

Government Expectation and Corporate Value of Public Companies in Nigeria

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Abstract

The Nigerian business environment is rocked with scandals of social, environmental and governance shortcomings which are indications that companies in Nigeria have not prioritized the welfare and expectations of their stakeholders. This has led to distrust and loss of relevance in the global financial markets. This study is conducted to investigate the effect of stakeholders' engagement on corporate value of public companies in Nigeria. The study adopted ex-post facto and longitudinal research designs. The population of the study comprises 156 public companies in Nigeria as at December 31, 2021. The sample size consists of 80 public companies purposively selected having met the selection criteria adopted. Data were obtained from secondary source via the published annual reports of targeted public companies covering a period of 2009 to 2021. Data collected were analyzed using descriptive statistics and panel regression analysis. The study found that income effective tax rate as proxy for government expectation showed a negative but insignificant effect on corporate value. The study concluded that the extent of government expectation insignificantly decreases corporate value in Nigeria. The study therefore recommended that government and its tax agencies should increase corporate taxes, enforce and monitor compliance with the payments, and at the same time embark on infrastructural development with the resources gotten from corporate taxes in order to encourage public companies to see the needs for the payment of corporate taxes.

Keywords: Government expectation, income effective tax rate, corporate value, market capitalization.

JEL Classification: G30, G32, H25

1. Introduction

Globally, there has been a shift from shareholders' interest prioritization to the consideration of all stakeholders in value appraisal of corporate organizations (Aina, 2018). The shift is not limited only to consideration of the stakeholders as it has been upheld by the stakeholder theory, but most recently, it has moved to the extent at which the companies engage the stakeholders in active participation in humane activities. This is evident in the United Nation (2020) publication that gave credence to stakeholders' engagement in the discourse of sustainable development globally. It is becoming more pronounced that in the absence of stakeholders' engagement, the quest to attaining global sustainable development might be greatly hampered (Fadly, 2018). Corporate value comprises of all fundamental indices that determine the wealth of a business (Zhang et al., 2020). The wealth of a company goes beyond the profit derived in a period, but functionality of the wealth of the business which depends largely on the combination of financial and non-financial capital invested into the business. Stakeholder's engagement is one of the fundamental indices

required for influencing corporate value (Fajari & Isywardhana, 2019).

Stakeholders' engagement depends largely on the categorization of the stakeholders in term of their responsibilities and their expectations. The stakeholder theory stated the shareholders, customers, host communities, government, and employee among others as stakeholders. Although, all stakeholders are significant to the business as long as they are affected by the decisions of the company, but an in-depth evaluation revealed the priority significance of some of these stakeholders as their neglect could cause threat to their expectation (Alkurdi et al., 2021). On the part of the government, their expectation has been jeopardized as companies have viewed tax management as a strategic component of its activities and have continued to pursue avenues to minimize its tax liabilities at the expense of government actualization of the revenue generation goal. The rate of tax avoidance and evasion occasioned by tax planning rocked the business space in recent time (Dickson, 2021).

The level of engagement of firms' stakeholders is becoming worrisome, with rising rate of controversial issues around the inability of firms' decisions and actions falling in line with stakeholders' expectation especially the government (Abdelfattah & Aboud, 2020; Chuah et al., 2020). This has resulted to reduction of revenue generated by government, information asymmetry, and low quality of products among others. In Nigeria today, stakeholders' involvement and inclusion has been downplayed by many of the quoted firms (Alayande & Ola-Awo, 2021). This is reflected in low tax compliance and tax planning tactics deployed by firms to reduce tax remittable to the government, and manipulation of the level of disbursement of dividend under the guise of the need for earnings retention and reinvestment in the bid to respond to the dynamics and challenges of business environment in the country (Haija & Alrabba, 2017).

In developed countries, studies have x-rayed the significance of stakeholders' engagement, but most studies centered on its relationship with financial performance (Yoon & Chung, 2018; Shahbaz et al., 2020; Zhang et al., 2020). Although, most of the discoveries of the studies showed a positive and significant relationship but there is need however to consider how it interacts with corporate value in a more elaborate version of corporate performance. Also, it was discovered that the stakeholders captured in most studies in developed countries and Africa (Kazimoto, 2016; Dey et al., 2018; You et al., 2019; Hadj, 2020; Akanpaadgi and Binpimbu, 2021) have focused largely on stakeholders such as the host communities and recently employees, leaving other stakeholders out and clamoring a shift away from shareholders in line with corporate social responsibility drive despite that the shareholders are the providers of capital and expect returns on their investments

Considering the fall out of problems emanating from inadequate stakeholders' engagement, and the continued neglect of government, there is need to further investigate the effect of engagement of stakeholders particularly government on corporate value of public companies. Hence, this study investigates the nexus between government expectation and corporate value of public companies in Nigeria. The study of this magnitude would add value to existing and extant literature as to the benefits of engaging government in organizational decision making. It would provide utmost advantage to the management, academics and society at large.

This paper is structured into five separate headings and other subheads; these cover the introductory aspect of the study, review of literatures to clarify concepts and show interactions between variables according to existing studies. The third heading is the explanation of data and methods of the study. The analysis and discussion of findings is explained in the fourth heading and finally, the conclusion and recommendations are outlined in the fifth heading.

2. Literature Review

According to Yu and Yin (2019), government engagement can be defined as the consideration for government and its agencies in organizations decision making and achievement of goals and objectives. Government is one of the major stakeholders of an entity, and stakeholders represent those individuals, group or organizations involved in or affected by certain projects or activities of an organization. Stakeholder as a concept referred to the individuals and groups whose actions and decisions can influence the organization as well as be influenced by organizational decision making and activities (Schaltegger et al., 2017). Government engagement involves a mutual synergy and collaborative interaction with the government who seeks to advance the interest of the business even beyond their own personal interests. This is considered as part of the criteria for assessing the corporate sustainability of a firm according to the globally accepted rating standards which ensures that there is sufficient collaboration between firms and their stakeholders (Lim & Greenwood, 2017).

This study views government expectation as the level of involvement of government in terms of what the government belief it will get or be getting from the entity. Government is primarily involved in business entities by providing conducive environment to operate effectively and efficiently, either through its spending or income collection (Adejumo & Sanyaolu, 2020). They also ensure establishment of appropriate agencies and regulators that monitor business activities in order to ascertain that activities carried out or product offered benefit the consumers as well as protect other firms. Fagbemi et al. (2019) averred that the utilization of tax as a means of social engineering can spur general and/or sectoral economic growth. Therefore, taxation can exert either negative or positive effect on the government and the citizens.

On the other hand, business firms are mandated to ensure payment of specified rate as taxes to the government in order to facilitate their services to them and the public at large. Taxation by government also is a means used to regulate businesses in order to ensure the growth among competitive business and well as between young and old businesses. As such, government expectation is for the businesses to take into proper consideration the corporate taxes accruable to them (Lanis & Richardson, 2012). However, taxes represent charges against income thereby could reduce the profit, profitability and performance of the firm. Thus, firms engage in profit smoothening and tax planning strategies to minimize tax remittable to the government, and manipulation of the level of disbursement of dividend under the guise of the need for earnings retention and reinvestment in the bid to response to the dynamics and challenges of business environment in the country (Dickson, 2021)

Corporate value connotes the financial worth of an entity. Put differently, corporate value refers to the sum of the claim of the creditors and shareholders presented in the statement of financial position by adding value of debts, equity and non-controlling interest. It is the financial worth of the total asset (non-current and current assets) hold as at the financial year-end by an organization. Corporate value is a measure of performance of firms since any increase in the financial worth of a business depicts increase in performance for such firm. Derived from the explanation, corporate value comprises of all fundamental indices that determine the wealth of a business (Zhang et al., 2020). The wealth of a company goes beyond the profit (financial performance) derived in a period, but functionality of the wealth of the business which depends largely on the combination of financial and non-financial capital invested into the business ((Fajari & Isyнуwardhana, 2019).

Tobin's Q (TOBQ) is the corporate value determinants taken into consideration in

this study. The ratio of a company's market value to its replacement cost or book value of assets as of the end of the fiscal year is known as Tobin's Q. According to Bandeira-de-Mello et al. (2011), Tobin's Q also known as the Q ratio calculates a company's value by dividing the market value of its assets by the costs of replacing them in the present market. When predicted future cash flows from the firm's assets are discounted, the market value of the company is calculated. There is an implicitly positive relationship between a firm's Tobin's Q ratio and its future cash flows since the ratio's denominator is simply the replacement cost of assets expressed in present value terms. This metric is somewhat popular due to its capacity to accurately capture management performance value (Desai & Dharmapala, 2009). Lewellen and Badrinath (1997) averred that Companies with Tobin's Q greater than "one" make efficient use of limited resources, whilst those with Tobin's Q less than "one" utilize resources poorly. Tobin's Q, a reliable indicator that reflects future growth potential and long-term financial success, is essential to this study because it is often used as a measure of corporate value. On the other hand, Market Capitalization was use as control variable. The control variable is needed to stabilize the model and ensure it remains a multi-variante model. Market capitalization connotes the value of a company traded on the stock market. It is measured in thousands as the natural logarithm of market capitalization (Omodero, 2019).

2.2 Slack Resources Theory

The slack resources hypothesis was propounded by Bourgeois (1981) and it was typically explicated as the spare capabilities and assets of the organization that are flexible and can be reclaimed for re-investment. It was noted to characterize under-utilization and concealed excess or extra resources in the firm that are recalled and utilized for various tasks. The latent contribution of slack resources to the growth of firm has been contentiously claimed. Melo (2012) emphasized that slack resources theory was one out of the foremost theoretical basis for the several researches on company's social responsibility; it has directed consideration to the influence of the availability of financial resource availability on company's social responsibility expenditure. The relevance of slack resources theory for CSR activities has been subsequently examined by other researchers (Agusti-Perez et al., 2020). Its implication to this study is that, it emphasizes the importance of company's social responsibility and environmental responsibility, and how entities use this to decrease the sum of tax payable to the government as most expenses on CSR are tax deductible.

2.3 Empirical Review

Aina (2018) explored the effective stakeholder engagement by multinational firms in Nigeria. Discursive method was used in the study. The study found that Nigeria should reevaluate its stance and adopt a more liberal and accommodative theory that will be suitable for long-term governance and development because the government has lost a significant amount of money due to the ongoing hostilities between multinational corporations and their communities, particularly in the oil-producing regions. According to the study's findings, there is no rule or law that governs or establishes a standard of conduct for multinational corporations with regard to CSR, stakeholder engagement, or non-financial reports, leaving the firms with little choice except to develop their own definition of sustainable governance and report. Similarly, Mbalyohere and Lawton (2018) investigate how multinational corporations involve stakeholders via corporate policy activities (CPAs) during pro-market reforms of Uganda's power generation sector. Data were obtained through semi-structured interviews, archival materials and fieldwork notes and analyzed using NVivo-based analytical methods. Findings reveal that both proactive and reactive leverage CPAs address diverse stakeholders as the nation's government remains the most vital political actor in the

early stages of reform, but alterations in the institutional and political environment require strategic adjustments as the reform procedure advances.

The corporate tax structuring and financial performance of Nigeria's Systemically Important Banks (SIBs) were investigated by Fagbemi et al. (2019). *Ex-post facto* research design was used in the study, and Pooled OLS was used to analyze the data. The findings indicated that the effective tax rate significantly and negatively affects financial performance. On the other hand, Oeta et al. (2019) investigated the influence of tax planning on financial performance of manufacturing companies listed at Nairobi Securities Exchange. The study covered the period spanning from 2010 to 2017. The study used an explanatory research design and a positivist research ethic. Using panel data, multiple linear regression analysis was used. The findings revealed no statistically significant relationship between tax planning and the financial success of the quoted industrial enterprises in Nairobi.

The impact of financial performance on income smoothing practices in property and real estate companies Indonesian was studied by Flourien (2019). They used the firms listed on the Indonesia Stock Exchange between 2014 and 2017. Purposive sampling was used mechanically to choose the 128 samples, and 32 companies that were included over a 4-year period were obtained. Analyses of logistic regression were used in the study. The findings indicated that the simultaneous independent variables of profitability, liquidity, and capital structures had a substantial impact on the practice of income smoothing. In similarity to Egyptian study, Abdelfattah and Aboud (2020) explored connection between tax avoidance, corporate governance and corporate social responsibility. Data of 2007-2016 were collected on 90 Egyptian firms and analyzed with OLS and Tobit regression. The result revealed that tax avoidance has positive effect on corporate social responsibility disclosure.

The tax planning and financial success of Nigerian deposit money institutions were examined by Adejumo and Sanyaolu (2020) using evidence from a dynamic panel model. The study used an *ex post facto* research design, and data for 9 banks from 2012 to 2018 were collected from their annual financial statements. The dynamic panel estimation technique was used in the study. The findings indicated that tax planning (effective tax rate) significantly reduces profitability. It discovered that using capital adequacy ratio as a control variable has a considerable positive impact on profitability. Olurankinse and Mamidu (2021) looked at the financial health and corporate tax strategies of Nigeria's development banks. The research included the years 2012 through 2019. The yearly financial statements and reports of the chosen Nigerian Development Banks were the source of the data. The study used a technique called pooled regression analysis. The results showed that while tax savings had a positive and insignificant impact on return on equity, the effective tax rate had a negative and insignificant impact.

Ebubechukwu and Obada (2021) accessed the effect of tax planning on performance of Nigerian foods and beverage firms. Six (6) food and beverages firms were sampled using simple and stratified sampling techniques. Data collected from the annual reports of the firms were analyzed using regression estimation techniques. The results indicated that the performance of Nigerian food and beverage companies is not significantly impacted by the effective tax rate. On the contrary, Boateng et al. (2022) evaluated the role of the domestic government and the impact of the interplay between ownership type and government directed investment policies on acquiring business value in Cross-Border Acquisitions (CBAs) using data from Chinese acquirers in strategic areas. They discovered that CBA activities in important industries are significantly more likely to acquire firm value when supported by the home country government's investment policy. Additionally, they discovered that businesses that invest in industries that the government has identified as strategic produce wealth for their investors. Premised on the theoretical and empirical

substantiations pertaining to the effect of government expectation on the corporate value of public companies in Nigeria, the hypothesis for the study is stated in null form as:

H_0 : Government expectation has no significant effect on corporate value of public companies in Nigeria.

3. Materials and Methods

The study employs panel data for 80 out of the 156 public companies in Nigeria as at December 31, 2021 for a period of thirteen years from 2009 to 2021. This applies to listed companies in all industries in Nigeria. The sample size was achieved after purposively selecting firms that meet up with the selection criteria adopted. The criteria were introduced to eliminate firms that do not adequately meet the requirements of the study. The base year of 2009 is selected because it marks a year after the Presidential Committee on National Tax Policy was put in place in Nigeria in order for government to generate stable revenue for developmental projects. The Appendix II shows a summary of the schedule of selection for determination of sample size.

3.1 Model Specification

This study adapts the model of Bandeira-de-Mello et al. (2011) on the performance effect of stakeholder interaction in emerging economies: Evidence from Brazil. Particularly, the study modifies the model to exclude the variables of value to community and value to management, and include control variable of market capitalization. Thus, stated hereunder is the study model:

$$TOBQ_{it} = \beta_0 + \beta_1 IETR_{it} + \beta_2 MCAP_{it} + \mu_{it} \dots \dots \dots (equ. 1)$$

Where:

TOBQ = Tobin's Q (MCAP plus total liabilities less cash flow divided by total assets)

IETR = Income Effective Tax Rate (Income tax expenses divided by profit before tax)

MCAP = Market Capitalization (The log of the product of share price and outstanding shares)

β_0 = Constant

β_1 - β_2 = Slope Coefficient

μ = Stochastic disturbance

i = i^{th} company

t = time period

4. Data Analyses and Discussion of Findings

The data collected covers 3 variables which include Tobin's Q (TOBQ), Income Effective Tax Rate (IETR) and Market Capitalization (MCAP). The data spans through 13 years from 2009 to 2021 and covers 80 public companies

4.1 Descriptive Statistics of the Variables

Table 1: Descriptive Statistics

VARIABLE	MEAN	SD	MIN	MAX	NO OBS
TOBQ	1.10	1.30	-11.38	12.69	1039
IETR	1.43	427.21	-4108.40	12131.34	1040

MCAP	6.90	0.99	3.38	9.23	1040
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Source: Author's Compilation (2023)

The result in Table 1 shows the descriptive statistics of this study. The table shows that the mean of the dependent variable is 1.10 and a standard deviation of 1.30. Particularly, the study shows that the market value of the firms under study is about ₦1.10 in relation to their book value of assets. In the case of the independent variable, the Table 1 reveals that the mean of income effective tax rate is 1.43 with a standard deviation of 427.21. This implies that on the average about 1.43% was provided for by the firms' management as effective tax rate in relation to the earnings during the period under study. In the case of the control variable, the study reveals that the mean of market capitalization is 6.90 with a standard deviation of 0.99.

4.2 Normality Test

Table 2: Normality Test

VARIABLE	Z	PROB>Z
TOBQ	13.735	0.00000
IETR	15.748	0.00000
MCAP	5.5996	0.00000

Source: Author's Compilation (2023)

The Shapiro-Wilk test for data normality is used in this investigation. Table 2 shows that corporate value measured in terms of Tobin's Q has a z-statistics from the Shapiro-Wilk test as 13.735 with a Probability of Z-statistics as 0.00000 during the period under study. The result indicates that the dependent variable of corporate value is not normally distributed since the probability of the z-statistics as seen in Table 2 is significant at 1% level. The result from the Table 2 also shows that the independent variable measured in terms of income effective tax rate has a z-statistics from the Shapiro-Wilk test as 15.748 with a Probability of Z-statistics as 0.00000 indicating that it is not normally distributed since the probability of the z-statistics as seen in Table 2 is significant at 1% level. The result also indicates that the control variable of market capitalization is not normally distributed since the probability of the z-statistic as seen in Table 2 is significant at 1% level. However, the study proceeds with non-parametric regression analyses but carefully interprets the probability statistics against the t-statistics in line with the recommendation of Gujarati (2004).

4.3 Correlation Analysis

Table 3: Correlation Analysis

VARIABLES	TOBQ	IETR	MCAP
TOBQ	1.0000		
IETR	-0.0066	1.0000	
MCAP	0.2681	-0.0448	1.0000

Source: Author's Compilation (2023)

The correlation coefficient's value in statistics ranges from +1 to -1. A perfect degree of relationship between the two variables is considered to exist when the correlation coefficient value is close to 1. The association between the two variables will be weaker as the correlation coefficient value approaches zero. In the case of the correlation between the independent and dependent variables, the result from Table 4.3 shows that government expectation measured in terms of income effective tax rate (-0.0066) has a negative association with corporate value measured in terms of Tobin's Q during the period under

study. Furthermore, the result reveals that the control variable of market capitalization (0.2681) has a positive association with corporate value during the period under study.

4.4 Government Expectation and Corporate Value

Table 4: Regression Analyses of Government Expectation and Corporate Value

	(Pool OLS)	(Fixed Effect)	(Random Effect)
CONS.	-2.834 {0.000} ***	-7.583 {0.000} ***	-4.934 {0.000} ***
IETR	-0.000 {0.442}	-0.000 {0.250}	-0.000 {0.297}
MCAP	0.521 {0.000} ***	1.306 {0.000} ***	0.862 {0.000} ***
F/Wald Stat	26.00 (0.0000)	33.04 (0.0000)	193.73 (0.0000)
R- Squared	0.1721	0.2224	0.2035
VIF	1.13		
Hetttest	457.19 {0.0000}		
Hausman Test		86.10 {0.0000}	

Note: (1) bracket {} are p-values: (2) **, ***, implies statistical significance at 5% and 1% levels respectively

Source: Author's Compilation (2023)

Specifically, to investigate the longitudinal relationships between government expectation and corporate value as well as to test the formulated hypothesis, the study used a panel regression analysis since the data have both time series and cross-sectional properties. Table 4 represents the results obtained from the model. The result indicates that the pool OLS regression has an R-squared value of 0.1721. This implies that the independent variable of the study could explain only about 17% of the systematic change in corporate during the period under study. However, the unexplained part of corporate value has been captured by the error term. The result of the F-statistics (26.00) of the pool OLS regression model for the sample firms in Nigeria with the associated p-value of 0.0000 indicates that the pool OLS regression model for Tobin's Q on the overall is statistically fit at 1% level of significance and can be employed for statistical inferences. However, to further validate the estimates of the pool OLS results for the models, this study also tests for multi-collinearity and heteroscedasticity.

4.5 Test for Multi-collinearity and Heteroscedasticity

Multi-collinearity can mainly be detected with the help of tolerance and its reciprocal, called Variance Inflation Factor (VIF). The results obtained from the mean VIF of the regression model reveals 1.13 for Tobin's Q as a measure of corporate value. Specifically, the result shows that the mean VIF is within the benchmark of 10 in line with the position of (Gujarati, 2004) indicating the absence of multi-collinearity and further shows that the independent variable should not be dropped from the model. The Breusch Pagan module of Stata 14 is used to test the pool OLS's homoscedasticity assumption. In particular, the assumption of homoscedasticity indicates that it will be challenging to trust the standard errors of the least square estimates if the errors are heteroscedastic. Consequently, either the confidence intervals are too narrow or too large. For the model, the

result shows a chi2 value of 457.19 with a p-value of 0.0000. The result shows significant p-values indicating that the assumptions of homoscedasticity of the pool OLS regression results have been violated. Hence, the study re-states the model to control for this violation by employing the twin panel regression of fixed and random effects as recommended by (Greene, 2003).

4.5.1 Panel Fixed and Random Effect Regression

As mentioned by Ajibolade and Sankay (2013), when it becomes necessary to control for omitted factors that differ between instances but are consistent over time, the fixed effects model which is frequently the primary technique for analysis of panel data is utilized. It enables the estimation of the impact of the predictor (independent) variables on the outcome (dependent) variable by using changes in the variables over time. The random effects model, on the other hand, is employed when there is reason to suppose that some omitted factors may be constant over time but differ between cases, and that other variables may be fixed between cases but change over time. In the light of the foregoing, this study employs the panel fixed and random effect regression to control for the heterogeneity effect that is present in the pool OLS regression models. In the case of the dependent variable, the result from the panel fixed effect as presented in Table 4 shows an F-statistics value of 33.04. The probability value of 0.0000 indicates that on the overall, the fixed effect regression model is fit for statistical inference. Also, the result indicates that the fixed effect regression has an R-squared value of 0.2224. This implies that the independent variable of the study could explain only about 22% of the systematic changes in the dependent variable when measured during the period under review. Similarly, the result from the panel random effect of the model as presented in Table 4 shows an F-statistics value of 193.73. The probability value of 0.0000 indicates that on the overall, the random effect regression model is fit for statistical inference. Also, the result indicates that the random effect regression has an R-squared value of 0.2035. This implies that the independent variables of the study could explain only about 20% of the systematic changes in the dependent variable during the period under review.

4.5.2 Hausman Specification Test

The Hausman is based on the null hypothesis that the random effect model is preferred to the fixed effect model. Specifically, in the case of the dependent variable, a look at the p-value of the Hausman test of 86.10 [0.0000] implies a 1% level of significance. This implies that the study should adopt the fixed effect panel regression results in drawing the conclusion and recommendations. This also implies that the fixed effect results tend to be more appealing statistically when compared to the random effect. Summarily, the study tests the hypothesis using the fixed effect regression with respect to the model.

4.6 Discussion of Findings

To investigate the effect of government expectation on corporate value of public companies in Nigeria, the results obtained from the fixed and random effect regression model presented in Table 4 reveal that government expectation as measured in terms of income effective tax rate has a negative insignificant effect on corporate value measured in terms of Tobin's Q [coef. = -0.000 (0.250)] at either 1% or 5% level of significance. From the foregoing, the study fails to reject the null hypothesis that government expectation has no significant effect on corporate value of public companies in Nigeria. Specifically, the finding implies that government expectation insignificantly decreases corporate value.

This study is in line with Olurankinse and Mamidu (2021) who assessed the effect of corporate tax planning on the financial performance of development banks in Nigeria and

asserted that corporate tax planning through effective tax rate decreases financial performance. It also conforms to the findings of Oeta et al. (2019) who investigated the influence of tax planning on financial performance of manufacturing companies listed at Nairobi Securities Exchange and found that there was no statistically significant relationship between tax planning and the financial success of the quoted industrial enterprises in Nairobi. In addition, this study agrees with the propositions of Ebubechukwu and Obada (2021) who assessed the effect of tax planning on performance of Nigerian foods and beverage firms and found that the performance of Nigerian food and beverage companies is not significantly impacted by the effective tax rate.

This research contradicts the propositions of Fagbemi et al. (2019), Flourien (2019), and Abdelfattah and Aboud (2020). The corporate tax structuring and financial performance of Nigeria's Systemically Important Banks (SIBs) were investigated by Fagbemi et al. (2019) and their findings indicated that the effective tax rate significantly and negatively affects financial performance. The impact of financial performance on income smoothing practices in property and real estate companies Indonesian was studied by Flourien (2019). The findings indicated that the simultaneous independent variables of profitability, liquidity, and capital structures had a substantial impact on the practice of income smoothing. In the same vein, Abdelfattah and Aboud (2020) explored connection between tax avoidance, corporate governance and corporate social responsibility and their study revealed that tax avoidance has positive effect on corporate social responsibility disclosure.

5. Conclusion and Recommendations

This study is conducted to investigate the effect of government expectation on corporate value of public companies in Nigeria. As regards findings, the study premised on its objective discovered that income effective tax rate has insignificant and negative effect on corporate value. It is therefore concluded that the extent of the expectation of government insignificantly decreases the corporate value of public companies in Nigeria. Based on the findings of this study and conclusion drawn thereafter, it is recommended that government and its tax agencies should increase corporate taxes, enforce and monitor compliance with the payments, and at the same time embark on infrastructural development with the resources gotten from corporate taxes in order to encourage public companies to see the needs for the payment of corporate taxes. The study also recommends that government expectation should be bolstered by legal regulations to reduce the possible negative consequences from managerial rent seeking.

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