






Tax Planning and Value of Listed Non-Financial Firms in Nigeria: The Mediating Effect of Profitability

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Abstract

This paper explored the mediating effect of profitability on the link between tax planning (TPL) and the value of listed non-financial firms in Nigeria. Data for the study was extracted from the annual reports of 45 firms, covering the period 2011 to 2022. Panel regression was adopted for the analysis. Specifically, multiple regression techniques were used to estimate the models. The outcome of the study established that tax planning strongly influences firms' value and drives their profitability. However, it is established that profitability has a significant mediating effect on tax planning and the value of firms in Nigeria. Thus, profitability mediates the Link between tax planning and the value of listed non-financial firms in Nigeria. Therefore, the firms should institute strategic tax planning that will help to achieve minimum tax liability.

Keywords: Tax Planning, Profitability, Firm Value, Mediation, Tobin's Q, Nigeria.



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1. Introduction

Managers make corporate tax decisions with the primary aim of minimizing tax burden and avoiding penalties. Managers often devise strategies to reduce corporate tax liabilities through tax planning with the view of having tax benefits. Thus, tax planning is a significant aspect of business strategy and a crucial exercise for effective and efficient financial planning activity which requires attention from managers of all functional areas in the firm (Mgammal and Ismail, 2015). Bruce et al., (2007) described TPL activities as a broad set of tax avoidance schemes that affect the financial arrangements of firms. According to them, TPL strategies are often legal, but some may fall into a legally dark area, others are illegal such as underreporting taxable income or overstating tax deductions. Thus, it needs a broader understanding of tax laws, and their applications specifically, allowances, exemptions, policies, guidelines, incentives, and relief available to corporate taxpayers. Desai and Dharmapala (2006) and Neifar and Utz (2018) argued that though TPL is capable of maximizing shareholders' wealth, in an agency setting it could decrease firm value due to information asymmetry. This implies that managers may hide under the schemes to engage in managerial rent extractions at the expense of the shareholders, which leads to a negative valuation of the schemes by the investors.

TPL is considered a legitimate function as it does not contravene any provision of tax laws. The tax savings arising from TPL represent a transfer of resources from the government to shareholders with the expectation of improved firm value (FAV). However, TPL is associated with costs including direct costs, implementation costs, and transaction costs among others (Ftouhi *et al*, 2020). Therefore, there is a need to balance the benefits and associated costs of the strategy. Effective tax rate (ETR) represents firms' tax burden, lower ETR signified small tax liability and higher after-tax earnings and successful TPL activities by the firms, whereas higher ETR indicates the inability of the firms to achieve less tax burden. Thus, effective and efficient tax management strategies are capable of increasing firms' profitability through minimum tax liabilities and freeing more funds for investments which indirectly could lead to FAV. Further, an increase in firm after-tax earnings usually signals to investors that the FAV is good (Razali *et al*, 2018). Therefore, TPL activities through tax avoidance if successfully undertaken are expected to have a significant impact on FAV.

Overall, this study offers contributions to the literature on TPL and FAV in several ways. First, to the best of our knowledge, this paper is one of the earliest works that provide evidence on the mediating role of profitability on the link between TPL and FAV in Nigeria. Secondly, this study uses three proxies namely, ETR (ETR), long-run ETR (LETR), and book-tax difference to capture the level of TPL activities among listed firms

in Nigeria. Thirdly, our study suggests that profitability explains the Link between TPL and FAV. Finally, our study confirmed that TPL activities are within the context of agency theory. The rest of the paper is proceeding as follows. Section 2 literature review and hypotheses development; Section 3 describes the data and the methodology. Section 4 details the results of the study. Finally, section 5 provides a conclusion of the research work.

2.0 Literature Review and Hypotheses Development

2.1 Theories of Tax Planning

The nexus between TPL and FAV was viewed from the theoretical perspective of agency theory (Desai and Dharmapala, 2009); Hanlon and Heitzman (2010); Chen *et al.* (2014) and Hoffman TPL theory, Kawor and Kportorgbi, (2014); Ogundajo and Onakoya, 2016 and Mgammal and Ismail, (2015). Agency theory is used to describe the Links between agents and principals and explain the agency conflicts on the overall firm performance. The theory predicts that TPL activities through tax avoidance increase agency costs and, thus, decrease FAV, because of the separation of ownership from control. Desai and Dharmapala (2006) posit that the management of the firms that are responsible for tax decisions could engage in opportunistic behavior to enrich themselves at the expense of the shareholders, usually due to information asymmetry. Thus, it predicts negative relations between TPL and FAV as managers satisfy their interests against the interests of the shareholders.

On the other hand, Hoffman TPL theory proposed by Hoffman (1961) predicts a positive Link between TPL and FAV. Thus, effective TPL through an increase in a firm after-tax profit could enhance FAV. The core aim of the theory is to strengthen the activities capable of reducing taxable income. (Kawor and Kportorgbi, 2014). The theory bases its assumptions on the fact that the benefits of the schemes will outweigh the costs of engaging in TPL activities. According to Hoffman (1961), tax savings could be derived through a deeper understanding of the legal concept of ambiguities and loopholes in tax laws. This is because tax is based on taxable income rather than accounting profit. Ftouhi and Ghardallou (2020) opined that the intricacy of the tax laws when due to the ambiguities in the relevant tax laws. From the foregoing discussion, this study thus adopts agency theory and Hoffman TPL theory to anchor the Link between TPL and value.

2.2 Tax planning and firm value

Empirical studies on the link between TPL and FAV produced mixed results. For instance, Desai and Dharmapala (2009) in their studies of US firms found that tax minimization schemes' impact on value is positive for strongly governed firms. This implies that TPL activities could only have a positive influence on the value of firms in

the presence of strong governance. Thus, an effective governance mechanism assured an increase in FAV. In another study, Appolos *et al.* (2016) and Santa and Rezede (2016) found evidence of the positive and significant influence of TPL activities proxied by ETR on the value of listed consumer goods in Nigeria between 2004 and 2010. However, a study comprising all non-listed firms in Nigeria could produce different results. Likewise, Salawu *et al.* (2017) examined the Granger causality between corporate TPL and the value of non-financial listed firms in Nigeria for a period of eleven years (2004-2014). They found that no causality exists between TPL and FAV. Christina (2019) studied the effect of corporate TPL on the value of 43 Indonesian-listed companies from 2014 to 2016. TPL was proxied using ETR, Cash ETR, and tax savings. FAV was measured using ROA. The regression results show that cash ETR has a significant negative impact on FAV. Further, the other two proxies of TPL have no significant influence on FAV. However, the use of ROA to measure FAV could cause statistical inference to be misleading as it is more effective in measuring a firm's profitability. Khuong *et al.* (2020) found a positive and significant Link between tax avoidance and market-based performance (Tobins' Q). Similarly, Nguyen *et al.* (2020) studied the effect of corporate tax avoidance on firm performance in emerging economies. The results from the Generalized Method of Moments (GMM) show that tax avoidance measures such as Book-Tax difference (BTD) have a positive and significant impact on Tobins'Q. In contrast, Syura *et al.* (2020) and Handayani (2020) found a negative and significant impact of tax avoidance on the value of listed Indonesian manufacturing companies. Based on the foregoing discussion we postulate the following hypothesis.

H1 There is an association between tax planning and firm value.

2.3 Tax planning and profitability

TPL schemes become desirable to corporate bodies when there are chances of producing fewer tax liabilities without adverse effects on accounting profits. Hoffman's TPL theory assumes a positive association between TPL and firm performance. Among the previous studies that examine the connection between TPL and financial performance are Ogundajo and Onakoya (2016), who found that TPL activities do not influence the profitability (ROA) of the listed manufacturing companies in Nigeria, indicating that TPL activities are not a major determinant of profitability. In Thailand, Thanjunpong and Awirothananon (2019), using 873 firms year observations for three years(2014-2016), found that TPL(ETR) has a positive influence on profitability (ROE) but, tax to total assets (TAX/TA) is negative and statically significant to ROE. However, the use of ROA as a control variable which is also a key financial performance metric could be misleading. In another study, Zhu *et al.* (2023) investigated the impact of tax avoidance activities on firm profitability, using listed firms on the Ghana Stock Exchange. They measured tax avoidance using ETR and reported a significant negative of tax avoidance

on profitability. Similarly, Fagbemi *et al.* (2019) studied the influence of corporate TPL on the financial performance of systematically important banks in Nigeria. Eight banks were selected out of fifteen (15) listed commercial banks in Nigeria. Their findings indicate that TPL activities proxied by ETR have a negative and significant impact on return on equity (ROE). Further, Adejumo and Sanyaolu (2020) studied the impact of TPL activities on the profitability of banks in Nigeria using a dynamic panel model. They utilized nine (9) sample banks for a period of seven years (2012-2018). The empirical results from GMM reveal that ETR has a positive and significant impact on profitability (ROA). However, a different result could be obtained if a similar study were carried out in non-financial service firms. Similarly, Oyeshile and Adegbe (2020) examined the influence of corporate TPL on the financial performance of quoted food and beverage firms in Nigeria. They found out that ETR as a measure of TPL has a positive and significant influence on ROA.

Kayode and Folajinmi (2020) examined the influence of TPL on the financial performance of Quoted food and beverages firms in Nigeria. They found that TPL practices proxied by ETR and thin capitalization (TCA) have no significant influence on earnings per share (EPS). On the other hand, Khuong *et al.* (2020) using Vietnam data found that tax avoidance activities proxied by current ETR, cash ETR & modified BTD have a significant negative impact on accounting-based measures of performance (ROE & ROA). Also, Timothy *et al.* (2021) found a significant positive influence of cash ETR (CETR) on value proxied by ROA using board compensation as a moderating variable in their study on seventy-one listed non-financial firms in Nigeria for eight years. The use of ROA to measure FAV could to an invalid conclusion as it measures firm profitability, not FAV. Based on the preceding discussion we hypothesize the following hypothesis.

H2 There is an association between tax planning and profitability

2.4 Tax planning, profitability, and firm value

Literature in accounting and taxation established that firms with better profitability are usually associated with higher value (Chen *et al.* 2016). Among the studies that examine the mediating effect of profitability on the Link between TPL and FAV is Chen *et al.* (2016) studied the mediating role of profitability on the Link between tax avoidance and the value of listed Chinese companies for a period of nine years (2004-2012). Using structural equation modeling (SEM) they found tax avoidance (ETR) has a direct negative significant impact on market value. This suggests that profitability explains the Link between tax avoidance and FAV of listed Chinese firms. However, similar research in Nigeria could produce different results. Similarly, Maharani *et al.* (2018) investigated the effect of TPL on company value with financial performance as an intervening

variable of Indonesian listed manufacturing firms. The empirical analysis using SEM shows that TPL has a significant negative direct effect on financial performance. Further, the results reveal that financial performance has no significant mediating effect on the Link between TPL and companies value of Indonesian manufacturing firms.

In another study, Izeybekhai and Odion (2018) studied the moderating effect of corporate governance on the Link between TPL and FAV of listed firms in Nigeria between 2010 to 2016. The results from panel data regression show that ETR has a negative and significant influence on FAV (Tobin's Q) but is statistically insignificant to share price. In addition, they also found that tax savings have a positive and significant influence on both share price and Tobin's Q. Furthermore, the results show that Tobins'Q is a better measurement of value against share price in terms of identifying TPL activities. Based on the foregoing discussion, we hypothesize the following hypothesis.

H3 Profitability mediates the relationship between tax planning and firm value.

3.0 Research Methodology

3.1 Sample and Data

We study a group of non-financial listed companies on the floor of Nigerian Exchange Limited. Data for the study were extracted from annual reports and accounts of the sample for a period of twelve years from 2011 to 2022. We exclude our sample companies from the financial services industry and companies with incomplete data within the period of the study. Our final observation comprises 540 firm observations for 45 different companies. Table 1 provides the sampling procedure.

Table 1 Sample and Selection Procedure

Initial sample size before elimination	105
Companies delisted after 2011	(23)
Companies with incomplete data	(37)
Final sample size	45
Observation period (2011 – 2022)	12 years
Number of observations	540

3.2 Measurement of Market Value (Dependent Variable)

This study uses Tobin's q and market price per share to measure FAV. Tobin's q is a ratio of market capitalization and a book value of debt scaled by the company's total

assets. While the market price per share was measured as the average price for the year. Definitions of all variables are provided in Table 2

Table 2: Variable Definition and Measurement

Variables	Definition	Measurement	Sources
Firm value	Tobin's Q	Market capitalization plus Book value of debt scale by total assets.	Khuong <i>et al</i> (2020)
	MPS	The average market price for a given year	
Profitability	ROA	Profit before tax divided by total assets	Saifullahi <i>et al</i> (2015)
Tax planning	ETR	Tax expense is divided by pre-book income tax.	Neifar and Utz (2019)
	LETR	Total tax paid over the preceding three years is divided by the sum of pre-tax income minus special items.	Feng <i>et al.</i> (2019)
	BTD	Total pre-tax income and taxable income scaled by total assets.	Sani <i>et al.</i> (2024)
Leverage	Lev	Interest-bearing debt divided by total assets	Guo et al (2024)
Firm size	Fsize	The logarithm of total assets	Duhoon (2023) and Usman et al. (2020)
Industry dummy	IND	Dummy 1 if manufacturing, 0 otherwise	Sani et al. (2020)

3.3 Measurement of Explanatory Variables

Profitability in this study is used as an intervening variable. It is commonly proxied by return on assets (ROA), measured as the ratio of profit before tax to total assets.

3.2.1 Measurement of Tax Planning

As in prior studies, we use three measures of TPL, Hanlon, and Heitzman's (2010) long-term ETR (LETR), cash ETR (cETR), and book-tax difference (BTD), to measure corporate TPL.

TTR is calculated as the ratio of the cash tax paid divided by pre-tax accounting income (Neifar and Utz, 2019);

$$\text{center} = \frac{\text{Cash tax paid}}{\text{Total pre-tax accounting income}}$$

LETR is represented by income tax paid for the preceding three years divided by the sum of profit before tax less special items (Feng *et al.*, 2019);

$$\text{LETR} = \frac{\text{Sum of tax paid over the previous three years}}{\text{The sum of profit before minus special items}}$$

BTD is computed as the difference between total pre-tax income and taxable income scaled by total assets (Feng *et al.*, 2019).

$$BTD = \frac{\text{Total pre-tax income} - (\text{Total tax expenses}/\text{Tax rate})}{\text{Total assets}}$$

3.2.2 Control variables

In this study, we use three control variables: the ratio of interest-bearing debt to total assets (leverage), firm size, and industry effect.

3.6 Model specification

To analyze the mediating effect of profitability on the Link between TPL and FAV we used Barron and Kenny (1986) to consider the critics of Yan et al. (2023) and Zhao et al (2010). Furthermore, the significance test of the indirect effect was carried out using the medsem approach as suggested by Zhao et (2010). The model is presented as follows:

$$ROA_{it} = \beta_0 + \beta_1LETR_{it} + \beta_2CETR_{it} + \beta_3BTD_{it} + \beta_4TA_{it} + \beta_5Lev_{it} + \beta_6Tan_{it} + \beta_7Fsize_{it} + \beta_8IND_{it} + \varepsilon_{it}$$

 ---- 1

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1LETR_{it} + \beta_2CETR_{it} + \beta_3BTD_{it} + \beta_4ROA_{it} + \beta_5TA_{it} + \beta_6Lev_{it} + \beta_7Tan_{it} + \beta_8Fsize_{it} + \beta_9IND_{it} + \varepsilon_{it}$$

 ----- 2

$$MPS_{it} = \beta_0 + \beta_1LETR_{it} + \beta_2CETR_{it} + \beta_3BTD_{it} + \beta_4ROA_{it} + \beta_5TA_{it} + \beta_6Lev_{it} + \beta_7Tan_{it} + \beta_8Fsize_{it} + \beta_9IND_{it} + \varepsilon_{it}$$

 ----- 3

Where:

α = Constant

β_1 to β_5 = parameters of coefficient

ε = error term

i= firm

t= time

4. Empirical Results

4.1 Descriptive Statistics

Table 3 presents descriptive statistics of the dependent variables and the explanatory variables used in our regression analysis. The average value of listed non-financial firms in Nigeria using the Q ratio and Market Price share (MPS) are 1.324 and 33.11, with a

maximum value of 4.623 and 181.15 respectively. Our three proxies of TPL, LETR, CETR, and BTM exhibit positive average values of 0.181, 0.130, and 0.003.

Profitability measured by ROA has an average of the sample firms earning a profit of 7.5% of every ₦1 invested in total assets of the companies with a maximum return of 79.3%. However, the sample firms suffered a loss of 51.6% of every ₦1 invested. The standard deviation of 0.149 signified significant variations among the firms studied. The average debt in the equity formation of listed Nigerian non-financial firms is 0.178 and that of firm size is 10.18. The study also reveals that 36% of total assets are non-current assets. Finally, the industry dummy shows that on average 78% of the sample companies belong to the manufacturing sector.

Table 3: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev	Min	Max	Skewness	Kurtosis
Tobin's Q	540	1.324	1.186	0.291	4.623	2.431	9.805
MPS	540	33.11	48.28	0.540	181.15	2.094	6.376
LETR	540	0.181	0.172	-0.149	0.547	-22.07	-501.64
CETR	540	0.130	0.231	-0.281	0.746	-7.201	113.62
BTM	540	0.003	0.077	-0.191	0.140	-2.840	55.667
TA	540	-0.052	0.132	-0.318	0.228	4.107	101.44
ROA	540	0.074	0.146	-0.516	0.793	0.198	7.583
Lev	540	0.178	0.170	0.000	0.553	2.767	20.271
Fsize	540	10.18	0.776	8.223	11.79	-0.188	2.350
TAN	540	0.360	0.218	0.004	0.958	0.419	2.360
IND	540	0.778	0.416	0.000	1.000	-1.336	2.786

4.2 Correlation matrix

Table 4 presents the Pearson correlations matrix of the study variables, from the analysis LETR, CETR, ROA, LEV, TAN, and Industry effect (IND) positive associations with Tobin's Q, while BTM, TA, and Firm size have a negative association with Q ratio. Furthermore, the correlation matrix also reveals that LETR, CETR, BTM, ROA, TAN, and Fsize exhibit positive associations with our second dependent MPS, while TA, LEV, and IND show negative Links with MPS. Furthermore, in Table III the correlation matrix suggests that the data is free from multicollinearity problems as the maximum coefficient value is 0.3803, which falls below the threshold of 0.8(Hair et al., 2019). This assertion was authenticated by the variance inflation factor (VIF) test carried out as the individual mean value is less than 5. Thus, none of the independent variables is highly correlated.

Table 4 Correlation Matrix

Variable	Tobins'Q	MPS	LETR	CETR	BTD	TA	ROA	Lev	Fsize	TAN	IND	VIF
Tobins'Q	1.000											
MPS	0.427	1.000										
LETR	0.030	0.178	1.000									1.30
CETR	0.159	0.140	0.318	1.000								1.22
BTD	-0.015	0.167	0.070	0.134	1.000							1.77
TA	-0.022	-0.018	0.074	0.111	0.367	1.000						1.29
ROA	0.296	0.265	0.342	0.354	0.594	0.328	1.000					2.24
Lev	0.009	-0.087	-0.211	-0.205	-0.227	-0.059	-0.431	1.000				1.27
Fsize	-0.027	0.511	0.075	0.018	0.224	0.045	0.144	-0.052	1.000			1.08
TAN	0.210	0.031	-0.142	-0.018	-0.029	0.245	-0.115	0.117	-0.137	1.000		1.17
IND	0.214	-0.181	-0.158	-0.004	0.138	0.115	0.159	-0.082	-0.031	0.162	1.000	1.13

4.3 Multivariate Analysis

To authenticate the accuracy of our panel data regression estimate, we check for the normality of the data, heteroscedasticity autocorrelation, and cross-sectional dependency of the panel data. Table 5 summarizes the required tests.

Table 5

Model I		Model IIa		Model IIb	
Fixed effect		Fixed effect		Fixed effect	
Fisher	15.07	Fisher	15.07	Fisher	5.08
P- value	0.000	P- value	0.000	P- value	0.000
Random Effect		Random Effect		Random Effect	
χ^2	474.44	χ^2	103.81	χ^2	59.41
P-value	0.000	P-value	0.000	P-value	0.000
Hausman test		Hausman test		Hausman test	
χ^2	9.14	χ^2	18.32	χ^2	12.11
P-value	0.2428	P-value	0.0189	P-value	0.1462
Modified wald test		Modified wald test		Modified wald test	
Fisher	8986.14	Fisher	32215.70	Fisher	93436.75
χ^2	0.000	χ^2	0.000	χ^2	0.000
Wooldridge test		Wooldridge test		Wooldridge test	
Fisher	2.039	Fisher	182.531	Fisher	232.274
χ^2	0.1604	χ^2	0.000	χ^2	0.000

This research employed Panel Corrected Standard Error (PCSE) regression estimates as the data is observed to have a cross-sectional dependency, heteroskedasticity, and autocorrelation (Moundigbaye *et al.*, 2018). According to them PCSE has the power to handle problems and provides a standardized coefficient that is more efficient for hypothesis testing.

Table 6 shows the results for the direct effect and the indirect effect. For model specification with ROA as dependent variables and control variables, we find that our three proxies of TPL activities (LETR, CETR, and BTD) have a positive and significant influence on profitability (p-value 0.000, /z/ 8.12; p-value 0.000 /z/ 4.66; p-value, /z/ 11.37). In line with the hypothesis postulated, our results suggest a higher tax burden and the lowest TPL behavior among non-financial in Nigeria firms. The results are from previous studies, e.g., Timothy *et al.* (2020) and Khuong *et al* (2020). However, it contradicts Hoffman's TPL theory that TPL improves after-tax profit.

The outcome of the model specification with profitability (ROA) as a mediator and control variables (Model IIb) shows that LETR and BTD are negative and statistically significant to Tobin's Q (p-value 0.062, /z/-1.87; p-value 0.000 /z/ -4.74) in Table V, implying lower tax rates and more TPL activities that are likely to FAV. However, CETR has a positive influence on FAV. However, CETR has a positive influence on Tobin's Q (p-value 0.062 /z/ 1.87). However, our model IIc where FAV is measured by the market price per share (MPS) in Table V reveals that LETR and CETR are not major determinants of FAV (p-value 0.330, /z/ 0.90; p-value 0.151 /z/ 1.44) respectively. Furthermore, we find that BTD has a significant negative influence on MPS (p-value 0.057, /z/-1.91 signifying a low tax rate and is likely to enhance FAV. Finally, ROA as a mediating variable has a strong and positive effect on both measures of FAV (p-value 0.000, /z/8.10; p-value 0.000 /z/ 6.08). The finding agreed with the position of Khuong *et al.* (2020) but contradicted the position of Nguyen *et al.* (2020).

Table 6: Regression Results

	The Model I (ROA)			Model IIa (Tobin's Q)			Model IIb (MPS)				
	Direct effect			Indirect effect			Indirect effect				
	Coeff.	/Z/	P-value	Coeff.	/Z/	P-value	Coeff.	/Z/	P-value		
LETR	0.180	8.12	0.000***	LETR	-0.527	-1.87	0.062*	LETR	8.912	0.97	0.330
CETR	0.106	4.66	0.000***	CETR	0.342	1.87	0.062*	CETR	8.661	1.44	0.151
BTD	0.858	11.37	0.000***	BTD	-4.918	-4.74	0.000***	BTD	-39.076	-1.91	0.057*
TA	0.107	2.98	0.003***	TA	-0.459	-1.18	0.238	TA	-19.460	-1.30	0.195
ROA	-	-	-	ROA	4.692	8.10	0.000***	ROA	94.071	6.08	0.000***
Lev	-0.197	-8.13	0.000***	Lev	1.191	4.23	0.000***	Lev	6.591	0.88	0.381
Fsize	0.001	0.20	0.840	Fsize	0.015	0.24	0.812	Fsize	31.063	15.67	0.000***
TAN	-0.024	-1.11	0.268	TAN	1.108	6.35	0.000***	TAN	34.076	5.83	0.000***
IND	0.038	4.21	0.000***	IND	0.402	4.19	0.000***	IND	-24.038	-7.51	0.000**
R-Square	0.55			0.26			0.37				
Wald χ^2	561.47			368.85			706.67				
P-value	0.000			0.000			0.000				

4.4 Significance of Indirect Effect

We adopt the medsem approach of Zhao et al (2010) using Monte Carlo to test the significance of the indirect effect. Our results in Table VI reveal that in addition to the significant effect of TPL on Tobin's Q. Profitability (ROA) has a significant mediating effect on the Link between TPL and FAV proxies by Tobin's Q. Furthermore, the results

of the Monte Carlo test reveal that ROA has a positive significant indirect effect on the Link between TPL and FAV measured by MPS. This suggests that the Link between TPL and FAV of listed non-financial firms in Nigeria could be explained by their profitability. This finding agrees with the work of Chen et al., (2016) but contradicts the position of Maharani et al (2018). Also, the findings support our hypothesis that profitability mediated the Link between TPL and FAV

Table 7: Results of Monte Carlo test.

Hypothesis	Std Coeff.	z-value	p-value	Decision
LETR → ROA → Tobins' Q	0.123	5.873	0.000	Supported
CETR → ROA → Tobins' Q	0.262	9.053	0.000	Supported
BTD → ROA → Tobins' Q	0.096	4.913	0.000	Supported
LETR → ROA → MPS	0.060	4.336	0.000	Supported
CETR → ROA → MPS	0.047	3.892	0.000	Supported
BTD → ROA → MPS	0.129	5.281	0.000	Supported

5.0 Conclusions

The study examines the influence of TPL on the value of listed non-financial firms in Nigeria with profitability as the intervening variable over the period 2011 to 2022. The study established that TPL significantly influences the value of listed non-financial firms in Nigeria, likewise, profitability has a significant positive effect on the value of firms. Further, a significant mediating effect of profitability on the Link between TPL and the value of the firms is established. Based on the research findings, it is recommended that firms institute a more robust TPL practice that will help to achieve a lower tax liability and consequently higher FAV.

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