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Corporate Social Responsibility and Tax Avoidance: Evidence from Listed Manufacturing Firms in Nigeria

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Abstract
The main objective of this study is to ascertain the effect of corporate social responsibility disclosure on tax avoidance of listed manufacturing firms in Nigeria using a ten (10) year period spanning through year 2013 to year 2022. Ex- post facto research design and cross sectional data analysis was adopted. To achieve the objective, the study evaluated proxies widely employed in related extant literature to ascertain the effect of disclosure of information relating to social donation, employee relations, employee health and safety and customer relations on tax avoidance during the period under consideration. Samples of 50 manufacturing firms were drawn from a population of fifty-nine (59) listed manufacturing firms in Nigeria. The study carried out some preliminary data tests like descriptive statistics, correlations and variance inflation factor (VIF) analysis. Based on a sample of 496 firm year observations derived from 50 listed manufacturing firms in Nigerian for 10 years' periods ranging from 2013 to 2022 fiscal year, the study finds that employee relation information disclosure (ERID) and customer relation information disclosure (CRID) have positive but insignificant effect with tax avoidance (TAXA).In the same vein, social donation and gifting information disclosure (SDID) have positive and significant effect on tax avoidance (TAXA) which was statistically significant at 5% level of significance. Contrarily, the result further shows that employee health and safety information disclosure (EHSID) has negative and non-significant effect on tax avoidance practices of manufacturing firms in Nigeria. Based on the findings above, this study therefore recommends that policy makers and firms stakeholders should pay more attention to issues bordering on social donations as such intent is to be employed as a tool to curb tax avoidance.

Keywords: *Tax avoidance, corporate social responsibilities, social donation and gifting information disclosure.*

1: Introduction

The connection between corporate social responsibility and corporate tax avoidance has been in the frontline burner in recent years. Costs and benefits of tax avoidance may accrue to different stakeholders in different ways. Whereas some stakeholders may benefit from tax avoidance, others may have to bear the cost. For instance, a shareholder may benefit from tax avoidance through higher dividends, while a debtholder might rather see his fixed claims put at risk (Ayers, Laplante, & McGuire, 2010). These arguments make it inevitable that all relevant stakeholders should be included in the discussion which is primarily emphasized in the concepts of CSR (Dahlsrud, 2008), following that CSR can be linked with the tax policies of the firm. Regarding taxation, CSR is a particularly important concept, because tax payments constitute a contribution to society, hence tax payments, as a distribution of resources to non-shareholders (Huang & Watson, 2015), may be understood as an important aspect of CSR (Sikka, 2010). This is reflected by a growing number of studies investigating the association between CSR and tax avoidance (Baccouche, Bouzgarrou, Jouirou, & Saada, 2024; Frecknall-Hughes, Stirk, & Toothill, 2024; Mwandu, & Benjamin, 2024; Lanis & Richardson, 2012; Davis, Guenther, Krull, & Williams, 2016).

Huang and Watson, (2015); Sikka, (2010) documented that CSR is particularly an important concept, because tax payments constitute a contribution to society, and seen as a distributive technique of resources to non-shareholders. However, in the views of Kim and Im (2017); Li, Lu & Li (2019) corporate social responsibility provides "insurance-like" protection for firm value by reducing the risk associated with firms' reputation in terms of bad media reportage, penalties from tax authorities, and boycotts when companies engage in aggressive tax management activities. However, despite the importance and credibility of CSR practices of corporate organizations studies such as those of Bird, Robert and Karie Davis-Nozemack (2018), Olsen, & Stekelberg, (2016), McGuire, Omer and Wilde (2014) still make mockery of the exercise as they believe that firms that carry out corporate social responsibility activities do so to mask sharp practices in their tax liabilities. It is based on the foregoing that this study aims to investigate the effect of CSR on tax avoidance of listed manufacturing firms in the Nigerian.

Although, the knowledge regarding tax avoidance has expanded considerably in recent years, relevant gaps remain (Araújo & Leite Filho, 2017). In the context of Nigeria in which this study is built, related studies have only begun to develop, leaving many obscure points to be investigated. This study is crucial particularly in view of the specificities of the Nigerian reality (Wilde & Wilson, 2018), which have initiated rapid changes in companies' accounting information policy and environments ultimately changing the determinants and consequences of tax avoidance. Further, extant reviewed literature from other countries around the globe explore the association between CSR and corporate tax avoidance using various nomenclature of corporate tax saving to include tax aggressiveness; Watson, (2015) tax avoidance; Dyreng, Hanlon, Maydew and

Thornock (2017); effective tax rate or tax evasion; (Sikka, 2010). However, to the best of the researchers' knowledge, only few studies such as those of Umobong and Agburuga 2018; Mgbame; Chijoke-Mgbame, Yekini, Yekini and Kemi (2017; Agundu and Siyanbola (2017); has attempted to juxtapose CSR and tax avoidance in the context of developing countries such as Nigeria. Therefore, the inadequacy of investigators regarding CSR and corporate tax avoidance nexus suggests a deep biasness in the overall conclusion thus creating opportunity for further studies upon which this study is also justified. This however form the significant reasons and justification for this article, hence the need to x-ray the effect of corporate social responsibility on tax avoidance. Therefore, this paper is subdivided into five sections including this introduction. Section 2 covers the review of the related literature, section 3 concentrates on the methodology adopted while in section 4 we present and discuss the results of the analysis. Lastly in section 5, we draw the conclusion and proffer our recommendation for policy implementation.

2.1: Theoretical Conceptual Constructs and Hypothesis Development

Tax Avoidance

Tax avoidance which is used interchangeably in the literature with aggressive tax behaviour, tax planning, tax sheltering, tax management, irresponsible tax aggressiveness, and in some extreme cases, tax evasion (Hoi, Wu, & Zhang, 2013; Lanis & Richardson, 2012) and also employed interchangeably in this study refers to all corporate tax planning activities, whether legal, illegal, or anything in between the grey area (Laguir, Staglianò & Elbaz, 2015; Lanis & Richardson 2012; Dyreng, Hoopes, & Wilde 2016; Wilde & Wilson 2018; Beer, de Mooij & Liu 2020). Both theoretical and empirical perspective have provided known results which prove that tax contributes largely to the determination of any country's' wealth. However, from the dimension of corporate tax policies, taxes have been employed to stimulate shareholders' wealth and corporate growth. Usually, a firm will try to optimize tax plans to enhance income after tax.

Researchers over the years have adopted various measures of tax avoidance. One of such measure is Effective Tax Rate (ETR) measured as the ratio of total tax expenses to pre-tax income. Khaoula and Ayed (2018) Seyram and Holyto (2019) considered effective tax rate as a measure of tax planning that decreases a firm's tax liability without necessarily decreasing its accounting income. Accordingly, effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed. Inua (2018) referred to Cash ETR as the tax rate which accounts for only taxes paid into the account, without deferred taxes and long-term analysis.

Corporate Social Responsibility and Tax Avoidance

Nwanne (2016) simply defined corporate social responsibility as the act of taking care of one immediate community. It could be through provision of electricity, pipe bore water, building of good roads and ensuring security in the society or environment where you are situated. Similarly, authors which include Chuang and Huang, (2018); Wang, Zhang and Xu (2020); Endrikat, Villiers, Guenther, and Guenther (2020) regarded CSR as the integration of social and environmental concerns into firms' activities and paying attention to stakeholders' preoccupations. In the literature, several perspectives can be seen as regards the nexus between tax avoidance and CSR. Whether the connection between the two concepts is of positive or negative dimension, depends on the concept of CSR which is applied by the respective author and on the direction of the assumed causality. Whereas some studies conceive CSR as a determinant of tax avoidance (Lanis & Richardson, 2012; Hoi, Qiang, & Zhang, 2013; Zeng, 2019), others conceive tax avoidance as a determinant of CSR (Lanis & Richardson, 2013; Col & Patel, 2019) but overall, three major theoretical perspectives have been identified, namely a) CSR as an expression of stakeholder-oriented-ness, b) CSR as a risk-management device, and c) CSR as an expression of agency problems, which lead to different predictions on the link between CSR (tax avoidance) and tax avoidance (CSR)

Social Donation & Gifting Information Disclosure and Tax Avoidance

The term corporate donation refers to any financial contribution made by a corporation to another organization that furthers the contributor's own objectives. Two major kinds of such donations deserve specific consideration, charitable as well as political donations. Another aspect that is related to CSR is corporate philanthropy, which Peloza and Shang (2011) identified as being used in 65% of the studies which they analyzed. Muzakki and Darsono, (2015) states that in theory the legitimacy of the company will always try to create a balance between corporate values with norms that exist in society. In supporting the sustainability of a good company or a good image, the company must be able to collaborate and establish relationships with internal and external company stakeholders (Cahyani, 2016). CSR social dimension has also been previously studied by Laguir, Stagliano, & Jamal, (2015) and Sari & Adiwibowo, (2017) which show that social responsibility has a negative effect on tax aggressiveness. The negative influence occurs because the company has a high level of CSR hence it tends not to be aggressive in doing tax avoidance. Nevertheless, considering the contradicting theoretical argument, this paper does not predict any sign for the effect of Social Donation & Gifting Information Disclosure on tax avoidance but propose that ***there is a significant relation between Social Donation & Gifting Information Disclosure and tax avoidance (Hypothesis 1)***

Employee Relations' Information Disclosure and Tax Avoidance

Employee relation disclosure also known as human resources accounting or human asset accounting, is an information system involved in identifying, measuring, capturing, tracking and analyzing the potential of the human mix of a company and communicating the resultant information to the stakeholders of the company. It is a method by which a cost is assigned to every employee when recruited, and the value that the employee would generate in the future (Inua & Oziegbe, 2018). Similarly, Adebawojo, Enyi and Adebawo (2015) portray corporate employee relations disclosure as the systematic accumulation of information about changes in investments made in human resources and reporting the information to operating managers to enable them to make better decisions than they would have been able to make without such additional information. Hence, expenditures on employees' recruitment, training, education, and development should be regarded as investments. Such expenditures qualify as investment because the skills, knowledge, and capability gained by the employees during trainings and retraining, education, and development would be put into use in the organization which will impact organizational performance positively. Considering that numerous stakeholder such as the employees possess powerful influence in every corporate action, companies are counted upon to be responsible when they act towards the best interests of all their employees. Under this circumstance, companies are compelled to honor their fair share of taxes to be truly socially responsible. On the grounds of this argument, Lanis and Richardson, (2012); Lanis and Richardson, (2015) adopt the view that firms are much more than "nexus(es) of contracts"; they are in fact "real world entities". With the finding that CSR is negatively related with tax aggressiveness of Australian listed firms, Lanis and Richardson (2012, 2015) conclude that CSR-active firms are more cautious about being tax aggressive to conform to their CSR commitments and preserve their positive public profile towards their relationship with employees. However, there are some inconsistencies that existed in the literature, for that reason, the current study does not intend to propose any sign, rather we hypothesize that ***there is significant relation between Employee Relations' Information Disclosure and tax avoidance (Hypothesis 2).***

Employee Health & Safety Information Disclosure and Tax Avoidance

The nature of contemporary corporate employee health and safety policy has led researchers to note that reporting on employee can best be described as "worker washing" (Behm, Schneller 2011) or "safe washing" (O'Neill, Flanagan, Clarke, Safe & Wash 2016) as it projects a positive image of companies that, while providing legitimacy, it should reflect a company's work conditions or workers' experiences. By providing employee health and safety information, companies can gain many benefits, such as improving their communication methods, reaching employees directly on problems of crucial importance, correcting rumors and inaccuracies, and stimulating discussion between employees and employers (Zubek, 2008). This kind of disclosure might encompass activities such as, for example, employee profiles, assistance, benefits and remuneration; pension commitments; consultation with employees; employee training programmes; employment policy regarding disabled persons; details of pensions arrangements and payments; providing transport for employees; statement of value added; details of health and safety at work; employee share ownership schemes; statements of equal opportunities; and other data relating to employees or employment.

Many previous studies have examined the effect of health & safety dimension of CSR on tax aggressiveness. For example, Lanis and Richardson (2013), Elbaz et al., (2015), find negative influences of Health & Safety disclosure on tax aggressiveness. Conversely, Whait et., al., (2018) examined the effect of CSR on tax aggressiveness and find a significant positive impact of employee health & safety disclosure on tax aggressiveness. Lanis and Richardson (2012) examined the association between corporate social responsibility (CSR) through health & safety disclosure and corporate tax aggressiveness and document that the higher the level of health & safety disclosure of a corporation, the lower is the level of tax aggressiveness. As a matter of fact, drawing on the above discussion and prior studies' findings, this study does not wish to predict any sign for employee health & safety information disclosure, instead we hypothesize that ***there is a significant relationship between*** employee health & safety information disclosure, ***and tax avoidance (Hypothesis 3)***

Customer Relations' Information Disclosure and Tax Avoidance

CSR activities geared toward customers includes attention to client rights to increase sales and customer loyalty. Several studies points to a large and growing market for products and services created through companies with high social responsibility (Sandhu & Kapoor, 2010). Consumer/product disclosure includes all those activities relating to customer satisfaction with quality of products and services provided by companies. These activities may encompass packaging, consumer information activities, consumer complaints, product and customer safety, provision for difficult-to-reach customers (disabled, elderly, etc.), and specific consumer relationships. The result of Ortas and Alvarez (2020) support the fact that companies achieving high corporate social performance, are less likely to engage in aggressive tax practices. It implies that the higher CSR in terms of customer relation leads to lower tax aggressiveness. However, there are some inconsistencies that existed in the prior literature, for that reason, the current study does not intend to propose any sign for customer relations information disclosure, rather we hypothesize that ***there is significant relation between*** customer relations information disclosure ***and tax avoidance (Hypothesis 4)***

The above scholars attempted to study effect of corporate social responsibility disclosure on tax avoidance but none of them created a study in Nigeria manufacturing sector. The scholars also used corporate social donation, infrastructural development, and customer relations' information disclosure to proxy corporate social responsibility performance but this study used social donation and gifting information disclosure and employee relations' information disclosure in addition to the previously used ones by prior studies and extended the study for a long period of time (10years) spanning from 2013 to 2022. Moreover, there is no indigenous study that has used social donation and gifting information disclosure and employee relations' information disclosure to proxy corporate social responsibility. This is the knowledge gap this study intends to address therefore contributing to the existing literature. These are the rationale behind this study. Hence this diagram

Source: Researchers' conceptual Framework (2024)

2.2: Theoretical Framework

This paper is anchored on Legitimacy theory which was derived from the concept of organizational legitimacy and was propounded by Dowling and Pfeffer in 1975. It posits that organizations continually seek to ensure that they operate within the bounds and norms of their respective societies. Legitimacy theory has often been invoked to explain corporate reporting practices. In accordance with this theory, external stakeholders require the enterprise to take such actions that will make its operations transparent, in line with the law and the principles of economics. The theory is hinged on the assumption that accounting for sustainable development and the associated role of management accountant in sustainable development is used as a communication mechanism to inform and/or manipulate the perception of the entity's actions (Mistry, Sharma & Low, 2014).

Among several theories that have been employed to explain various factors that influences sustainability disclosure, this study find legitimacy theory to be key because it describes the relationship between a company and the community; it explains companies' motivations for social, information disclosures; present how companies can use legitimacy strategies; helps to determine the impacts of social disclosures on the society which can be readily applied to the Nigerian situation where environmental degradation dispute in Ogoni Land of Rivers State Nigeria have invoked changes in environmental legislation consequently increasing civil and criminal penalties and have forced financial stakeholders to consider environmental issues in their risk/return assessments.

2.3: Empirical Studies

Baccouche, Bouzgarrou, Jouirou and Saada, (2024) conducted a study on the impact of CSR on tax avoidance of French firms, as well as examined the moderating role of directors with experience abroad on the relationship. On a sample of 55 listed French firms during the period 2007 to 2016, generalized least square regression analysis technique was employed to correct the problems of heteroscedasticity and autocorrelation. The result show that socially responsible firms refrain from making tax avoidance strategies but argue that directors with foreign experience take advantage of the reputation of socially responsible firms as a hedge to help them optimize their tax avoidance strategy.

Mwandu and Benjamin, (2024) examined the relationship between corporate social responsibility expenditure and tax avoidance in Tanzanian listed firms, utilizing secondary data of 25 firms listed on the Dar es Salaam Stock Exchange over a ten-year period (2013 to 2022). Employing a retrospective research design and purposive sampling, the study applied fixed effects estimation technique which reveals a positive significant association between corporate social responsibility expenditure and tax avoidance. The result also indicates that firms with higher levels of corporate social responsibility expenditure are more likely to engage in tax avoidance practices.

Özbay, Adıgüzel and Karahan Gökmen, (2023) investigated the relationship between tax avoidance and corporate social responsibility from the agency perspective of family firms. Using

1156 firm-year observations from 94 firms listed on the Istanbul Stock exchange, the result showed 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 the behavior is opposite in family firms. Further analysis indicated that family firms engage in more aggressive tax planning than non-family firms.

Rakia, Kachouri and Jarboui, (2023), explored the moderating effect of women directors on the relationship between corporate social responsibility (CSR) and corporate tax avoidance of Malaysian listed companies. Based on a sample consisting of 78 Malaysian firms over the 2010–2017 period, a moderation model that specifies the interaction between CSR, women directors and corporate tax avoidance was specified. The results show that a high level of CSR is negatively associated with corporate tax avoidance in firms with a higher percentage of women on the board.

Khan, Abraham, Alex, Eluyela, and Odianonsen, (2022), evaluated the relationship between corporate governance, tax avoidance, and corporate social responsibility disclosure in emerging and frontier markets of Nigeria and Pakistan. The study employed a unique set of data of about 91 companies from the Nigeria Stock Market and 121 companies from the Pakistan Stock Market for the period of ten years (2011 to 2020). Fixed effect regression model was employed to analyze the panel data whose result show that corporate social responsibility is positively associated with tax avoidance in the case of Nigeria but seen to be positive insignificant in the case of Pakistan.

The study of Kovermann and Velte (2021) reviewed literature that covers quantitative empirical research on the association between corporate social responsibility (CSR) and corporate tax avoidance. The structured literature review was employed to evaluate the empirical-quantitative results about the CSR–tax avoidance link and vice versa. The association between CSR and tax avoidance is both theoretically and empirically ambiguous. However, most studies find a negative association between CSR and tax avoidance. Nevertheless, results are highly dependent on measurement of the respective constructs and other marginal conditions. Results imply that there is not necessarily a stable association between CSR performance, as measured by CSR scores or ratings, CSR reporting, and a firm"s tax practices. Thus, socially responsible investors have to make a decision about whether they are prepared to invest in firms that have high CSR scores and strong CSR performance while aggressively avoiding taxes.

Issah and Rodrigues (2021) used data from 2003 to 2020, this study uses a scient metric approach to investigate the nexus between Corporate Social Responsibility (CSR) and corporate tax aggressiveness research. The objective is to identify under-explored regions, variables, citation patterns, theories, and unexplored topics in the body of knowledge to establish trends in publications on issues about corporate social responsibility and corporate tax aggressiveness. In addition, the study also considers publication journal areas of focus. Research linking CSR and tax avoidance using VOSviewer and triangulating with CiteSpace, by way of approach, is not found in the literature. The findings suggest that CSR and corporate tax aggressiveness researchers do not use far-reaching relevant theories and applicable findings from studies beyond their clusters.

Another finding is that African countries remain under-explored due to the absence of institutional representation and an adequate number of investigators regarding CSR and corporate tax aggressiveness research.

Herlina (2021) examine the effect of corporate social responsibility disclosure on tax avoidance. In this study, the disclosure of corporate social responsibility is measured by the GRI-G4 standard and the measurement of tax avoidance using the total book tax difference (BTD) proxy. The data analysis was done using simple regression. The population chosen in this study were 55 manufacturing companies in various industrial sectors and the food and beverage sub-sector consumption which were listed on the Indonesia Stock Exchange for 4 years in 2015-2018 using the purposive sampling method. The results of this study indicate that the disclosure of corporate social responsibility influences tax avoidance.

3: Methodology

In other to accomplish the aim of this paper, the study predominantly embraces the panel least regression so as to properly find out about the corporate social responsibility components as well as tax avoidance in Nigeria for the period of 10-years (2013-2022), as it connects to the various manufacturing companies that are found to be quoted on the Nigeria Exchange Group as at December 31st, 2022. The study population is made up of all the quoted manufacturing companies that are listed as at 31st December, 2022. The secondary data are obtained from the corporate annual report of the sampled companies on the Nigeria Exchange Limited for the period 2013-2022 financial year. The researcher utilizes only corporate annual reports because they are readily available and accessible. The sample of this study is basically made up of 50 companies from the manufacturing sector of the economy. The proposed analytical framework in figure 1 above shows the schematic diagram of the causal relations with that of the dependent variable that is represented by tax avoidance and explanatory variables (CSR components) which consists of social donation and gifting information disclosure, employee health and safety disclosure, customer relations' information and employee relations' information disclosure for this study while firm size was added as a control variable. We anchored this study on the legitimacy theory. Also, the schematic framework culminates into the required model specifications. The model adopted in this study assumed a linear relationship between Corporate Social Responsibility and Tax Avoidance and panel least square was adopted for the purpose of hypothesis testing and was guided by the following linear model:

$$TAXA_{it} = \beta 0 + \beta_1 SDID_{it} + \beta_2 ERID_{it} + \beta_3 EHSID_{it} + \beta_4 CRID_{it} + \beta_5 FSIZE_{it} + \mu_{it} \ldots\ldots\ldots \quad (1)$$

Where:

Dependent Variable

TAXA = Tax Avoidance

Independent Variable

SDID = Social donation information disclosure

ERID = Employee relation information disclosure

EHSID = Employee Health & Safety information Disclosure

CRID = Customer Relation Information Disclosure

Control Variable
Firm Size

4. ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

The study investigated the empirical effect that exists between corporate social responsibility components and tax avoidance of listed manufacturing sector for a period of 10 years spanning 2013 to 2022. The study carried out some preliminary data tests like descriptive statistics, correlations and variance inflation factor (VIF) analysis. The table below shows the descriptive statistics of the 50 selected manufacturing firms that make up our sample.

Table 4.1 Descriptive Statistics Analysis

	TAXA	ERID	SDID	EHSID	CRID	FSIZE
Mean	3.612177	0.604839	0.772177	0.933468	0.256048	7.122661
Median	3.155000	1.000000	1.000000	1.000000	0.000000	7.025000
Maximum	49.88000	1.000000	1.000000	1.000000	1.000000	9.380000
Minimum	0.000000	0.000000	0.000000	0.000000	0.000000	5.080000
Std. Dev.	3.113421	0.489379	0.419851	0.249462	0.436889	0.917951
Skewness	6.917147	-0.428889	-1.297852	-3.478732	1.117893	0.084991
Kurtosis	99.80153	1.183946	2.684420	13.10158	2.249685	2.369525
Jarque-Bera	197613.1	83.36594	141.3036	3109.262	114.9421	8.812099
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.012203
Sum	1791.640	300.0000	383.0000	463.0000	127.0000	3532.840
Sum Sq. Dev.	4798.228	118.5484	87.25605	30.80444	94.48185	417.1041
Observations	496	496	496	496	496	496

Source: researcher's summary of descriptive result (2024)

Table 4.1 presents the descriptive statistics for the data which were collated from listed manufacturing firms in Nigeria. For the dependent variable, the table showed that tax avoidance (TAXA) has a mean value of 3.612 with a standard deviation value of 3.113 during the period under study. The positive tax avoidance value (3.6) indicates that listed manufacturing firms, on average, engaged in tax avoidance, resulting in high effective tax rate during the period under review. Factors which could contribute to tax avoidance activities among listed manufacturing firms in Nigeria include tax regulations, enforcement and incentives, economic conditions, industry composition and corporate governance practices (Jones, Temouri, Kirollos & Du, 2023). Lower taxable income translates to a reduced tax liability, indicating that firms can legally minimize the amount of taxes they owe to the government freeing up more cash for other business purposes (Gabrielli, 2023). In this regard, Zhu, Ho, Luo & Peng, 2023) document that a lower tax liability resulting from income effective tax rate can enhance a company's cash flow.

Further, the result obtained from the variable of employee relations information disclosure (ERID) show a mean value of 0.605 approximately corresponding to a standard deviation of 0.489 during the period under review while for social donation information disclosure (SDID), the statistics reveals a mean value of 0.772 with 0.4198 value as standard deviation for the sampled manufacturing firms in Nigeria. In this direction, Afeltra, Korca, Costa & Tettamanzi, (2023) document that Nigeria has a robust disclosure requirement that mandate firms to report on employee-related information since the IFRS regime commenced in 2012. Information on employment practices, workforce composition, training and other human resources-related data are expected to be disclosed in the annual reports of listed firms. Ajemunigbohun, Isimoya, and Ipigansi, (2019) reported that investors and stakeholders in Nigeria placed a higher premium on access to employee-related information. Since the stock exchange listing requirements mandate more extensive reporting on employee-related matters, it is expected that listed firms will participate more in the disclosure exercise.

Based on the descriptive statistics result, health and safety information disclosure (EHSID) have a mean value of 0.933 corresponding to a standard deviation of 0.249 while customer relation information disclosure (CRID) variable showed a mean value of .256 corresponding to a standard deviation of 0.437 for the sampled manufacturing firms in Nigeria during the period under investigation. The result which showed that information related to employee health and safety, was reported to the tune of 93% suggest that Nigeria have strict or more specific reporting requirements related to employee health and safety. Listed manufacturing firms in Nigerian have faced stronger stakeholder pressure including pressure from consumers, investors, and advocacy groups, to disclose information in such areas and perceived as a competitive advantage in reporting positively on employee health and safety during the period under review. Firm size (FSIZE), as the control variable, showed a mean value of 7.123 corresponding to a standard deviation of 0.917 for the sampled firms in Nigeria.

4.2: Pearson Correlation Matrix

Pearson's correlation matrix was applied to check the degree of association between corporate social responsibility and tax avoidance of quoted manufacturing firms in Nigeria so as to determine the nature or degree of association i.e. positive or negative correlation and the magnitude of the correlation between dependent variable (tax avoidance) and independent variables with other explanatory variables.

Table 4.2: Correlation Analysis Result

	TAXA	ERID	SDID	EHSID	CRID	FSIZE
TAXA	1.000000					
ERID	-0.024785	1.000000				
SDID	0.017056	0.396701	1.000000			
EHSID	-0.077819	0.313745	0.491504	1.000000		
CRID	-0.024352	0.200178	0.142444	0.119551	1.000000	
FSIZE	0.087625	-0.164766	-0.207257	-0.123705	0.053658	1.000000

Source: researcher's summary of correlation result (2024)

The result of the correlation coefficient showed mixed correlation. This association identified buttresses the point that majority of our variables have an inverse relationship with varying degrees of direction. Table 4 .2 above indicates diverse coefficient of both positive as well as negative numbers of correlation matrix between (TAXA) which is represented by the dependent variable and that of the explanatory variables (ERID, SDID, EHSID and CRID). The coefficient of correlation between the dependent variable of tax avoidance and explanatory variables of employee relation information disclosure, employee health and safety disclosure as well as customers' relation information disclosure indicate negative values of -0.0247, -0.0778 and-0.0243. The values of tolerance are constantly smaller than 1.00. This further demonstrates overall absence of multicolliniarity between the independent variables. This also justifies the use of the panel regression analysis and variation inflation factor (VIF).

4.3: Variance Inflation Factor (VIF)

Multicollinearity was tested by computing the Variance Inflation Factor (VIF) and its reciprocal or the tolerance. To further check for multi-collinearity problem or to know whether the independent variables used are perfectly correlated, we conducted Variance Inflation Factor (VIF) to further check for the multi-collinearity problem. The result of the Variance Inflation Factor (VIF) is provided below in table 4.3 below:

Table 4.3: Variance Inflation Factor Result

Variance Inflation Factors
Date: 02/21/24 Time: 00:56
Sample: 2013 2022
Included observations: 496

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	2.575649	40.15430	NA
ERID	0.108977	1.719980	1.095928
SDID	0.209395	3.346580	1.398462
EHRID	0.545122	8.821456	1.424774
CRID	0.172544	1.211176	1.029275
FSIZE	0.038811	31.70697	1.041824

Source: Researcher's summary of VIF result (2024)

Table 4.3 above revealed that the various variables as indicated in the regression model are significant to the study as the variance inflation factors are noticed to have a benchmark that is below 10. It further revealed the nonappearance of the multicollinearity problem in regression model

4.4: Regression Results and Discussion of findings

In order to examine the relationship between the dependent variable (TAXA) and the independent variables (ERID, SDID, EHSID and CRID) and to test the formulated hypotheses, we employed panel least regression analysis since the data had both time series (2013-2022) and cross-sectional properties (50 quoted manufacturing firms). However, the study takes into cognizance the non-homogeneity nature of the firms, hence the need for testing its effect on the data. This necessitated the use of Hausman effect test to ascertain which effect to explain. That is whether fixed effect or random effect is to be used in interpreting the regression result. Below is the summary of the Hausman test result:

Table 4.4. Hauseman Effect Tests

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.999328	5	0.3063

Source: Researcher's summary of Hausman effect analysis result (2024)

The regression results of corporate social responsibility variables and tax avoidance are presented and analyzed. In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results. The result from the Hausman test above revealed a Chi2 value of 5.999 with p-value of 0.3063 which is greater than 0.000 that is statistically insignificant at 5%. This implies that the test considered the random effect as the most appropriate estimator and its result is presented in table 4.5 below:

Table 4.5: Random Effect Regression Result

Cross-section random effects test equation:
Dependent Variable: TAXA
Method: Panel Least Squares
Date: 02/21/24 Time: 00:55
Sample: 2013 2022
Periods included: 10
Cross-sections included: 50
Total panel (unbalanced) observations: 496

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.890462	1.914701	2.554165	0.0110
ERID	0.058134	0.358482	0.162167	0.8712
SDID	1.086154	0.526535	2.062831	0.0397
EHSID	-1.190172	0.837713	-1.420739	0.1561
CRID	0.659831	0.516371	1.277822	0.2020
FSIZE	-0.169896	0.241736	-0.702815	0.4825

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	2.549434	R-squared	0.328125
Mean dependent var	3.612177	Adjusted R-squared	0.245855
S.D. dependent var	3.113421	S.E. of regression	2.703743
Akaike info criterion	4.931394	Sum squared resid	3223.809
Schwarz criterion	5.397849	Log likelihood	-1167.986
Hannan-Quinn criter.	5.114493	F-statistic	3.988374
Durbin-Watson stat	1.871027	Prob(F-statistic)	0.000000

Source: Researcher's summary of regression result (2024).

The random panel regression outcome above, ascertained that all the corporate social responsibility were able to explain about 33% approximately of total variation in tax avoidance (TAXA) and after adjustment the variable explained about 25% of the systematic variation in TAXA while about 75% of the systematic variation in tax avoidance were left unexplained by the model. The estimation shows that there are other variables that also explain the way tax avoidance are being applied. It can also be ascertained that the model remained statistically significant as the calculated F-value of 3.9883 was noticed to be higher than that of the critical f-value at the level of 5% significance. It therefore means that our model is statistically significant. Considering the result of the analyses, the Durbin Watson Statistic value of 1.8710 specified the non - presence of serial correlation in the model as the value is approximately to 2. The result shows that employee relation information disclosure (ERID) and customer relation information disclosure (CRID) have positive but insignificant effect with tax avoidance (TAXA). Since their probability value of 0.8712 and 0.2020 are more than that of the absolute critical t-value at 5% level of significant. In the same vein, the result shows further that social donation and gifting information disclosure (SDID) have positive and significant effect on tax avoidance (TAXA) which was statistically significant at 5% level of significance considering the fact that the probability value of 0.0397 are found to be lesser than the absolute t-values at 5% significant level. Contrarily, the result further shows that employee health and safety information disclosure (EHSID) has negative and non-significant effect on tax avoidance practices of manufacturing firms in Nigeria. Generally, majority of our variables agreed with our a priori expectation from the model.

5: Conclusion and Recommendations

The alignment between CSR and tax has become an interesting research topic because both items have similar characteristics i.e., contributing to increasing community welfare and contributing to the preservation of the natural environment. This study empirically examines the effect of manufacturing company’s CSR engagement on tax avoidance using effective tax as the proxy for tax avoidance. Based on a sample of 496 firm year observations derived from 50 listed manufacturing firms in Nigerian for 10 years’ periods ranging from 2013 to 2022 fiscal year, the study finds that companies that are more socially responsible would likely pay significant lower amount of corporate taxes, indicating a higher degree of tax avoidance as majority of what they would have paid as their taxes were used to engaging in social donation and gifting to the host communities. Therefore, on the outcome which reveal that social donation and gifting information disclosure has statistically significant effect on tax avoidance of listed manufacturing firms in Nigeria, this study therefore recommends that policy makers and firms stakeholders should pay more attention to issues bordering on social donations as such intent is to be employed as a tool to curb tax avoidance. In the same vein, based on the outcome which show that employee health and safety information disclosure has no significant effect on tax avoidance of listed manufacturing firms in Nigeria, this study recommends that policy makers may need to focus less on issues bordering on employee health and safety if the intent is to engage it as a tool for curbing tax avoidance practices.

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