant result: (Oloye et al., 2018; Onwuka, 2019; Onuorrah & Chigbu, 2013).

The second variable shows that ETAX is negative and statistically non-significant on DVP in Nigeria seems to agree with the findings of (Onwuzurike & Ugwu, J. 2020)

The overall findings that taxation is statistically significant on DVP of firms in Nigeria, seems to align with some of these previous findings of the following people: (Abiahu & Amahalu, 2017; Matrax & Boissel, 2020; Mohammed & Meziane, 2008; Lorlaha et al., 2021; Chuang et al., 2018; Sajid, et al., 2012; Brennam 2010; Masulis and Trueman, 2018; Wu, 2016); while it did not agree with the following prior authors: (Offiaeli & Oziegbe, 2019; Eklund, 2022; Imed & Saadi, 2018; Onwuka, 2019; Chidoziem & Nduabisi, 2017; Mohammed & Hauwa, 2015).

Summary of Findings

The study focused on the consequences of corporate tax system on DVP of selected firms in Nigeria from (2011-2021). Result of the analyses show that there is a significant relationship between the variances in the estimated regression model. This shows R-square and the adjusted R-square values of the tax systems applied in Nigeria, individually and collectively accounted for 92% and 93% of the DVP of the selected firms; while others were based on endogenous and exogenous factors outside the study. Other results show that corporate income tax and value added tax are negative and statistically significant; while educational tax is negative and statistically non-significant on the pooled firms for the period considered.

Conclusion

The study concludes that there is a significant relationship between the variances in the estimated regression model. The taxation systems applied in Nigeria, individually and collectively explained about 92% and 93% of the DVP of the firms; while others were explained by factors outside the study.

Recommendations

The recommendations are that: government should not indiscriminately raise tax rate because it can affects DVP and discourage investors' interest in buying corporate shares.

Contribution to Knowledge

The study contributes with the study variables found positive and significant on DVP, the modernized model applied and the rich empirical literatures for academia.

Suggest for further Study

The study suggests further study on impact of tax compliance on the profitability of multinational firms in Nigeria.

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