CSR Practice and Tax Compliance: Is there a nexus between the two?

Itotenaan Henry Ogiri, PhD[1], Augustar Omoze Ehighalua, PhD[2], Hillary Ukachukwu Nosiri[3]

[1]*Associate Professor of Accounting, Gregory University, Uturu, Nigeria*
[2]*PlusTheory Consultants, Abuja, Nigeria*
[3]*Doctoral Student, Ignatius Ajuru University of Education, Port Harcourt, Nigeria*

Abstract*: Taxation and Corporate Social Responsibility (CSR) are two areas that require organizations to demonstrate responsibility to the government and society. While tax is a legal requirement by firms to comply with established obligations, CSR is largely a voluntary practice. This paper investigated the relationship between the level of CSR practice and tax compliance amongst firms in Lagos State, Nigeria. The Shapiro-Wilk's Lambda estimate, Kruskal-Wallis estimates, and the bivariate pairwise correlational matrix were used in the study. Furthermore, the SPSS software was used to analyze the data, while the study adopts the descriptive statistics method in presenting the empirical findings. Our study reveals varying relationships between the level of CSR practice and firms' tax compliance as revealed by the rate of aggressive tax avoidance strategies adopted by firms. Majorly, our study shows that a negative connection exists between tax compliance and CSR. More specifically, Pearson's correlation estimation provided that there is a significant negative relationship between company income tax (CIT) and CSR. Also, the study indicates a negative and statistically significant relationship between CSR and withholding tax (WHT), while the association between value-added tax (VAT) and CSR is negative but statistically insignificant. The study has implications for public policy formulation and implementation and recommends that governments should employ some enablers like tax holidays, tax havens, and other incentives alongside stronger enforcement mechanisms to drive tax compliance.

***Keywords*: Corporate Income Tax, CSR, Nigeria, Taxation, Withholding Tax, Value-added Tax**

***JEL Classification Codes*: C12, C35, C83, E62, H2, H24**

I. INTRODUCTION

Organizations exist in an environment with concomitant social, political, and economic makeups. Profits, values, and wealth that accrues to organizations are argued to have arisen from the environment to which they belong. It is fitting for such organizations to invest in things that are of interest to the host environment otherwise it will create an appearance of exploiting and plundering the environment instead of just doing business. Several factors of corporate social responsibility (CSR) have been raised in extant literature.

CSR is essentially a moral obligation. This obligation sometimes conflicts with the firms' profitability objective. According to Gribnau (2015), companies endorsing CSR accept ethical obligations beyond compliance with the law. The sustained interest being shown by organizations in CSR is a continued attempt to satisfy the expectations of various stakeholders. Prominently, there have been the civic, labor, ecological, and product factors. Ecological factors concentrate on investment in a safe and habitable environment or doing business in a manner that allows the environment to remain sustainable. This line of thought signpost a good part of the Sustainable Development Goals (SDG) of the United Nations (Obaideen et al, 2022). The proponents of the labour factor of CSR argue that socially responsible corporate organizations do not only recruit labourers but also ensure safe labour practices, and protection of the dignity of the "man at work". Giving products that are safe and not inimical to the consuming public is the main thrust of the product factor of social responsibility (Godfrey, Hatch and Hansen, and 2010; Gribnau, 2015). In addition, the expectation in terms of civic factors places the demand on being a good corporate citizen or organization. This comes in the area of being tax-compliant, investing in sports, and other things that increase the size of public goods.

It has been argued that being CSR compliant can put an organization at a less vantage competitive position than the ones that are not. The primary focus of CSR is a redefinition of the objective of the firm from the more common motive of making a profit to making it in a manner that can be described as fair and environmentally sustainable. This raises a question of management and control of CSR given that the law does not expressly demand all angles of CSR from corporate organizations (Carroll, 2008).

Notably, it is in the area of tax compliance that can be argued to have laws clearly demanding compliance from organizations. These legislations are enforceable and have consequences for non-performance. Even in the face of these consequences, organizations also technically arrange their activities to either completely evade tax or avoid tax (extenuating their tax liabilities). This creates an investigative interest in the degree to which a correlation can be established between tax compliance and the conscious adherence to CSR by corporate organizations. This study makes some value additions to the existing literature in several ways. First, it focuses on the interaction between different and core corporation-related taxes and corporate social responsibilities. The taxes used in this case are withholding tax, value added tax, and the company's income tax. The linear association of all these forms of taxes with CSR is also signposted in this study which is connotative of pointing out the degree and direction of correlation amongst them. Second, the study explored activities of organizations' empirical form with Lagos, Nigeria, which is the economic capital of the country, as the geography of interest. This is important because virtually every tax-paying and arguably CSR-compliant organization in Nigeria has its headquarters in Lagos.

The study disaggregated the spatial features of Lagos with emphasis on the Northern, Southern, Eastern, and Western part of the very large city. This helps the study to draw conclusions that will be representative enough not just for Lagos but also for generalizations for the entire Nigerian economy. Third, the study deployed an array of statistical techniques in finding evidence-based answers to the questions that this study sought. The use of the Shapiro-Wilk's Lambda estimate, Kruskal-Wallis estimates and the bivariate pairwise correlational matrix added to the novelty of the study in terms of techniques, forms, and styles. Aside from the introduction section, the other parts of the study include: section two presents a review of literature, section three contains the methodology for the study, the penultimate section has the presentation of data and discussion of results and section five concludes.

II. REVIEW OF RELATED LITERATURE

2.1 Conceptual framework

The traditional objective of any business organization is to make a profit. This is in addition to such other objectives as wealth maximization, value maximization, long-run survival, and other supplementary objectives (Freidman, 1970). Taxation is vastly seen as leakage of the motives of the firm since it is paid out of the firm's profit, this incentivizes tax avoidance and non-compliance (Chen et al., 2010, and Landry Deslandes and Fortin, 2013). Taxation is one aspect of business that is susceptible to manipulation and window dressing. However, while tax evasion is criminal, tax avoidance is not. Consequently, firms at one time or the other employ different tax avoidance mechanisms to minimize their tax exposure. One of such strategies is aggressive tax planning. From a business perspective, more tax means lesser net income, while lesser tax translates to higher distributable net earnings.

As firms earn more, their tax liability rises and the lesser CSR they are likely to engage in (Timbate, 2021). In other words, there is a negative correlation between the two. Tilt (2016) identified socio-political environment with different political regimes, legal systems and cultural influences have over time affected the implementation of legitimacy theory, and stakeholders for tax reports. Besides, a company that is paying higher taxes may consider CSR as an additional burden that is avoidable. But opinions in the literature regarding the effect of tax avoidance and CSR are diverse. For instance, Agburuga and Umobong (2018) articulated that companies with no CSR activities are more aggressive in the avoidance of taxes than others, confirming the idea that CSR could be seen as a facet of corporate culture that affects business corporate tax avoidance. Mao (2019) held a different view when their empirical study indicates that CSR firms are more aggressive in their tax avoidance. For David and Gallego-Alvarez, (2009), the adoption of the social responsibility posture of firms is a key factor that negatively and positively influences the tax regime of a country. Despite the uncertainty regarding the exact direction of CSR and tax compliance, Knudsen and Moon (2022) demonstrated that, as a voluntary practice, public policy for CSR can inform and stimulate corporate discretion. This invariably could trigger measures by firms to avoid tax, with consequences for organizational legitimacy.

Recently, the interplay between tax compliance (aversion to tax evasion and tax avoidance) and CSR has started gathering interest in literature (Landry, Deslandes, and Fortin, 2013). This is calling to question the moral and social permissibility of tax avoidance and tax evasion. Chen et al., (2010) stated that is a civic factor of CSR which managers of firms reconcile the need for more profit and the desire to remain socially responsible in the area of tax compliance. Whether corporate tax avoidance is permissible and to what extent it is tolerable has called for research inquiry (Gulzar et al., 2018). Huseynov and Klamm (2012) see tax evasion as an obligation of the firm to its stockholders aimed at expenditure control while Sikka and Willmott (2010) contend on its illegality of it and it is prejudicial to monothematic wellbeing and development of society in developed and developing nations alike.

Corporate social responsibility has emerged as a paradigm shift in the focus and motives of corporate organizations with an argument on the morality of the profit and value that firms expropriate at the expense of the wellbeing of their host societies (Carroll, 2008). There is an intensely increasing interest in CSR evidenced by the literature on CSR accentuated by the importance of CSR to corporate organizations and their stakeholders (Korschun, Bhattacharya, and Swain, 2014). It has been argued that CSR aids firms in the market environment shaping corporate agenda; aids companies' valuation and improves the overall rating of compliant corporate entities (Boubakri et al., 2016; El Ghoul et al., 2017; Boubakri et al., 2019). While some schools of thought see CSR as a corporate organization being empathetic to society, the second school sees it as a moral obligation of corporate entities to their host environment.

2.2 Theoretical literature

CSR is a divergent phenomenon with different socio-political, and environmental backgrounds. Different political regimes, legal systems, and cultural influences have a significant effect on the applicability of CSR theories such as stakeholder theory and legitimacy theory, which are commonly used to explain the phenomenon of reporting. As captured by Olateju et al (2021:1) "organizations need to strategically position their operational activities to meet the norms, values, expectations, and demands of society to gain legitimate status which is embedded in corporate social responsibility". While different theories have been used in explaining the motivations behind CSR disclosures, in developing countries, however, the focus of CSR in satisfying stakeholders' expectations is rooted in the need for firms to appear responsible in the eyes of their host communities (Ogiri, Samy and Bampton, 2012).

As argued by Brown and Forster (2013), the theoretical debate regarding the economic and ethical justifications for CSR essentially centers on stakeholders' interests that are strengthened by the stakeholder and legitimacy theories, and whether businesses owe a moral obligation to give back to society. Brown and Forster's (2013) study corresponds to the argument by Ogiri, Samy, and Bampton (2012), that legitimacy theory provides a suitable theoretical framework for the explanation of corporate social and environmental disclosures, particularly in developing countries. According to Ranangen (2017), Stakeholder theory can advance CSR practice. More importantly, the focus of stakeholder theory is on the identification of stakeholders and the estimation of who and what really counts (Ranangen, 2017; Freeman, Dmytriyev, and Philips, 2021).

Therefore, the relationship between CSR level and tax compliance is one that is rooted in the competing needs of stakeholders, whether they are firms that engage in aggressive tax planning to minimize their exposure or other stakeholders' groups. A recent study by Harjoto et al (2022) also highlights the stakeholders' saliency in CSR reporting when they argued that corporate social irresponsibility leads to stakeholder value destruction with the attendant consequences. These studies were also supported by the arguments in the seminal works of Mitchell, Agle and Wood (1997) and Suchman, (1995) which highlighted three key attributes of stakeholders to include power, legitimacy, and urgency. Various stakeholder groups including governments and firms exercise these attributes listed by Mitchell, Agle and Wood (1997) and Suchman (1995). While governments exercise its powers to raise taxes, firms are inclined to employ strategies including tax avoidance to mitigate their tax exposures. The question, therefore, is whether there is a nexus between the legal obligation of firms to comply with tax provisions on one hand, and the moral obligation of firms to conduct their business in an ethical manner i.e., being socially responsible?

In a recent study, Inger and Stekelberg (2022) opined that socially responsible tax avoidance should not subject firms to reputational costs. Scholars of different hues have also argued that firms should not be scared to engage in CSR activities as most costs are deductible. More so, the application of the taxable deductible principle to CSR costs is not absolute (Wijaya, Devi and Santi, 2021). Therefore, it is up to the taxpayers to choose CSR programs that are allowed as a deductible expense as stipulated in relevant laws of the country (Wijaya, Devi and Santi, 2021). According to Crossley, Elmagrhi and Ntim (2021), CSR costs can infer substantive legitimacy on the firm. However, presenting a different perspective, Emerson, Yang and Xu (2020) argue that tax avoidance negatively influences investment. And lower investment potentially reduces the extent to which a firm is willing to spend money on CSR-related activities. A similar position was propounded by Goerke (2018), that if tax avoidance declines, CSR activities will increase. Consequently, the overall link between CSR and tax avoidance is theoretically ambiguous.

Given this divergence in the shades of opinion and inconclusiveness of the empirical evidence, this study has the main thrust of evaluating the complementarity or otherwise of tax compliance and CSR in a developing economy like Nigeria with a high need for funding for developmental activities. The guiding hypothesis for this study is, therefore:

*Hypothesis***:** There is no relationship between corporate social responsibility and tax compliance.

III. MATERIALS AND METHODS

This study follows the survey method with data gathered using questionnaires, interviews and observations. The estimation techniques deployed as follows:

3.1 Shapiro-Wilk's Lambda

Shapiro Wilk's test of normality of data series was utilized. Specifically, the test was used to measure the symmetrical distribution of the data series. The decision rule stood that a p-value greater than or equal to 0.05 (i.e., p≥0) affirms the normality of the data set.

3.2 Kruskal-Wallis's test

Kruskal-Wallis Test is a nonparametric alternative to the one-way ANOVA. The test is usually confirmed appropriate in comparison of statistical differences for more than two independent groups (i.e., with $k \geq 3$ populations) with ordinal data. This rank test was used in this study to ascertain the similarity in opinions of the companies in each sub-question.

The test statistic is provided thus:

$$W = \left[\frac{12}{n_T(n_T+1)}\sum_{i=1}^{k}\frac{R_i^2}{n_i}\right] - 3(n_T+1) \qquad (3.1)$$

Where k = the number of populations

n_i = the number of items in sample i,
$n_T = \sum_{n_i}$ = total number of items in all samples,
R_i = sum of the ranks for sample i,

The sampling distribution of W can be approximated by a chi-squared distribution with (k – 1) degrees of freedom. This approximation is generally acceptable if each of the sample sizes is greater than or equal to five. Such that:

The test statistic is $H = \frac{12}{n(n+1)}\sum_{i=1}^{m} R_i^2 - 3(n+1)$ (3.5)

The study particularly compared H with $\chi^2_{i-\alpha,m-1}$ and reject H_o if $H > \chi^2_{i-\alpha,m-1}$. In other words, the H_o was rejected for p-value ≤ 0.05, otherwise, it is upheld.

The statistical analyses were aided by Statistical Package for Social Sciences (SPSS) for windows, version 25.0 and Microsoft excel.

IV. DATA ANALYSIS AND INTERPRETATION OF RESULTS

The study used a sample of five (5) Management heads from each of the twenty-five (25) selected companies in the study area.

Respondents' Company Identity

Table 1: Region (Location)

Location	Frequency	Percentage
Eastern Lagos	5	20.0%
Southern Lagos	7	28.0%
Northern Lagos	10	40.0%
Western Lagos	3	12.0%

Source: Field Survey, 2022

The result as provided in table 1 shows that 20 per cent of the selected companies are settled in Eastern part of Lagos, 28 per cent are located at Southern Lagos, 40 per cent are within Northern Lagos, while the remaining 12.0 per cent are located at Western part of Lagos. In over all, the result pictured that all the regions in Lagos state are captured in the study, although majority of the companies were seen in the Northern region. The graphical representation is presented in figure 1 below:

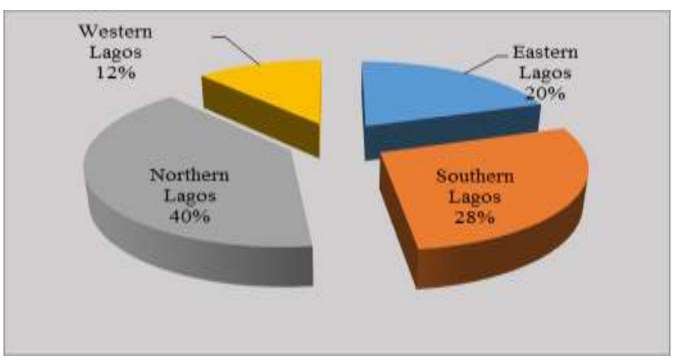

Fig. 1: graphical representation of Lagos regions

Source: Author's computation using Microsoft Excel

Table 2: Company Age [years of operation]

Age	Frequency	Percentage
0-5 years	2	4.0%
6-10 years	9	36.0%
10-15 years	11	44.0%
16 years and above	4	16.0%

Source: Field Survey, 2022

As provided in table 2, the age of the sampled companies; it was shown that most of the companies have been in operation for 6 years and above. Specifically, about 44.0% (11/25) of the company have existed for 10-15 years, 36.0% (9/25) have been in operation for 6-10 years, 16.0% (4/25) have operated for 4 years as at the time of this study, while only about 4.0% (1/25) of the companies have been in operation for 0-5 years. The implication is that the companies have actually experienced the effect of tax on their operational activities (social, economic and environmental). Hence, information provided by them are reliable for drawing inference. The graphical representation for further clarity is as presented in figure 2 below.

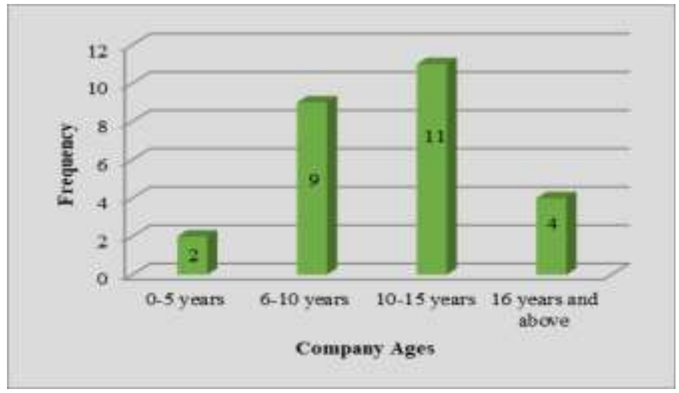

Fig. 2: graphical representation of effect of tax on their operational activities

Source: Author's computation using Microsoft Excel

Table 3. Gender of Respondents

Gender	Frequency	Percentage
Male	17	68.0%
Female	8	32.0%

Source: Field Survey, 2022

The statistics of gender representation of the study participants revealed that 68.0% are males while 32.0% are females. However, there are more males than females in the study. Figure 3 below is the pie chart representing the distribution.

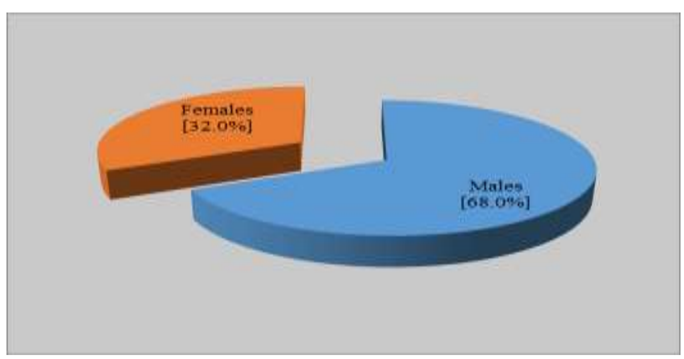

Fig. 3: graphical representation of male and female distribution

Source: Author's computation using Microsoft Excel

Table 4: Connection between Corporate Income Tax and CSR

Company	Sub-Question 1		Sub-Question 2		Sub-Question 3		Sub-Question 4		Sub-Question 5	
	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.
A	1.54	1.021	1.66	0.833	1.81	0.396	2.33	0.516	1.66	1.134
B	2.02	1.083	1.86	0.890	1.80	0.741	1.50	0.548	1.64	1.022
C	1.66	1.009	1.82	0.944	2.15	0.702	2.03	0.516	1.39	1.015
D	1.70	1.152	1.90	1.113	2.23	0.931	2.01	0.516	1.26	1.012
E	2.22	1.018	2.02	1.071	1.72	0.866	1.97	0.753	2.20	1.023
F	2.10	1.102	1.88	0.978	2.19	1.026	2.05	0.548	1.69	0.810
G	1.84	0.990	1.78	1.040	1.81	0.839	2.00	0.632	1.63	0.696
H	1.55	0.941	1.68	0.953	1.80	0.841	1.33	0.576	1.66	0.702
I	2.01	0.781	1.87	0.863	2.19	1.012	1.98	1.183	2.04	0.966
J	1.82	1.005	2.06	0.991	2.05	0.558	2.17	1.112	2.00	0.984
K	1.44	0.912	1.97	0.764	1.33	1.011	1.67	0.945	2.03	0.891
L	2.02	0.723	1.87	1.092	2.21	0.550	2.01	1.020	1.96	1.001
M	2.41	1.101	1.75	1.004	1.50	0.613	2.22	0.995	1.92	0.994
N	1.97	0.964	1.69	0.976	1.91	1.020	1.60	1.131	2.08	1.102
O	2.01	1.022	1.92	0.815	2.05	0.583	2.04	1.052	1.94	0.997
Over all Estimates	Kruskal-Wallis H(14) = 18.211, p=0.103>0.05		Kruskal-Wallis H(14) = 10.451, p=0.223>0.05		*Kruskal-Wallis H(14) = 11.543, p=0.214>0.05*		*Kruskal-Wallis H(14) = 9.765, p=0.406>0.05*		*Kruskal-Wallis H(14) = 17.582, p=0.197>0.05*	
Shapiro-Wilk (S-W) stat. = 2.045; Prob(S-W stat.) = 0.0013<0.05										

Source: Author's computation using SPSS 25.0 software

As shown in table 4 above, the *Shapiro-Wilk's Lambda* statistic [*Shapiro-Wilk (S-W) stat. = 2.045*] with associated probability value [*Prob (S-W stat.) = 0.0013<0.05*] indicates non-normality of the data series. However, with the Kruskal-Wallis H(14) test estimates and associated probability values > 0.05, it shows that there is no statistically significant variation in opinions of the companies in the area. This informs that aggregated analysis for further verification is supported. Meanwhile, with the strata mean statistics (all <3.00), it is suspected that there is a negative connection between Corporate Income Tax and Corporate Social Responsibility of the selected companies in Lagos state, Nigeria. These results are in agreement with findings by Goerke (2018); David and Gallego-Alvarez (2009) and Timbate (2021).

Table 5: Relationship between Withholding Tax and Corporate Social Responsibility

Company	Sub-Question 1		Sub-Question 2		Sub-Question 3		Sub-Question 4		Sub-Question 5	
	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.
A	2.24	0.535	2.18	0.709	2.02	0.888	2.09	0.605	2.05	0.973
B	1.88	0.962	1.94	0.677	1.76	0.782	1.79	0.775	1.83	0.774
C	2.16	0.794	2.07	0.983	2.06	0.667	2.15	0.846	2.09	0.819
D	1.06	0.603	1.44	0.589	1.66	0.933	2.21	0.709	2.38	0.730
E	1.55	0.776	1.76	0.556	1.69	0.793	1.97	0.871	1.86	0.915
F	1.98	0.623	1.90	0.877	2.01	0.966	2.08	0.798	2.05	0.670
G	2.04	0.987	2.21	0.752	2.33	0.769	2.41	0.700	2.19	0.710
H	2.11	0.740	1.89	0.675	2.04	0.812	2.26	0.769	2.34	0.820
I	1.98	0.911	2.10	0.900	2.11	1.001	2.09	0.803	2.10	0.716
J	2.32	0.999	2.25	0.871	2.27	0.787	2.31	0.719	2.25	0.829
K	2.17	0.875	2.13	0.693	1.99	0.900	2.16	0.694	2.18	0.907
L	1.78	0.901	1.69	0.578	1.88	0.876	1.89	0.588	1.94	0.633
M	2.03	1.002	2.11	0.694	2.15	0.910	2.07	0.844	2.20	1.008
N	1.77	0.859	1.86	0.777	1.93	0.655	1.95	0.924	1.89	0.749
O	1.95	0.799	2.19	0.603	2.23	0.835	2.14	0.712	2.04	0.823
Over all Estimates	Kruskal-Wallis H(14) = 14.067, p=0.0.116>0.05		Kruskal-Wallis H(14) = 8.256, p=0.203>0.05		Kruskal-Wallis H(14) = 6.005, p=0.685>0.05		Kruskal-Wallis H(14) = 12.369, p=0.138>0.05		Kruskal-Wallis H(14) = 5.051, p=0.872>0.05	
Shapiro-Wilk (S-W) stat. = 1.089; Prob(S-W stat.) = 0.0218<0.05										

Source: Author's computation using SPSS 25.0 software

As shown in table 5, the opinions of the fifteen (15) selected companies with respect to the sub-questions (1-5) in research objective two [*Prob (Kruskal-Wallis H stat.)>0.05*] do not vary significantly across the companies. In other words, there is high level of consistency in the companies' opinions. Specifically, the stratum mean responses [i.e., average response from each of the selected company] create a suspicion that the relationship between withholding tax and corporate social responsibility of the companies is negative. This alarm calls for further verification, while the *Shapiro-Wilk's Lambda* estimate [*S-W stat. = 1.089, p=0.0218<0.05*] proved that the data series are not normally distributed.

Table 6: Association between Value Added Tax and Corporate Social Responsibility

Company	Sub-Question 1		Sub-Question 2		Sub-Question 3		Sub-Question 4		Sub-Question 5	
	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.	Mean	Std.
A	2.37	1.003	2.16	0.752	2.45	0.649	1.52	0.549	2.37	1.002
B	2.28	0.795	2.72	1.024	2.32	1.006	1.24	0.746	2.13	0.925
C	2.74	1.191	1.55	0.830	2.37	0.848	1.30	0.948	2.21	0.841
D	2.95	0.934	2.64	0.935	2.29	0.957	1.35	0.597	1.71	1.003
E	2.13	1.130	1.77	1.051	2.38	0.538	1.84	0.573	2.54	1.016
F	2.66	0.662	2.77	0.642	2.20	0.694	2.13	0.684	2.39	0.742
G	2.16	0.807	2.52	1.025	2.46	1.054	2.43	0.554	2.20	1.010
H	2.62	0.840	2.27	1.041	2.31	0.504	2.55	0.580	1.42	0.845
I	2.86	1.051	2.95	1.134	2.40	0.696	2.62	0.657	1.59	0.659
J	2.37	0.542	2.21	0.516	1.87	0.857	2.37	0.660	2.46	0.754
K	2.29	0.705	1.89	0.666	2.63	0.563	2.89	0.559	2.24	1.005
L	2.12	0.644	2.29	0.780	2.21	0.555	2.38	0.667	2.41	0.968
M	2.42	0.886	2.44	0.841	2.71	0.851	2.46	0.562	2.23	1.024
N	2.49	0.912	2.23	1.005	2.54	0.526	2.31	0.760	2.01	0.888
O	1.80	0.788	2.33	0.428	2.31	0.747	2.40	0.846	2.31	0.711
Over all Estimates	Kruskal-Wallis H(14) = 8.009, p=0.431>0.05		Kruskal-Wallis H(14) = 5.993, p=0.785>0.05		Kruskal-Wallis H(14) = 6.112, p=0.607>0.05		Kruskal-Wallis H(14) = 5.706, p=0.777>0.05		Kruskal-Wallis H(14) = 7.007, p=0.614>0.05	
Shapiro-Wilk (S-W) stat. = 1.772; Prob(S-W stat.) = 0.0361<0.05										

Source: Author's computation using SPSS 25.0 software

With respect to the sub-questions in research objective three, it was confirmed that there was no statistically significant variation in mean responses from the fifteen (15) selected companies in the study area [*Prob(Kruskal-Wallis H stat.)>0.05*]. Also provided by the survey result was that the data series are not statistically different from zero; hence, they are not normally distributed [*Shapiro-Wilk's Lambda* statistic *= 1.772; p= 0.0361<0.05*]. A critical look at the data series as presented in table 6 shows that there is some level of association between value added tax and corporate social responsibility of the firms. However, a further statistical verification is necessary to ascertain the level/extent of the association between these two groups of variables.

Determining the Degree of Linear Association among the Variables/Testing the Research Hypotheses

Standing on the following hypothetical statements,

S/N	Hypothetical statements	Test statistic
1	No significant connection between Corporate Income Tax (CIT) and corporate social responsibility	
2	No significant relationship between Withholding Tax (WHT) and corporate social responsibility	
3	No significant association between Value Added Tax (VAT) and corporate social responsibility	

Level of Significance (α) = 0.05

Table 7: Pearson's Correlation Matrix

		CSR	CIT	WHT	VAT
Correlation	CSR	1.000			
	CIT	-.942	1.000		
	WHT	-.863	.930	1.000	
	VAT	-.474	.539	.336	1.000
Sig. (1-tailed)	CSR				
	CIT	.009			
	WHT	.017	.035		
	VAT	.313	.231	.332	

a. This matrix is not positive definite.
b. sig-value less than 0.05 indicates significance

Source: Author's computation using SPSS 25.0 soft ware

The correlation test result as presented in table 7 below indicates that the tax compliance indices have varying degrees of linear relationship with corporate social responsibility. Specifically, Pearson's correlation estimation provided that there is a significant negative relationship between company income tax (CIT) and corporate social responsibility (CSR) [r

$=-0.942$, $p=0.009<0.05$]. In other words, high corporate tax exposure adversely affects the CSR performance of the firms. This means that corporate income tax obligation as imposed by the Federal Government works against corporate social function/investment in the community development of the companies. Also, the result uncovered that the relationship between corporate social responsibility (CSR) and withholding tax (WHT) [$r=-0.863$, $p=0.017<0.05$] is negative and statistically significant. An indication that compliance with Government imposed withholding tax is not favourable to the year profit of the companies, thereby affecting their decision as to whether to invest on CSR and avoid tax or whether to pay tax and mitigate investment in CSR. More so, this study discovered that the association between value added tax (VAT) and corporate social responsibility (CSR) is negative but statistically insignificant [$r=-0.474$, $p=0.313>0.05$]. The implication is that, Government imposed tax on consumption is very high to the extent that the companies are no longer committed to carry out its business in an ethical way.

V. CONCLUSION AND RECOMMENDATIONS

This study was set to evaluate the interaction between tax compliance and CSR. A survey method was adopted with data gathered by the use of questionnaire. A collection of statistical approached were adopted and some findings documented.

Majorly, a negative connection is established between tax compliance and CSR. This shows the negative predisposition of the investigated corporate organizations to the obligation of being tax compliant. It is evident that the investigated firms belong more to the empathetic disposition of CSR as they do not see tax compliance as a demonstration of being socially responsible as a corporate organization.

Given the discovery made in this study, it is therefore recommended that government should employ some enablers to make corporate organizations tax compliant. It can be argued that the increasing rate of tax evasion and lack of compliance can be checked through the introduction of tax incentives like tax holidays, tax havens and others in that similitude.

Also, there should be stronger enforcement mechanisms that would drive tax compliance. This is made even more imperative by the dwindling revenue from crude and the need to meet the revenue needs of the government at different tiers.

Policy Recommendation

By way of research implications, it is expected that this study will stimulate interest in other areas of CSR and the impact on society’s well-being not just in Nigeria but in regions beyond.

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