

Corporate Social Responsibility and Tax Strategies: An Analysis of Nigerian Public Companies

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ABSTRACT

In recent times, the study of factors that affect tax strategies of companies has gained a huge research attention due to its relevance in determining the success of a nation. However, this study broadly investigated the impact of corporate social responsibility on tax strategies in Nigerian public companies. This study specifically examined the effect of employee social welfare, environmental maintenance cost and firm donation cost on tax strategies measured by effective tax rate in Nigerian Public Companies. This study was anchored on corporate culture theory and agency theory and adopted *ex-post facto* research design by employing secondary data collated from the annual reports and accounts of a sample size of fifty-four (54) Nigerian Public Companies from 2013-2022. Data were analysed with descriptive statistics and correlation. It was found that employees' social welfare cost had a negative and significant effect on tax strategies ($t\text{-val.} = -7.074$, $P\text{-val.} < 0.05$) which suggested that an increase in employee social welfare cost exhibited a significant decrease in tax strategies. Environmental maintenance cost had a negative and significant effect on tax strategies ($t\text{-val.} = -12.559$, $P\text{-val.} < 0.05$). This finding further suggested that an increase in environmental maintenance cost exhibited a significant decrease in tax strategies. Donation cost had a negative and insignificant effect on tax strategies ($t\text{-val.} = -18.996$, $P\text{-val.} < 0.05$). This finding suggested that an increase in donation cost exhibited a significant decrease in their tax strategies. This study concluded that increasing the costs of investments in corporate social responsibility through employee social welfare costs, environmental maintenance costs, and donations, have a significant negative effect on tax strategies in Nigerian Public Companies. It was recommended among others that the Nigerian public companies should actively invest in corporate social responsibility by increasing employee social welfare costs, environmental maintenance costs, and donations costs in order to minimize tax strategies.

Keywords: Corporate Social Responsibility, Tax Strategies, Nigerian Public Companies.

INTRODUCTION

Tax strategies originated with large multinational shifting profits to low tax jurisdictions, but now corporations of all sizes use them as a strategic cost-saving approach. The corporation is a taxpayer and is obliged to calculate, pay, and report tax with a self-assessment system. Therefore, a corporation having different interests from government interests, there is a potential action to avoid or minimize tax through tax planning activities. The corporation would try to pay tax as a minimum as possible whether it is under tax law and regulations or not in order to minimize cost and increase the cash flow available to shareholders. Since taxes represent a significant cost that will reduce pre-tax earnings, shareholders would prefer tax aggressive activities in an effort to increase not only after-tax earnings per share, cash available for them as a dividend but also increase the value of the firm (Olawajolu & Olayiwola, 2019).

Tax Strategies, according to Uniamikogbo, et al (2019) is also known as "tax sheltering" or "tax planning" and is defined according to Khurana and Moser (2022) as all those activities that are designed solely to minimize corporate tax obligations including; tax evasion, tax avoidance, and legitimate saving of taxes. In other words, Tax Strategies include not only the strategies aimed at minimizing tax liability of a business, it also looks at the

cash flow consequence on the business regarding when it is most beneficial for a corporate entity to settle its tax liability, not incur any punishment and aimed at transferring value from the state to the firm.

Maximizing an optimum profit for shareholder's wealth is not the only responsibility of the company but also responsible for the social and environmental aspect hence, the triple bottom line which consists of profit, people, and the planet becomes the spirit to conduct corporate social responsibility action and this action is then disclosed by companies in their published annual reports (Hajawiyah, et al., 2022). The success of every corporate organization depends highly on the employees and the operational environment as no business can survive without the environment (Iliemena, 2020).

The role of the employees and the environment towards the profit made during the period of operations necessitated the concept of corporate social responsibility. There is no organization or business that can operate in isolation without interacting with human and non-human elements in its immediate environment. A corporate organization that is interested in enhancing its value for the long existence and growth must invest in the adoption of its corporate social responsibility both within and outside the organization.

Corporate social responsibility (CSR) involves companies communicating their social, environmental and financial performance to stakeholders through various medium such as annual reports and websites. Corporate social responsibility according to Adekoya, et al (2020), operates on the principle that firms are obliged to meet their responsibilities to a broader array of stakeholders rather than its shareholders only. CSR serve as a mechanism of achieving competitive advantage, not only voluntarily but as a necessity for sustainable development in the competitive markets. In other words, CRS enables firms to maintain good relationship primarily with the stakeholders, such as customers, communities and employees.

The link between tax strategies and CRS is interrelated in nature because taxes have a central role in the management of a company, but according to Vacca, et al (2020) they also have effects on the welfare of the general society. Taxes formed a major component of government revenue to fund infrastructure development, education, health, national defense, and support societal welfare. Tax payment by the taxpayers contributed positively to the welfare of the citizens, hence firms that engages on aggressive tax is socially irresponsible because the reduction in tax revenue results in a potentially irreversible loss to the society. In line with this, Baudot, et al (2019), opined that tax strategies can promote social inequality and it can make a business corporation become socially irresponsible to the society where they operate.

In addition, the relationship between tax strategies and corporate social responsibility may be considered from three key perspectives. Firstly, in tax strategies, the business corporations hide under corporate social responsibility to gain incentives from government and pay lesser taxes to the government and in turn increase shareholders' wealth. This means that tax aggressive would increase companies' engagement in corporate social responsibility (Abdelfattah & Aboud, 2020). In this view, aggressive tax strategies represent a firm's value maximizing activity as it entails a wealth transfer from the government to the shareholders of a firm (Khurana & Moser, 2022; Desai & Dharmapala, 2009). On the other hand, according to Zeng (2020), there is a negative relationship between tax strategies and corporate social responsibility because paying more tax contributes to a higher overall corporate social responsibility ranking.

Secondly, a business corporation engaging in corporate social responsibility will have lesser tax strategies activity, thus corporate social responsibility negatively affects tax strategies (Karthikeyan & Jain, 2017). On the other hand, according to Hajawiyah, et al (2022), firms with higher corporate social responsibility scores engage in more tax avoidance and corporate social responsibility is used by managers to conceal their risky and opportunistic tax avoidance activities and mitigate reputation and image damages resulted from tax avoidance.

Thirdly, tax strategies activity will be allowable by corporate governance because it results in shareholders' wealth maximization. From the perspective of agency theory, the role of agency costs arising from tax strategies is put on the front burner (Khurana & Moser, 2022). The issue here is whether tax strategies will create the scope for managerial opportunism. If the free cash flow from tax strategies behaviour induces the threat of opportunism by managers, the stance of corporate governance will be to mitigate such practices. The role of aggressive tax behaviour by managers within an agency framework of the firm poses a new set of issues which are related to the alignment of their interests with those of the shareholders. To this end this study focused on the impact of

corporate social responsibility in term of employees' social welfare cost, environmental maintenance cost and donation cost on tax strategies in Nigerian public companies.

Statement of the Problem

Corporate social responsibility and tax strategies are popular topics in accounting, business and management literatures (Zeng, 2020). Prior studies have examined the relationship between tax strategies and corporate social responsibility. However, the results from these studies revealed positive or negative, significant or insignificant relationship between corporate social responsibility and tax strategies (Abdelfattah & Aboud, 2020 and Richardson et al., 2013). In addition, it was observed in Nigeria context that most of the prior studies did not employ cross-sectional panel data to examine the effect of corporate social responsibility measuring employees' social welfare cost, environmental maintenance cost and donation cost on Tax Strategies and this may affect generalization (Oboh & Nosa, 2021). Therefore, this study filled this gaps in literatures by examine corporate social responsibility on tax strategies in Nigerian public companies.

Objectives of the Study

The main purpose of the study was to investigate the impact of corporate social responsibility on tax strategies: an analysis of Nigerian public companies. Specifically, the study sought to:

- i. Examine the extent to which employees' social welfare cost affect tax strategies of Nigerian public companies.
- ii. Determine the effect of environmental maintenance cost on tax strategies of Nigerian public companies.
- iii. X-ray the effect of donation cost on tax strategies of Nigerian public companies.

Research Hypotheses

The following null hypotheses have been developed with the aim of achieving the research objectives:

H0₁: Employees' social welfare cost does not have a significant impact on tax strategies of Nigerian public companies.

H0₂: Environmental maintenance cost does not have a significant impact on tax strategies of Nigerian public companies.

H0₃: Donation cost does not have a significant impact on tax strategies of Nigerian public companies.

Literature Review Corporate Social Responsibility

According to Oboh & Nosa (2021) corporate social responsibility means an organisations interacting with their employees, customers, suppliers and the community in which they operate as well as the extent to which they attempt to protect the environment. Corporate social responsibility denotes the obligation of business organisation to use its resources in a way that can benefit the society and all other stakeholders. Corporate social responsibility is a concept where organisations incorporate social and environmental concerns in operations of their business and their fundamental interactions of their business with all the constituencies on a voluntary basis.

Sheehy and Farneti (2021) asserted that corporate social responsibility has been part of the business dialogue for many decades. It is an issue that emanated from social concept of management that has to do with providing social-economic support to the people that lives where the company operates. Corporate social responsibility is often referred to as corporate conscience, corporate citizenship, social performance or suitable responsible business and is some worth relating to an action taken by a corporation to adopt a certain standard of selfregulation that a corporation cannot otherwise be forced into, nor does it produce any direct gain by doing.

Corporate social responsibility has become strategically important for companies wishing to become good corporate citizens who are presently considered as an essential quality for a firm wishing to thrive and achieve

its goals. Corporate social responsibility according to Hajawiyah, et al. (2022) is a form of self-regulation which incorporates issues of “sustainability, sustainable development, environmental management, business ethics, philanthropy and community investment, workers’ rights, welfare, human rights, corporate governance and legal compliance and animal rights”. According to Riano and Yakovleva (2019) corporate social responsibility is a responsibility of for-profit and not-for-profit organizations for their impact on stakeholders, natural environment, and wider society; it focuses on accountability and transparency of corporate actions that include social, ethical, environmental, and economic efforts, which are often voluntary and placed within and outside of market and commercial transactions.

Corporate social responsibility is a corporate attitude and reaction to social and environmental issues that exceed the economic and legal requirements. Corporate social responsibility is based on the concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customer, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

Tax Strategies

Tax strategies is defined according to Hanlon and Heitzman (2010) as a broad continuum of activities that range from benign behaviors that were envisioned by tax policies at one end, to outright tax fraud and tax evasion at the other. Specifically, within the accounting research in tax, the term “tax strategies” can be used interchangeably with the term “tax avoidance” or “tax planning”. Tax planning according to Johansson, et al

(2016) refers to situations in which there is a disconnection between the location of profits and the real activity generating them. It also includes situations where the effective tax rate of companies is artificially reduced compared to that of similar domestic firms due to exploitation of tax planning schemes involving loopholes in tax systems and preferential tax treatment. Tax planning is an arrangement made by individuals, trusts, firms or other entities of their financial affairs, to ensure that a full gain is taken, regarding all exemptions relating to taxes, rebates, allowances and other benefits or reliefs allowed under the law, without necessarily violating the legal provisions in any form (Geetha, 2012).

Furthermore, tax strategies is defined according to Chen, et al (2013) as the effort to reduce tax payments using aggressive tax planning activities and tax avoidance by the taxpayer (that is, the business organization). Frank, et al (2009) referred tax strategies as tax returns based on manipulation to lower tax income due to available tax loophole companies take as advantage to engage in tax planning that can be considered as tax management. Tax Strategies as viewed by Bruce, et al (2007) is seen as set of actions taken by companies to reduce their public debts from shaping and affecting only their scheme financial strategy. Tax strategies activities are characterized by complexity and obfuscation according to Desai and Dharmapala (2006) which is extremely difficult to detect by tax administrators. Tax Strategies activities can be used as a signal of significant performance by management by increasing the net income of the company and as such, creates a positive signal to investors (both foreign and local).

Tax Strategies is a strategy deployed by managers, as a set of processes, practices, resources and choices whose objective is to maximize income after all company’s liabilities owed to the state and other stakeholders. This concept have the same meaning as tax planning, tax avoidance and tax shelters in as much as they did not meet the legal and ethical provisions established by the tax authorities. The measurements of tax strategies are numerous in tax research, in the context of this study effective tax rate is used. Tax Strategies can be viewed as tax avoidance because it operate within legal utilization of the tax regime to the company’s own advantage, to reduce the amount of tax that is payable by means that are within the law. In another way, tax strategies can be seen as a trigger in tax management activities that is used for tax planning and have an arrival point for tax evasion.

Theoretical Framework Corporate Culture Theory

Corporate culture theory is introduced by Hermalin (2013) and the theory contends that there is a negative relationship between tax avoidance and risk and that all business actions should be founded on a shared conviction in optimistic behavior. This notion implies that a firm will not engage in activities that have a negative

impact on its reputation and community. The corporate culture theory posits a negative relation between corporate social responsibility and Tax Strategies.

The theory argues that if a firm strongly believes in “right” corporate behavior, then all the decisions of the firm, including decisions on corporate social responsibility and Tax Strategies activities, should reflect that shared belief. In other words, according to corporate culture theory, a firm should not simultaneously engage in activities that might have opposite effects on society. Firms undertake corporate social responsibility for the benefit of a variety of stakeholders, including the firm’s shareholders, employees, customers, vendors, regulators, creditors, and communities in which it operates (Col & Patel, 2016). All company decisions must reflect the value of good behavior resulting in a negative relationship between corporate social responsibility and Tax Strategies. Companies should not be involved in activities that may have negative consequences for society.

Corporate culture theory argued that Tax Strategies practices by firms are inconsistent with corporate social responsibility, as those practices are costly to the society and they might be considered by the public and the press as unethical and irresponsible activities (Ahmed, 2021). Some empirical studies (Hoi, et al., 2013; Landry et al., 2013; Lanis & Ricardson, 2015) indicated that corporate social responsibility firms are with higher effective tax rate than other firms.

Empirical Review

The role of board characteristics in the relationship between tax avoidance behavior and corporate risk tolerance to elucidate the importance of corporate governance mechanisms was investigated by Tran, et al. (2023) and the study applied System-GMM for 334 listed corporations in Vietnam from 2008 to 2020 to avoid endogenous problems in our models. It was found by the study that higher (lower) corporate risk-taking was related to higher (lower) corporate tax avoidance if the size of the board of directors and the supervisory board are larger (lower) than six and three members, respectively. Furthermore, the study revealed that if the board independence ratio is lower than 48.63%, an increase in corporate risk-taking leads to increased tax avoidance. This result supported the argument that the influence of corporate risk-taking on tax avoidance behavior is governed by governance structure, thus, the study suggested building the optimal governance mechanism for enterprises in Vietnam.

Furthermore, Özbay, et al (2023) examined the relationship between tax avoidance and corporate social responsibility and the study used 1156 firm-year observations from 94 firms listed on the Istanbul Stock Exchange. The study found that socially responsible non-family firms engage in tax avoidance activities through discretionary book-tax differences rather than tax avoidance through aggressive tax planning and tax sheltering, and this behavior was opposite in family firms. According to the study, family firms engage in more aggressive tax planning than non-family firms. Therefore, the study suggested that external monitoring by institutional investors or debtors only affects the tax avoidance behaviors of non-family firms.

The simultaneous relationship between Tax Strategies and corporate social responsibility of non-financial companies in Indonesia was examined by Hajawiyah, et al. (2022) and the study also examined the moderating role of risk governance in this relationship. The study used a sample of Indonesian publicly listed companies comprised of 328 firm-years (2013–2020) and data was then processed using simultaneity test and regression. The result of the analysis showed that there was a simultaneous relationship between Tax Strategies and corporate social responsibility. Furthermore, it was revealed by the analysis that Tax Strategies has a negative significant effect on corporate social responsibility and corporate social responsibility has a significant negative effect on Tax Strategies. The result also showed that risk governance strengthens the effect of Tax Strategies on corporate social responsibility and strengthens the effect of corporate social responsibility on tax strategies.

Also, the relationship between corporate social responsibility (CSR) and tax avoidance was investigated by Daoud (2022) and the study also looked at how ownership structure impacts this relationship. The study made use of a sample of 300 European companies over the period 2014 – 2019 and ordinary least square regression models was used to analyse the data. The result showed a negative relationship between corporate social responsibility and tax avoidance, which is consistent with the concepts of agency theory. Furthermore, the study found that family businesses mitigate the relationship between corporate social responsibility and tax avoidance, thus the study suggested that family firms are more socially responsible than non-family firms due to their socioemotional endowments, and consequently are less tax avoidant.

Oboh and Nosa (2021) examined the impact of corporate social responsibility (CSR) on tax avoidance in Nigeria. In a bid to achieve this, data was collected from the annual reports and accounts of banks quoted on the floor of the Nigerian stock exchange. From the analysis carried out by the study, it was observed that return on asset was found to have a positive relationship with tax avoidance. CSR was found to have a positive relationship with tax avoidance and non-statistically significant tested at 5% level of significance. It was also found that firm size had a negative relationship with tax avoidance and statistically insignificant tested at 5% level of significance.

Furthermore, the impact of Tax Strategies on corporate social responsibility (CSR) and its reversal was examined by Kristiadi, et al (2021) and the study covered a total population of manufacture companies listed on the Indonesian Stock Exchange over the period 2008-2019. This study used a purposive sampling method and found 67 companies and the data were analysed with multiple regressions through generalized method of moments (GMM). The results depicted that CSR does not affect Tax Strategies. However, Tax Strategies has a significant effect to enhance CSR, implying that the relationship between CSR and Tax Strategies is only one direction.

Moreover, Pratiwi, and Siregar (2019) examined the effect of corporate social responsibility (CSR) towards tax avoidance and earnings management practices as well as the role of political connections as moderating variable this study found evidence that CSR has a positive effect toward tax avoidance, real earnings management, and aggregate earnings management. The results indicated that broader CSR disclosure was done to cover opportunistic behaviors and maintain the legitimacy and corporate image in the eyes of the stakeholders.

However, for political connections, it was generally not proven to have a significant role in moderating the effect of CSR towards tax avoidance and earnings management practices in the study.

Gaps in Literature

Over time, it was ascertained that research on impact of corporate social responsibility on tax strategies in Nigeria has only been done by a few authors who focused on insurance companies, manufacturing companies and banks. Also, many studies examined from the empirical review so far focused on tax avoidance on corporate social responsibility and were limited to one sector, while the recent study focused on corporate social responsibility targeting: employees' social welfare cost, environmental maintenance cost and donation cost on tax strategies in Nigerian public companies taking into consideration 10 sectors. This study bridged the gap and also extends the time frame to a current year in a bid to unfold the contradicting findings that existed over time.

METHODOLOGY

This study adopted ex-post facto research design. This is because the research design allowed the use of historical data. Secondary data were used. Scientific approach was used to select fifty-four (54) companies out of one hundred and sixty-three (163) listed companies classified into ten (10) sectors; namely, Construction and Real Estate sector, Conglomerate sector, Consumers sector, Services sector and Industrial Goods sector, Agricultural sector, Information Communication Technology sector, Natural Resources sector, Financial Services sector and Oil and Gas sector as at 31st December, 2022 on the NGX between 2013 and 2022.

Methods of Data Analysis

Descriptive statistics and correlation analysis were used for data analysis. The descriptive statistics provided a summary of the data, highlighting the central tendency, dispersion, and overall distribution of the variables, which helped in understanding their basic characteristics. The correlation analysis assessed the relationships between the variables, identifying potential multicollinearity issues that could have affected the reliability of the regression estimates.

Model Specification

The regression model is as specified by Frances Galton (1974) thus;

$$y = a + x + e... \quad (1)$$

Therefore, rewriting the model in line with equation 1 above, the study has that:

$$ETR_{it} = f(ESWC_{it}, EMC_{it}, DON_{it}) \dots \quad (2)$$

ETR_{it} = Effective Tax Rate of individual company i at period t (proxy for Tax Strategies)

$ESWC_{it}$ = Employee Social Welfare Costs of individual company i at period t

EMC_{it} = Environmental Maintenance Costs of individual company i at period t

DON_{it} = Donation Costs of individual company i at period t

To empirically examine the impact of corporate social responsibility on tax strategies, the study hypothesized that tax strategies proxy as Effective Tax Rate (ETR) depends behaviorally on the various corporate social responsibility constructs. Thus, such behavioural influence was given as;

$$ETR_{it} = a + \beta_1 ESWC_{it} + \beta_2 EMC_{it} + \beta_3 DON_{it} + \varepsilon_{it} \dots \dots \quad (3)$$

In a bid to control all the variable values in the equation (3), we rewrite equation (3) as;

$$ETR_{it} = a + \beta_1 ESWC_{it} + \beta_2 EMC_{it} + \beta_3 DON_{it} + \beta_4 FL_{it} + \beta_5 FS_{it} + \varepsilon_{it} \dots \dots \quad (4)$$

Where; a = Constant parameter; β_1 to β_5 = parameters to be estimated; t = periods 2013 through 2022; i = cross – section (54 listed companies), ε_{it} = error term. On a-priori, we expect, $\beta_1 < 0$, $\beta_2 < 0$, $\beta_3 > 0$, and $\beta_4 > 0$.

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

	ETR	ESWC	EMC	DON
Mean	0.105	0.815	0.627	0.401
Median	0.115	1.020	0.400	0.320
Maximum	1.190	1.990	1.390	1.030
Minimum	-0.990	0.020	0.098	0.090
Std. Dev.	0.140	0.529	0.403	0.243
Skewness	0.355	0.231	0.238	1.249
Kurtosis	34.612	2.242	1.256	3.567
Jarque-Bera	22495.650	17.744	73.548	147.606
Probability	0.000	0.000	0.000	0.000
Sum	56.958	440.200	338.582	216.580
Sum Sq. Dev.	10.560	151.088	87.550	31.838
Observations	540	540	540	540

Source: Author’s Computation, 2025

Table 1 provides the descriptive statistics for the variables analyzed in the study, capturing various aspects of corporate social responsibility among Nigerian Public Companies. The Effective Tax Rate (ETR), used as a proxy for Tax Strategies, has a mean value of 0.105. This indicates that, on average, the companies paid 10.5% of their income in taxes, reflecting a moderate level of tax strategies. The standard deviation of 0.140 suggests considerable variability in tax practices, with some firms exhibiting aggressive tax minimization strategies while others are less aggressive. The ETR ranges from a minimum of -0.990 to a maximum of 1.190. A negative ETR indicates cases where companies received tax refunds exceeding their taxable income, while the maximum value

suggests some firms paid taxes amounting to 119% of their income, potentially due to non-deductible expenses or penalties.

The mean value of Employee Social Welfare Costs (ESWC) is 0.815, showing that, on average, companies allocated 81.5% of their employee-related expenses to social welfare activities. This indicates a significant commitment to the well-being of employees. The standard deviation of 0.529 pointed to moderate variation in how companies invest on employee welfare, reflecting differing priorities or financial capacities. The ESWC ranged from 0.020 to 1.990, with some firms barely investing in employee welfare, while others make substantial investments, potentially reflecting strong corporate social responsibility (CSR) commitments.

Environmental Maintenance Cost (EMC) has a mean value of 0.627, meaning that, on average, firms spent 62.7% of their environmental-related expenses on maintenance activities. This suggests a reasonable level of environmental responsibility among the firms. The standard deviation of 0.403 indicates significant variability, showing that while some firms invest heavily in environmental upkeep, others may neglect this aspect. The EMC ranges from 0.098 to 1.390, with lower values indicating less engagement in environmental sustainability, while higher values reflect a strong commitment to environmental preservation.

Donation Cost (DON) shows a mean value of 0.401, indicating that, on average, companies dedicated 40.1% of their discretionary expenses to donations. This suggests a moderate level of engagement in charitable activities.

The standard deviation of 0.243 reveals a fair amount of variation in donation practices among firms. The DON ranges from 0.090 to 1.030, with some firms contributing minimally to donations, while others allocate a significant portion of their resources to philanthropy, which could enhance their public image and CSR standing.

Correlation Analysis

		ETR	ESWC	EMC	DON
ETR	Pearson correlation Sig. (2-tailed)	1.000			
ESWC	Pearson correlation Sig. (2-tailed)	.112** (0.009)	1.000		
EMC	Pearson correlation Sig. (2-tailed)	.165** (0.000)	.734** (0.000)	1.000	
DON	Pearson correlation Sig. (2-tailed)	-0.038 (0.374)	.597** (0.000)	.448** (0.000)	1.000
	N	540	540	540	540

Source: Author’s Computation, 2025

Table 2 presents the correlation matrix for the variables used in the study, revealing a positive and significant relationship between the Effective Tax Rate (ETR) and Employee Social Welfare Costs (ESWC), with a correlation coefficient (r) of 0.112** at $p < 0.05$. This indicates that as companies increase their spending on employee social welfare, their effective tax rate tends to rise. This relationship suggests that higher investments in employee welfare might be associated with increased tax liabilities, possibly because these expenditures may not be fully tax-deductible or because they reflect a broader scope of taxable activities.

The ETR shows a positive and significant correlation with Environmental Maintenance Costs (EMC), with a Pearson correlation of 0.165** at $p < 0.05$. This suggests that higher spending on environmental maintenance is associated with an increase in the effective tax rate, possibly because such costs, while beneficial for compliance and sustainability, may not be fully tax-deductible.

However, no significant correlation is found between ETR and Donation Costs (DON), as indicated by a Pearson correlation of -0.038 ($p > 0.05$), implying that donations do not have a significant impact on the effective tax rate.

Test of Hypotheses

H0₁: Employees' social welfare cost does not have a significant impact on tax strategies of Nigerian public companies.

Table 3: Employee Social Welfare Costs (ESWC) on the Effective Tax Rate (ETR)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.060***	0.002	39.071	0.000
ESWC	0.097***	0.014	7.074	0.000

Note: *** denotes significance at 5%

Table 3 examines the effect of employee social welfare costs (ESWC) on the effective tax rate (ETR). The coefficient for ETR(-1) is 0.060, which is statistically significant with a p-value of 0.000. This result suggests that a 1 million Naira increase in the lagged ETR leads to a 0.060 million Naira increase in the current ETR, indicating that past tax rates have a significant positive effect on current tax rates. This finding aligns with the expectation that prior tax levels influence current tax behavior, reflecting continuity in tax practices.

The coefficient for ESWC is 0.097 and is statistically significant (p-value = 0.000). This indicates that an additional 1 million Naira increase in employee social welfare costs results in a 0.097 million Naira increase in ETR. This positive relationship means that higher expenditures on employee social welfare are associated with a higher effective tax rate. This outcome conforms to the a priori expectation that increased social welfare spending could lead to higher tax liabilities, possibly due to changes in tax-deductible expenses or alterations in taxable income. In essence, increased social welfare costs might not provide the anticipated tax benefits, leading to a higher ETR. These findings are consistent with previous research by Wijaya and Mulya (2020) and Rudyanto et al. (2023), which also highlighted the mitigating effect of employee welfare investments on Tax Strategies. On the basis, the null hypothesis was rejected.

H0₂: Environmental maintenance cost does not have a significant impact on tax strategies of Nigerian public companies.

Table 4: Environmental Maintenance Costs (EMC) on the Effective Tax Rate (ETR)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.141***	0.011	12.293	0.000
EMC	-2.252***	0.179	12.559	0.000

Note: *** denotes significance at 5%

Table 4 provided insights into the relationship between environmental maintenance costs (EMC) and the effective tax rate (ETR). The coefficient for ETR(-1) is 0.141, which is statistically significant (p-value = 0.000). This implies that for each 1 million Naira increase in the lagged ETR, there is a 0.141 million Naira increase in the current ETR, holding all other variables constant. This result indicates that past tax rates has a positive and significant effect on current tax rates, reflecting continuity in tax behavior across periods.

The coefficient for EMC is -2.252, with a significant p-value of 0.000. This indicates that a 1 million Naira increase in environmental maintenance costs is associated with a 2.252 million Naira decrease in ETR, while holding other factors constant. This negative relationship aligns with the expectation that increased spending on environmental maintenance can lead to lower Tax Strategies, potentially due to tax benefits or deductions related to environmental expenditures. Thus, firms investing more in environmental maintenance experience a reduction in their effective tax rate, which suggests that such investments might be leveraged for tax advantages. These findings align with the research of Rini et al. (2023) and Firmansyah and Estutik (2020), both of which also

identified the mitigating influence of environmental maintenance costs on Tax Strategies. As a result, the null hypothesis that environmental maintenance costs have no significant effect on Tax Strategies in Nigerian Public Companies was rejected.

H0₃: Donation cost does not have a significant impact on tax strategies of Nigerian public companies.

Table 5: Donation Costs (DON) on the Effective Tax Rate (ETR)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.047***	0.005	9.855	0.000
DON	-0.996***	0.052	-18.996	0.000

Note: *** denotes significance at 5%.

Table 5 showed that the coefficient for the lagged Effective Tax Rate (ETR(-1)) is 0.047, indicating that for every one million naira increase in the previous period’s ETR, the current ETR rises by 0.047 million naira, assuming all other factors remain constant. This positive and statistically significant relationship, with a t-statistic of 9.855 and a p-value less than 0.000, suggests that past tax strategies have a lasting influence on current tax behavior, contributing to the persistence of Tax Strategies over time.

The coefficient for Donations (DON) is -0.996, signifying that an increase of one million naira in donations leads to a 0.996 million naira decrease in ETR, all else being equal. The result is in line with theoretical apriori expectation. This negative relationship suggests that higher donations are associated with lower Tax Strategies, as firms may leverage donations for tax benefits, thereby reducing their ETR. The result is highly significant, with a t-statistic of -18.996 and a p-value less than 0.000, indicating that donations have a strong and statistically robust impact on reducing Tax Strategies. These findings are consistent with the studies by Mgbame et al. (2017); Akenbor (2020) and Oshota (2024), both of which also highlighted the mitigating effect of donation costs on Tax Strategies. Consequently, the null hypothesis that donation costs have no significant effect on Tax Strategies in Nigerian Public Companies was rejected.

CONCLUSION

The study concluded that investments in CSR, specifically through employee social welfare costs, environmental maintenance costs, and donations, have a significant negative impact on Tax Strategies. Companies that prioritize their social responsibilities tend to exhibit less aggressive tax behaviors. This indicated that CSR initiatives not only benefit society at large but also contribute to fostering more ethical financial practices within companies. The findings suggested that CSR can act as a deterrent against Tax Strategies, aligning corporate financial strategies with broader social goals and enhancing corporate reputation.

RECOMMENDATIONS

Based on the conclusions reached, the following recommendations were suggested:

1. Companies should actively invest in employee social welfare programs as part of their corporate social responsibility efforts. This investment can serve as a mechanism to reduce Tax Strategies by aligning the company's financial strategies with broader societal values.
2. Environmental maintenance costs should be seen as more than just a compliance requirement; companies should integrate environmental sustainability into their long-term business strategies. This will not only enhance corporate reputation but also reduce tendencies toward aggressive tax behaviors.
3. Firms should consider donations as a strategic tool for both social impact and ethical financial management. No doubt that by making consistent and meaningful contributions to societal causes, companies can mitigate Tax Strategies while fostering goodwill among stakeholders.

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