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Corporate Tax and Corporate Social Responsibility of Firms in Nigeria

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Abstract
This study examined whether corporate tax (CT) is a substitute of and mutually exclusive to corporate social responsibility (CSR), or a complement thereof, using secondary data obtained from firms listed on the Nigeria Stock Exchange. It also sought to determine the nature of CSR practiced in Nigeria. Result confirmed that CT is positively and complementarily related to CSR of firms that practice environmental remediation, and is negatively related to, mutually exclusive and a substitute to CSR of firms that embark on poverty alleviation and enhancement of educational development. This later inverse relationship imply that such firms have the potential to indulge in aggressive tax planning behaviors. Also, firms that practice poverty alleviation as a form of CSR activity are more dominant in Nigeria with the mean of such firms higher than that of firms practicing environmental remediation. Interestingly, the size of firms are positively and significantly related to CSR for firms practicing environmental remediation implying the larger the size the more investment in CSR activities. Also, size is negatively and not significantly related to CSR for firms practicing poverty alleviation CSR activities implying that size does not influence such firms' decision on whether to invest on CSR and avoid tax or whether to pay tax and mitigate investment in CSR. Based on these findings we recommend government should encourage firms practicing CSR as a complement to CT through awards and recognition, discourage aggressive tax planning behavior of mutually exclusive firms by setting up controls and monitoring mechanisms to ensure fair reporting in addition to provision of tax incentives for CSR investments to discourage tax avoidance.
Keywords: Taxation, Complements, Substitutes, poverty alleviation, environmental remediation, environmental accounting

1. Introduction

There is increasing scrutiny of corporate social responsibilities (*CSR*) by policy makers, stakeholders and regulators as governance issues acquire prominence. Prominent amongst the issues that has agitated the minds of researchers is whether corporate taxation is part of *CSR* activity. Corporate tax (*CT*) in Nigeria takes about a third of pretax earnings and when other tax levies are included in the tax costs, the total tax obligation is considerably enormous. Tax obligations of corporate organizations is therefore a crucial issue and is at the same time also highly controversial. On one perspective tax obligation is viewed as cost to the firm, yet on another angle, it is an economic contribution to the society in which the firm operates. If tax is a contribution to society and a distribution of profit, it ranks the same way as dividend, implying that firms do not only generate earnings by utilizing investors funds; they also use society's physical infrastructure owned by the government of the country of operation, human resources trained by the government and the legal framework that protects the assets of the firm. To that extent, tax can be viewed as a return from the firms to the government, for their investment in the firms. On the other hand, when tax obligation is viewed from the perspective of costs to the firm, tax costs limit the shareholders' residual right to the firm's earnings and value, thereby supporting the necessity to reduce tax costs. This view ultimately lead to aggressive tax behavior to ameliorate costs. This later view of tax cost and its relation to shareholder wealth, leads to the argument that taxation is not a *CSR* function. In contrast, the perception of *CSR* as a distribution of earnings to the government may lead to taxation being treated as an extension of *CSR*. These perspectives have questioned the need for corporate tax and advocated the responsibility of the entity to the society respectively. The problem generated by the different views of the role of taxation in relation to *CSR* is exacerbated by the proliferation of *CSR* theories, multiple definitions of *CSR* and lack of consensus on yardsticks of measurements.

The debates on taxation and *CSR* are rooted in taxation theories, stakeholder's theory, traditional economic theory and the three views of a corporation; artificial, real and the aggregate views. The protagonists of firm taxation opine that entities should discharge their *CSR* function through taxation to earn its legitimacy and support the social function of society while the antagonists argue that tax is illegitimate, and firms deserve the liberty to reduce tax costs to achieve profit maximization for owners. Thus, the perception of the role of tax in the context of *CSR* is a function of the belief upheld and the corporate view adopted. The various corporate views are conflicting, and each view is debatable leading to myriads of research result on the subject which produces no consensus in the numerous empirical studies of *CSR* and tax to date. The artificial view mirrors the

entity as a creation of the state, the real view perceives an entity as distinct from its shareholders and the state while the aggregate view looks at an entity as an aggregate of its members and stakeholders (nexus of contracts). While these theories influence the perception of the tax role of the firm, the *CSR* functions is broad and even as the definitions and theories encompassing *CSR* are varied and evolving. The *CSR* function can be categorized into three namely 1) activities which benefit the society and have long run positive impact on the firm, 2) activities which ameliorate the harm created by the firm without any direct benefit and legal requirement, and 3) activities which ameliorate hazards that are not created by the firm and which do not grant benefit to the firm. Each of these three *CSR* responsibilities affects firms' perceptions, actions and the cost associated with the activity and ultimately firms' corporate view of *CSR* function. These scenarios create cyclical effects which permeate the *CSR* function and deter consensus of opinion amongst authors and researchers.

In a capitalist society, firms are expected to maximize profit to the benefit of shareholders. However, the nature of capitalism practiced differs from country to country and is likely to affect perception of corporate taxation and *CSR* function. The share ownership structure may also impact on *CSR* function. The trend in some economies where multinationals are moving to tax heavens and countries with poor collection machinery and weak tax legal framework, may also affect *CSR* function and may further contribute to declining corporate tax revenues being experienced by countries. Another reason is the competitiveness among countries to attract investments leading to the granting of tax concessions. The nature of the industry and competition for market shares and increased profitability may also impact on the tax and *CSR* behavior of firms.

In supporting taxation within the context of *CSR*, there is the argument of morality, license to operate, reputation and shareholders value, and sustainability.

Prior empirical studies examined aggressive tax planning behavior and correlation with corporate social responsibility. Recent trend assesses both accurate tax payments and how socially responsible firms are, in paying taxes. Firms are being increasingly viewed from the prism of its commitment to mitigate tax planning and avoidance activities as a sign of good corporate citizenship. In third world economies, there is lack of trust of governmental institutions because of corruption, lack of competence in managing tax earnings and social services provided not being commensurate with tax earnings thus creating negative perceptions of tax payments amongst firms. Studies in advanced countries however suggest a departure from the way firms view tax obligations. In the advanced countries of the world tax obligations is perceived to be a corporate social responsibility rather than an obligatory compliance to regulation. Researchers, policy makers and regulators have since recognized the disparity of *CSR* activities between that of developed and emerging economies. While *CSR* activities in emerging economies are centred on alleviating social, environmental and sustainability problems those of advanced economies are geared towards providing panaceas for problems of the higher values of business ethics, fair trade, green marketing, climate change and socially responsible investments. In the case of Nigeria and other low-income countries, the focus of *CSR* activities, was aptly captured by Amaeshi et al. (2006) when they observed that it is centered on socio-economic issues of poverty alleviation, health-care provision, promoting education and infrastructure development.

The various theoretical perspectives and findings in prior studies present mixed and conflicting outcomes about corporation tax and *CSR*. Stakeholders and corporate culture theory suggest a positive association between corporate tax and *CSR* while the traditional economic theory suggest no relation. The risk management perspective suggests a negative relation between corporation tax and *CSR* while various empirical studies provide mixed result. In Nigeria, there is paucity of research in this area and the lack of consensus in theory and research findings further creates the gaps necessitating more studies.

Nigeria is a third world economy dependent on oil which contributes about 70% of its revenue earning. The global decline in oil prices adversely affects its revenue. Besides the afore mentioned, the country is characterized by weak institutions, corruption, poor governance, low manufacturing output and import dependence. The weak institutional structures may have negative consequences by creating loopholes for multinationals to manage their tax through transfer pricing. The declining revenue from oil implies that the government will be more aggressive in internal revenue generation from tax but conversely the economic recession characterized by low demand, inventory build-up, loss of job and low capacity utilization may influence firms to embark on aggressive tax cut and other cost reduction strategies which may impact on their *CSR* function.

The lack of consensus amongst researchers, conflicts of theories about relation of corporate tax to *CSR*, problem of perception and definition of *CSR*, the nature of capitalism and its impact on *CSR* roles and paucity of research in Nigeria and the stage of Nigeria's economic development create gaps for further studies on the relation and role of taxation on *CSR* especially as Nigeria is focusing more attention on internally generated revenue. The aims of the study is to investigate the degree of correlation between tax obligations and *CSR* from the perspective of firms in a third world setting. It will assist in answering the question whether tax is a complement or a substitute to *CSR* activity. Furthermore, it will establish a clear picture of the nature of *CSR* activities in Nigeria and answer the question if *CSR* activities in Nigeria is developmental based, environmental

remediation or a voluntary activity towards good corporate citizenship by firms.

2. Theoretical and Empirical Literature Review

2.1 Corporate views and *CSR*

Basically, three types of corporate views exist; the artificial view, the real view and the aggregate view (AviYonah, 2008). The artificial view of the firm connotes that a firm is a creation of the state and exists because of the state. It is vested certain rights and privileges by the state while in turn it owes the state certain basic responsibilities. This implies that the legitimacy of the firm is derived from the state and the actions of the firm towards fulfilling its responsibilities to the state is desirable. What then is the implication of this notion to the tax behavior of the firm? The implication of this is that taxation is a *CSR* function and the firm's obligation to the state, and forms part and parcel of its corporate objective and mission. This theory supports *CSR* actions of the firm that ameliorate the harm caused the environment by its action even without legal responsibility and without regard as to whether the firm will derive benefit or gain in the long run. But it does not, however, support philanthropy activities aimed at ameliorating the harm that the firm did not create. The second view of the firm, the real view, perceives a firm as an individual with rights and responsibilities distinct from the state and its owner (AviYonah, 2008). The entity may not be coerced to perform a *CSR* role, though it could be encouraged to do so but as individuals in the sight of the law it is legally expected to fulfill its tax obligations. Furthermore, under the real view of the firm, aggressive tax behavior to mitigate the impact of taxation on reported profit is not encouraged. Such costs reduction strategy using taxation must be within the legally permissible strategy in accordance to tax law and statutes. Thus, taxation is not a *CSR* function but rather a legal requirement, a creation of the law and the violation of which is matched with appropriate sanctions. It is legitimate for firms to pay taxes but illegitimate to engage is aggressive tax minimization strategies. Firms can voluntarily embark on *CSR* activities without negative perception from shareholders. The third view of the firm, the aggregate view, looks at *CSR* as an anomaly and violation of the agency concept as it is a tax of shareholders without their consent and negates the profit maximization goal of the firm (AviYonah, 2008). It perceives managers as unaccountable or wasteful of corporate resources when they engage in *CSR* contrary to the expected agency role to always act to maximize profit and minimize costs. Under the aggregate view, *CSR* would be an illegal action embarked upon by agents to tax principals without their consent and can arguably lead to agent-principal conflict. This view if extended beyond limits imply that firms must not perform social responsibility function as it is the sole expectation of the state. The strict implication of the aggregate view is that revenue generated by government via taxation will cease. This may lead to paucity of funds and inability of the state to perform its duties which in turn will affect the firm. This theory does not support *CSR* actions that remedy the harm that the firm has done to the environment even when it carries no legal responsibility neither will it support actions that ameliorate the harm they did not create as it focuses on the profit maximization agenda of the firm.

2.2 Taxation Theories versus Corporate View

There are many theories of taxation such as benefit theory, cost of service, ability to pay, expediency, proportionate principle, sacrifice, social-political theory etc. However, this study will consider the benefit theory, cost of service, sacrifice and socio-political theory, and expediency theory because of their relevance to the subject of study. Benefit theory proposes that governments should impose taxes on payers according to benefit provided. The higher the benefits a person or an entity derives from governmental action the more such individual or entity should pay to the government. This theory is criticized on myriads of grounds. It will be against some of the underpinning principles and definition of taxation if government insists that the connection between the benefits conferred and the benefits derived be maintained. Tax is compulsory contribution made to authorities to meet expenses of government in providing social benefits. While it is not possible to estimate the benefits enjoyed by an individual or entity every year but doing so implies that the poor will bear heavy tax burdens as they benefit more from social services, and this will not be just and equitable. The benefits theory accords substantially with the artificial view of the corporation which recognises an entity as a creation of government and must therefore contribute to government for its service and thus the firm derives its legitimacy from government as it is lawful to do so. Hence, a symbiotic relationship where the entity benefits from the government and in turn provide benefits to the government ensues. Because of this, taxation is therefore not perceived as a *CSR* activity as the entity is just acting to satisfy its legal responsibility. Consequently, the benefit theory recognizes tax as cost to the entity, an investment, and not a distribution of profit.

The cost of service theory proposes that if individuals or entities are charged actual cost of service that the state renders it will be just and equitable. This principle can be applicable in many social amenities rendered by the government such as electricity, rail services, public schools etc. However, with capitalism and disinvestments of governments in public enterprises this theory suffers a setback. Secondly, most of the expenses of government are flexible and cannot be exactly determined and tied to entities or individuals. The measurement of cost of security, judiciary and services rendered by other arms of government is difficult. This theory of taxation aligns

with the artificial view of the corporation which sees entities as a creation of the state with certain obligations to be performed by the state and the entity can only be charged for the service rendered by the state thus taxation is not a *CSR* function but rather a cost to the firm for benefits received and payment for service rendered by the government.

Sacrifice theory perceives tax as a burden imposed on an individual or entity that must be paid and also compares the same to how much of the income remains for purpose of his own benefit after tax. The sacrifice theory derives from the idea of sacrifice being an offering to please a higher purpose to gain some favour. Tax is therefore a sacrifice made as support to government. However, it is difficult to measure such sacrifice since individuals' are likely to attach different values to their sacrifices. The sacrifice can be measured by the amount of the enjoyments forgone measured in terms of the portion of the income that would have been spent for such consumption. The concept of equality of sacrifice supports the idea that tax be applicable to that portion of income that is spent on luxuries. That the sacrifice should only apply to expenses over and above the subsistence. Thus, this theory looks at taxation as a distribution of profit. It grants entities the liberty to pay only from available profit. It recognizes taxation as *CSR* function which can only be indulge in from available profit. Since the sacrifice theory requires the firm to pay tax as a sacrifice to the government, tax is therefore perceived as a *CSR* function, this aligns with the artificial view of the firm.

Socio Political Theory suggests that social and political goals should be the dominant and determinant consideration in taxation. The theory proposes that tax systems should not be tailored to serve individuals or entities but designed for societal benefits and the provision of services. This theory aligns with the artificial corporate view which sees the entity as a creation of the state and therefore legally bound to obey the laws of the state in fulfilling its tax obligations. It therefore makes it illegal for firms to embark on aggressive tax planning to minimize costs as this will be detrimental to the state. Taxation is therefore not a *CSR* function but a legal requirement with no expectation of social benefits although legitimacy will be derived by the firm in the process of fulfilling its legal requirement. This implies that firm investment in *CSR* activity outside taxation is a normal business risk to achieve sustainability.

2.3 CSR Theories

The stakeholder's approach to CSR recognize that there are myriads of stakeholders to the firm with rights and satisfying the needs of all stakeholders is a good business strategy in evolving acceptable social behavior (Maignan & Ferrell, 2005). The theory proposes that aside shareholders there are agents that are interested in firms' activities and decisions. These stakeholders impact the firm and these interactions impact on specific stakeholders and the firm; and also the perception of major stakeholders of the firm affect the viability of its corporate goals (Simmons, 2004; Branco & Rodrigues, 2007; Hillenbrand & Money, 2007). Authors argue that to be responsible socially a firm must assess its decisions in the context of its obligations and how it affects both its primary and secondary stakeholders (Clarkson, 1995; Donaldson & Preston, 1995; Gibson, 2000; Weiss, 2003). Thus, there are motivations for CSR activities. Viewed from the stakeholders' perspective, the motivation of the firm is to serve the interest of stakeholders by reconciling the societal and economic goals of the firm through fulfilling its moral desire of serving the society. According to Frynas (2005) this may emanate from pressures exerted by stakeholders on the firm. Stakeholder's perspective of CSR consequently is a trade-off between profit maximization motive of the firm and satisfaction of other stakeholders, some of which are external to the firm, such as regulators, government agencies. The disadvantage however is that profits are sacrificed on the altar of public interest (Elhauge, 2005) and this is inconsistent with the maximization the wealth of shareholders and efficient operation of the firm. Furthermore, the serving of diverse interests as proposed by the stakeholders' view distort management incentives and makes ambiguous what it is that managers should maximize.

Social Contract theory relate firm activities to the society and brings to limelight the ethical and moral responsibilities of a firm. It proposes that morally and ethically the firm is socially responsible to the society it operates and does not require coercion to fulfil its responsibilities. According to Moir (2001) business must carry out its activities responsibly not primarily due to its business interest but because society expects it to behave in like manner. This means equality of partnership between the firm and the society with unfettered rights and privileges which must be reciprocated by both parties thereby fulfilling mutual needs. Based on the perspective of the social contract theory, the payment of tax by the firm is an accepted CSR obligation of the firm to the society.

On the other hand, the business ethics theory looks at CSR as a philanthropic and ethical responsibility devoid of economic and legal notions. It is premised on the following:

a) Changing and emerging social responsiveness and social expectations to social problems.
b) External or intrinsic ethical values like social justice, fairness and human rights
c) Corporate citizenship i.e. corporation as a better citizen in a society to contribute to social wellbeing.

The most prominent proponent of the classical creed concerning the role of business in the society is the

economist Friedman (1970) whose postulations align with market driven notion propounded by Adam Smith based on the conception that the invisible free market forces could cause perfection if all agents are driven by profit motives. The argument is extended that CSR activities are driven by profit motive and not essentially philanthropy. This line of thought is further espoused that poverty alleviation programs are perceived as illegitimate if it fails ultimately to yield profit., thus CSR activities are investments towards profit realization and not philanthropy. This perspective conforms to the shareholder theory. Friedman easily draws support from another economist Hayek who argues that the role of a business entity is profit driven and which contributes to societal and economic development and contrasts with that of non-profit organizations

Legitimacy theory states that *CSR* is a response to the environmental pressures involving social, political and economic forces. According to this theory, organizations look for a balance between their actions and how they are perceived by outsiders and what is thought by society to be appropriate (Deegan, 2002). This theory extends the social contract relations between firms and the society in the sense that society's perceptions of firms are crucial and may affect firms' survival if they breach 'social contract'. If society is not satisfied that a firm is operating in an acceptable or legitimate manner, then society will effectively revoke its 'contract' to continue operations (Davies, 1997).

2.4 Conceptual Framework

The concept and definition of social responsibility by firms has continued to defy consensus despite the metamorphoses over the years. Even the theoretical underpinnings of *CSR* is getting more complex and controversial as shown above. This is essentially due to the various prisms from which stakeholders, firms, regulators, researchers, countries and multilateral institutions view corporate social responsibility resulting in diversity of opinion which perhaps is exacerbated by the ambiguity of the drivers of *CSR*. One perspective is that *CSR* is a philanthropic act while the others perceive it as an abdication of responsibility by government. These conceptions affect the definition of *CSR* and generate controversies which is yet to abate and therefore its definition is not abstruse. However, there is rich literature on attempts to define and explain the concept as enunciated below.

Business for Social Responsibility (*BSR*), perceive *CSR* to involve the achievement of business goals through observance of ethical values, recognition and respect for individuals, communities and acting in such a way as not to inflict harm to the environment. Thus *CSR* is seen as a business decision though *CSR* activities may neither always be profit oriented nor technically be in its interest, but rather it seeks to achieve social power (Davis, 1960) . According to McWilliams & Siegel (2000), *CSR* imply selfless activities aimed at achieving social good and satisfying the requirements of law. Manne & Wallich (1972) see *CSR* as voluntary social services offered by the firm. To Friedman (1970), *CSR* is a voluntary action by a firm which significantly impact identified social stakeholders. Carrol (1979) delineates *CSR* into ethical, legal and discretional expectations by society from firms. Multilateral and developmental institutions consider the issue of *CSR* as significant for growth and development. From the perspective of United Nations Industrial Development Organization (*UNIDO*), *CSR* is a technique deployed by firms to integrate social and environmental issues affecting business operations and their relationship with stakeholders. Hence *CSR* is seen as attempts to balance the tripod of economic, social and environmental factors in an effort to satisfy diverse stakeholders. In a similar vein, the World Bank (2013) acknowledges that *CSR* is a balancing of social, economic and environmental challenges to minimize impacts and maximize gains. The practice of *CSR* ordinarily appears to differ from country to country and seem to be influenced by culture and the level of economic development. This disparity was aptly captured by Sarkar & Sakar (2015) and (WBCSD, 2000) when they catalogued the various definitions by countries as follows:

USA:

"*CSR* is about taking personal responsibility for your actions and the impacts that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability"

The Netherlands:

"*CSR* is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It's about companies endorsing the UN Convention on Human Rights and the ILO Rights at Work"

Taiwan:

"*CSR* is the contribution to the development of natural and human capital, in addition to just making a profit".

Thailand:

"*CSR* must be locally relevant and meaningful only if backed up action"

The Philipines:

"*CSR* is about business giving back to society"

Brazil:

"*CSR* is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper"

Argentina:

"*CSR* is about a corporation's ability to respond to social challenges. It starts with developing good relations with neighbours. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community"

Ghana:

"*CSR* is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government"

India:

"urges businesses to embrace the "triple bottom-line" approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner (MCA, Government of India, 2011)

According to the study by Amaeshi et.al (2006), *CSR* is structured in Nigeria along "the lines of philanthropy and altruism'' and its definition seem to be colored by the industry of the respondents some of which are as follows:

"*CSR* is the corporate act of giving back to the immediate and wider community in which Organizations carry out their business in a manner that is meaningful and valuable and relevant to that community" (CEO of a consulting firm)

"*CSR* is a way for the companies to reach out to their host communities by positively impacting On their environ" (Senior Executive of an Oil/Gas firm)

"*CSR* is a way of saying 'thank you' to the environment in which they [sic] operate and a way of also showing a sense of belonging to the society at large" (Senior Executive of a bank)

For this study, we define *CSR* as a strategy adopted by firms and other legal entities to solve economic, social and environmental problems, to mitigate cost and optimize gains towards the satisfaction of diverse stakeholders. In this nexus, we locate corporate tax as part of those costs that firms must incur either as a contribution towards mitigating social and environmental costs or as a contribution towards enhancing the economic wellbeing of stakeholders.

Taxation is a compulsory or mandatory monetary charge or levy imposed by the government, on the income of individuals and other entities recognized by law, to raise funds for public spending. This contrast sharply with social responsibility which are not forced but voluntary. Although taxation that may be compulsory, direct or indirect, the willingness to pay taxes may to a large extent be dependent on how taxation is perceived either as a legal obligation or as a social responsibility. When taxation is viewed as a social responsibility which is not forced but rather voluntary, this study holds the view that tax compliance may be enhanced. Taxation is employed by the government to achieve diverse objectives which include but not limited to economic management, control of inflation and prices, source of revenue and provision of infrastructure. With this in mind earlier definition of taxation is limited. For the purpose of this study, we define taxation as a tool for revenue mobilization, economic management and control of inflation through the imposition of levies on income of individuals, goods and services and earnings of legal entities. This definition departs from the general definition which highlights only levies and public expenditure and seeks to encompass both the role of taxation and the means which is used by government to raise revenue.

2.5 Empirical Literature Review

The issue of corporate tax and *CSR* is contentious and empirical outcomes are conflicting. The issues giving rise to this could be x-rayed from three perspectives namely economic theory, risk management, stakeholders and culture. Preu & Preu (2017) . Prior research based on economic theory which proposes shareholder wealth maximization found no relation between corporate tax and *CSR*. The theory suggest that managers will act rationally to deploy resources on *CSR* activities only to the extent of benefits derived to the satisfaction of corporate goal. However, research result is debatable. In some cases huge *CSR* investment may yield high returns and conversely low investments may also yield high benefits (Dhaliwal D, et.al, 2011; El Goul , et.al 2011; and Waddock &Graves ,1997) Consequently, results of prior empirical studies based on this theoretical foundation is mixed (Berman et.al ,1999; Hillman & Keim ,2001 ; Ogden & Watson 1999). According to Scholes, et al. (2015) and Ogden & Watson (1999), firms may view tax as an operating cost thus embarking on aggressive tax planning activities to mitigate cost. Goh et.al (2016) suggest firms that avoid tax may benefit from lower cost of equity. There are however negative impacts of such behavior as market prices of the shares of such firms may reduce through negative market reactions in event of sanctions. Such behavior may also give rise to information asymmetry and potentially, agency conflicts between lenders and borrowers thereby increasing financing costs (Kim & Zhang, 2011; Lin et.al, 2011). However, the traditional economic theory perceives tax

and *CSR* as mutually exclusive and that both can be used to boost profit maximization. Some other authors argue that firms indulge in *CSR* function to gain legitimacy and remain in business. Kurucz et al. (2008) observed that firms gain from *CSR* activities through reduction of cost and risk, improved reputation, enhanced legitimacy and win-win outcomes through synergy in value creation**.** In sum, *CSR* creates healthy relationship between firms and society which they operate by re-engineering roles and obligations of the firm (Keinert, 2008). To this extent tax payments may be perceived as an economic survival strategy towards maximizing shareholders' wealth and this aligns with the propositions of the traditional economic theory. Studies by Lanis & Richardson (2012) confirm positive relation of tax with *CSR*. The first study indicated that firms with high levels of *CSR* disclosure are less tax aggressive. The other study also conclude that more socially responsible firms are likely to display less tax avoidance.

The restricted traditional economic theory agrees with the entity view of the corporation which suggests that *CSR* is an anomaly and violation of the agency concept as it's a tax of shareholders without their consent and leads to non-profit maximization which is the goal of the firm. *CSR* it is argued, makes managers unaccountable and managers must always act to maximize profit and minimize tax costs. Chen et al. (2010) describe tax avoidance as the use of tax planning actions to mitigate tax costs. Sikka (2010) justifies this as a rational firm action.

The stakeholder's approach recognizes internal and external stakeholders which include tax regulators. Prior studies confirm a positive relation of stakeholder's theory to *CSR*. When the firm adopts a culture of stakeholder's management all interest are inclusive and firms recognize its social obligations to the public beyond satisfying shareholders. The culture adopted by the firm's impact on decision making. In Nigeria *CSR* function is not mandatory giving managers the latitude to indulge in tax planning activities. Managers however may be driven by several motives such as the fact that the recognition that the economic activity of a corporation needs to be embedded in societal concern, performance and wealth maximization to shareholders. The extent to which the government influences *CSR* behavior of firms is in two respects; first with respect to reporting of *CSR* activity, and second with respect to the amount of spending for *CSR* activity.

Other prior empirical studies about relation of *CSR* and taxation indicate mixed results (Hoi, 2013; Landry et a, 2013; Huseynov & Klamm, 2012; Watson, 2015). Huseynov & klam (2012) suggested that firms with high *CSR* investments tend to have low corporate tax. The study also confirmed no relation between corporate tax and *CSR*. Landry (2013) in a study confirmed that tax behaviors are not necessarily aligned with *CSR*. Watson (2015) relation between *CSR* and corporate tax avoidance is moderated by earnings performance and is moreover mixed while Hoi (2013) suggest that firms with excess unnecessary *CSR* are potentially inclined to tax avoidance. Kim & Zhang (2016) observed that politically linked firms, assessed through diverse corporate political activities; engagement of connected directors, donations for campaigns, lobbying for contracts, indulge in tax avoidance activities more than firms not connected politically, due to better access to information on tax laws and regulations and low pressure exerted by market for openness.

The risk management view proposes a negative relationship between corporate tax and *CSR* and suggest that firms may profile tax as distraction from social activities and paying tax is inefficient for society resulting in tax avoidance (Porter & Kramer, 2006; McGree, 2010). Furthermore, tax avoidance may attract punitive measures and sanctions. According to Godfrey et.al (2009), managers indulge in *CSR* to remedy a negative corporate event. While Graham et.al (2014) confirm that firms pay tax to avoid reputational damage. In another study, Hanlon & Slemrod (2009) found decline in stock prices being associated with tax avoidance. Firms reputed to be socially responsible indulge in tax avoidance as a trade-off between *CSR* and tax. Firms therefore might indulge in *CSR* activities to hedge against negative results of aggressive tax planning. The study by Davis (2002) support a negative relation between corporate tax and *CSR*. Also, Preu & Preu (2017) found a negative association between CT and CSR and conclude that CT and CSR are substitutes. In sum prior research based on the risk management view highlights the negative relation between tax and *CSR* and confirms that *CSR* is used to shield firms that engage in aggressive tax planning from reputational damage.

3. Materials and Methods

3.1 Data and Variables

Data for the study is primarily secondary data from firms' financial statement obtained from Nigeria stock Exchange. We adopted the longitudinal and cross sectional ex-post facto design because we rely on past data from audited financial statements. The data collected is reliable since it has been subjected to statutory audit and must have satisfied SEC rules before it is published. We used census and random sampling technique to select the sample size. A cross of the various subsectors of firms quoted on the Nigeria stock exchange was used. Firms with incomplete financial statements were assigned the value of zero to prevent bias for periods where the financial statements were not obtained.

We operationalized the variables using method adopted by Davis (2002).

Dependent Variable

*CSR*1 = When a firm discloses environmental cost 1 or reverse 0
*CSR*2 = When A firm discloses poverty alleviation, health-care provision, promoting education and infrastructure development. 1 otherwise *CSR*: 0;
For the purposes of this study, firms that disclose both types of *CSR* namely those that disclose type 1 (*CSR*1) and type 2 (*CSR*2) are deemed to be socially responsible.
Independent Variable
Effective tax rate (*EFTAR*) = Cash taxes paid divided by pretax income less special items; (Dyreng et.al, Heitzman, and Preu & Preu , 2017). This is the proxy for corporate tax (*CT*). We use this as long term effective tax rate since the period of our study is ten years.
Control variables

LEVER = total debt scaled by lagged total assets (leverage)
LOEPE = firms with low earnings performance have a *PREBET*<0:07 with *LOEPE* = 1, otherwise *LOEPE* = 0
SIZE = natural logarithm of total assets;
SALES = changes in sales scaled by lagged sales;
PRBET = profit before tax income divided by lagged total assets;
SEGAE = selling; general and administrative expense divided by lagged total assets
PRPEQ = net property; plant and equipment divided by lagged total assets;
CASTI = cash and short-term investments divided by lagged total assets;
INFLA = double digit inflation = 1 otherwise = o

We also considered *INFLA* as a control variable because of the impact that inflation may have on our result due to the rapid increase in inflationary rates as published by the National Bureau of Statistics (*NBS*) over the years.

3.2 Model specification
CSR1 = (EFTAR, LEVER, LOEPE, SIZE, SALES, PRBET, PRPEQ, SEGAE CAST1, INFLA)
CSR2 = (EFTAR, LEVER, LOEPE, SIZE, SALES, PRBET, PRPEQ, SEGAE CAST1, INFLA)
The above model is stated in the functional form below:
Model 1:

$$CSR1 = \alpha_0 + \alpha_1 EFTAR + \alpha_2 LEVER + \alpha_3 LOEPE + \alpha_4 SIZE + \alpha_5 SALES + \alpha_6 PRBET + \alpha_7 PRPEQ + \alpha_8 SEGAE + \alpha_9 CAST1 + \alpha_{10} INFLA$$

Model 2:

$$CSR2 = \beta_0 + \beta_1 EFTAR + \beta_2 LEVER + \beta_3 LOEPE + \beta_4 SIZE + \beta_5 SALES + \beta_6 PRBET + \beta_7 PRPEQ + \beta_8 SEGAE + \beta_9 CASTI + \beta_{10} INFLA$$

3.3 Test and selection of models
Both CSR1 and CSR2 are categorical variables and therefore is best analyzed using either the probit or logit regression. Accordingly, we apply the multinomial logit regression model similar to and as described by Umobong and Agburuga (2018) whereby the binary dependent variable that returns either 1 or 0 is analyzed using of either the probit model or the logit model since the two models are likely to produce similar results although resulting in different magnitudes of the coefficients in view of the differences in the functional form of their cumulative distribution functions. In this study, we apply the logit model to test the relationship between the dependent and the independent variables. The benefit of the logit regression model is that the predicted probability of the dependent variable (y) is limited between 0 and 1 hence

$$\Pr(y=1(x)) = f(x'\beta)$$

The logit regression model in its functional form based on the cumulative distribution function and is given as:

$$\Pr(y=1(x) = f(x'\beta) = \lambda(x'\beta) = \frac{e^{x'\beta}}{1+e^{x'\beta}}$$

The numerator of the above exponential function is set to be not less than 0 and the denominator is set to be not more than 1. The sign of the estimated coefficients (β) is expected to indicate that an increase or decrease in the independent variable(x) more likely given that the probability of the dependent variable (y) will be = 1. That is to say that estimated coefficient (β) measures the probability or likelihood that the dependent variable will be equal to 1. The logit regression test was done using the *Eviews* data analysis application.
3.3.1 Hypotheses
In testing the hypothesis of the relations between CT and CSR, we establish if the relationship between Corporate tax is significant or not and the direction of relationship (positive or negative). A negative relationship denotes that the result is consistent with the risk management view where *CT* and *CSR* are considered substitutes while a positive relationship denotes that *CT* and *CSR* are complements. We decompose the hypothesis into two to ascertain the type of *CSR* that is dominant in Nigeria as this will help us determine if, as established by prior studies that, in a developing economy the focus of *CSR* is on poverty alleviation, health care provision rather

than on environmental issues.
$H_0$1: There is no significant relationship between *CT* and *CSR1*
$H_0$2: There is no significant relationship between *CT* and *CSR2*
Where,
*CSR*1 = environmental *CSR* activities and,
CSR2 = poverty alleviation *CSR* activities.

3.4 Result of Data Analysis and Discussion of Findings
3.4.1 Descriptive Statistics:
Descriptive Statistics of Explanatory Variables:
The categorical descriptive statistics below shows the means and standard deviations of each of the explanatory variables with respect to the binary categories of the dependent variables and the weighted average mean and standard deviations respectively.

Table 1. Result of the Categorical Descriptive Statistics of Explanatory Variables for Model 1
Categorical Descriptive Statistics for Explanatory Variables
Equation: UNTITLED
Date: 03/27/18 Time: 08:46

Variable	Dep=0	Mean Dep=1	All
C	1.000000	1.000000	1.000000
EFTAR	0.310760	1.872220	1.527482
LEVER	4.750247	0.981818	1.813809
LOEPE	0.852941	0.925000	0.909091
SIZE	16.20514	17.37841	17.11937
SALES	0.078965	4.023067	3.152291
PREBET	2.948848	0.261691	0.854959
PRPEQ	0.456658	0.544449	0.525067
SEGAE	2.186913	1.591851	1.723228
CASTI	0.966781	0.962998	0.963833
INFLA	0.617647	0.583333	0.590909
Variable	**Dep=0**	**Standard Deviation Dep=1**	**All**
C	0.000000	0.000000	0.000000
EFTAR	0.804270	8.455514	7.494631
LEVER	10.34452	2.130528	5.391652
LOEPE	0.359491	0.264496	0.288418
SIZE	1.458346	1.233028	1.370979
SALES	0.211579	42.38157	37.41318
PREBET	5.272510	0.660458	2.754191
PRPEQ	0.223905	0.555563	0.502204
SEGAE	1.202437	1.928792	1.807398
CASTI	0.018578	0.024431	0.023263
INFLA	0.493270	0.495074	0.493270
Observations	34	120	154

The above indicates that the means of the explanatory variables and the standard deviation points to the distance between the means and the weighted average mean. This gives a preview that the direction of the signs of each of them is consistent.

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Table 2. Result of the Categorical Descriptive Statistics of Explanatory Variables for Model 2
Categorical Descriptive Statistics for Explanatory Variables
Equation: UNTITLED
Date: 03/27/18 Time: 08:12

		Mean	
Variable	Dep=0	Dep=1	All
C	1.000000	1.000000	1.000000
EFTAR	3.799765	1.335458	1.527482
LEVER	0.490436	1.925643	1.813809
LOEPE	0.833333	0.915493	0.909091
SIZE	17.62706	17.07647	17.11937
SALES	0.671592	3.361927	3.152291
PREBET	0.100952	0.918678	0.854959
PRPEQ	0.217255	0.551079	0.525067
SEGAE	2.040666	1.696403	1.723228
CASTI	0.987257	0.961853	0.963833
INFLA	0.583333	0.591549	0.590909
		Standard Deviation	
Variable	Dep=0	Dep=1	All
C	0.000000	0.000000	0.000000
EFTAR	3.070626	7.729019	7.494631
LEVER	0.340861	5.601182	5.391652
LOEPE	0.389249	0.279131	0.288418
SIZE	0.488522	1.413202	1.370979
SALES	2.466365	38.95935	37.41318
PREBET	0.054755	2.859797	2.754191
PRPEQ	0.109874	0.513797	0.502204
SEGAE	0.844457	1.865414	1.807398
CASTI	0.007389	0.023072	0.023263
INFLA	0.514929	0.493287	0.493270
Observations	12	142	154

The above descriptive statistics shows that there is internal consistency between the data and the result as it previews the result of the logit regression test. It shows that result of the test flows from the data described above.

3.4.2 Predictive Accuracy of Dependent Variable

Table 3. Result of the Expectation-Prediction Evaluation Test for Model 1

Expectation-Prediction Evaluation for Binary Specification
Equation: UNTITLED
Date: 03/27/18 Time: 08:47
Success cutoff: C = 0.5

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1)<=C	19	7	26	0	0	0
P(Dep=1)>C	15	113	128	34	120	154
Total	34	120	154	34	120	154
Correct	19	113	132	0	120	120
% Correct	55.88	94.17	85.71	0.00	100.00	77.92
% Incorrect	44.12	5.83	14.29	100.00	0.00	22.08
Total Gain*	55.88	-5.83	7.79			
Percent Gain**	55.88	NA	35.29			

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
E(# of Dep=0)	19.30	14.70	34.00	7.51	26.49	34.00
E(# of Dep=1)	14.70	105.30	120.00	26.49	93.51	120.00
Total	34.00	120.00	154.00	34.00	120.00	154.00
Correct	19.30	105.30	124.60	7.51	93.51	101.01
% Correct	56.76	87.75	80.91	22.08	77.92	65.59
% Incorrect	43.24	12.25	19.09	77.92	22.08	34.41
Total Gain*	34.68	9.83	15.31			
Percent Gain**	44.51	44.51	44.51			

To evaluate the predictive accuracy of the dependent variable, the test of the expectation-prediction evaluation table above shows that the predictive ability of the model indicates that 94.17% of y=1 was correctly predicted and 55.88% of y=0 was correctly predicted by the model resulting in a weighted average correct predictive ability of 85.71%. Furthermore, the goodness of fit of the model is calculated to be 75.025 % {(94.17%*0.5) + (55.88%*0.5)} which is very reasonable and lends credence to the validity and reliability of the model.

Table 4. Result of the Expectation-Prediction Evaluation Test for Model 2
Expectation-Prediction Evaluation for Binary Specification
Equation: UNTITLED
Date: 03/27/18 Time: 08:15
Success cutoff: C = 0.5

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1)<=C	8	2	10	0	0	0
P(Dep=1)>C	4	140	144	12	142	154
Total	12	142	154	12	142	154
Correct	8	140	148	0	142	142
% Correct	66.67	98.59	96.10	0.00	100.00	92.21
% Incorrect	33.33	1.41	3.90	100.00	0.00	7.79
Total Gain*	66.67	-1.41	3.90			
Percent Gain**	66.67	NA	50.00			

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
E(# of Dep=0)	8.64	3.36	12.00	0.94	11.06	12.00
E(# of Dep=1)	3.36	138.64	142.00	11.06	130.94	142.00
Total	12.00	142.00	154.00	12.00	142.00	154.00
Correct	8.64	138.64	147.27	0.94	130.94	131.87
% Correct	71.96	97.63	95.63	7.79	92.21	85.63
% Incorrect	28.04	2.37	4.37	92.21	7.79	14.37
Total Gain*	64.17	5.42	10.00			
Percent Gain**	69.59	69.59	69.59			

To determine whether the dependent variable meets the expected prediction, the result of the test of the predictive ability of the model indicates that 98.59% of *y*=1 was correctly predicted and 66.67% of *y*=0 was correctly predicted leading to a weighted average prediction of 96.10. The overall validity and reliability of the dependent variable shows a goodness of fit of 82.63% {(98.59%*0.5) + (66.67%*0.5)}. However, the model is more efficient in predicting *y*=1 than in predicting *y*=o.

3.4.3 Test of Hypothesis 1

Model 1

$CSR1 = \alpha_0 + \alpha_1 EFTAR + \alpha_2 LEVER + \alpha_3 LOEPE + \alpha_4 SIZE + \alpha_5 SALES + \alpha_6 PRBET + \alpha_7 PRPEQ + \alpha_8 SEGAE + \alpha_9 CAST1 + \alpha_{10} INFLA$

$H_0 1$: There is no significant relationship between *CT* and *CSR1*

Table 5. Result of Multinomial Logit Regression Test of the Relationship Between CT and CSR1

Dependent Variable: CSR1
Method: ML – Binary Logit (Quadratic hill climbing)
Date: 03/26/18 Time: 23:19
Sample: 2004 2015
Included observations: 154
Convergence achieved after 8 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-103.4442	26.05338	-3.970471	0.0001
EFTAR	0.589938	0.179181	3.292408	0.0010
LEVER	0.100695	0.149320	0.674355	0.5001
LOEPE	2.129116	0.832828	2.556490	0.0106
SIZE	1.468486	0.431139	3.406064	0.0007
SALES	0.430242	1.048605	0.410299	0.6816
PREBET	-0.843699	1.092327	-0.772387	0.4399
PRPEQ	2.939269	1.369147	2.146789	0.0318
SEGAE	-0.733005	0.209334	-3.501599	0.0005
CASTI	80.11983	23.37771	3.427189	0.0006
INFLA	0.534416	0.555801	0.961524	0.3363

McFadden R-squared	0.415634	Mean dependent var	0.779221
S.D. dependent var	0.416125	S.E. of regression	0.320742
Akaike info criterion	0.759822	Sum squared resid	14.71121
Schwarz criterion	0.976747	Log likelihood	-47.50631
Hannan-Quinn criter.	0.847937	Deviance	95.01262
Restr. Deviance	162.5909	Restr. log likelihood	-81.29543
LR statistic	67.57825	Avg. log likelihood	-0.308483
Prob(LR statistic)	0.000000		
Obs with Dep=0	34	Total obs	154
Obs with Dep=1	120		

Binary logit regression was performed to examine the effect of corporate tax and other control variables on the likelihood that investigated companies would report corporate social responsibility. The above logit regression test used the maximum likelihood method which measures the likelihood that the dependent variable, *y* will be equal to 1 given an increase or decrease in the independent variable, *x*. The result of the Logit regression test shows that *EFTAR* was positive (0.589938) and significant ($p= 0.00010 < 0.05$). Therefore, the null hypothesis that there is no significant relationship between *CT* and *CSR1* is therefore rejected. The anti-log of the coefficient of *EFTAR* (0.589938) being 1.803877 indicates that a 1% increase in *EFTAR* will likely lead to an increase in *CSR1* by 1.8 times. Thus, above result show that an increase in *EFTAR* will more likely lead to an increase in *CSR1*. The result also suggests that an increase in the control variables namely *LEVER, LOEPE, SIZE, SALES, PRPEQ, CASTI* and *INFLA,* and a decrease in *PREBET* and *SEGAE,* are also more likely to contribute to *CSR1* with varying degrees of significance. Thus, the control variables has helped in moderately the effect of the relationship between *EFTAR* and *CSR1*.

Overall, the model is significant in explaining the relationship between the dependent and the independent and the control variables given the LR statistic of 67.57825 with a p-value of $0.000000 < 0.05$. The model is therefore useful and valid as at least one of the explanatory variables is significant and explains *CSR1*.

3.4.4 Test of Hypothesis 2

Model 2:

$CSR2 = \beta_0 + \beta_1 \, EFTAR + \beta_2 \, LEVER + \beta_3 LOEPE + \beta_4 \, SIZE + \beta_5 \, SALES + \beta_6 PRBET + \beta_7 PRPEQ + \beta_8 SEGAE + \beta_9 \, CASTI + \beta_{10} INFLA$

$H_0 2$: There is no significant relationship between *CT* and *CSR2*

Table 6. Result of Multinomial Logit Regression Test of the Relationship Between CT and CSR1

Dependent Variable: CSR2
Method: ML - Binary Logit (Quadratic hill climbing)
Date: 03/26/18 Time: 23:37
Sample: 2004 2015
Included observations: 154
Convergence achieved after 11 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	264.8228	137.7367	1.922674	0.0545
EFTAR	-1.058039	0.353342	-2.994379	0.0028
LEVER	5.212561	2.533781	2.057226	0.0397
LOEPE	-2.728474	3.051543	-0.894129	0.3713
SIZE	-1.113981	1.354502	-0.822428	0.4108
SALES	0.099594	0.669641	0.148728	0.8818
PREBET	-1.009164	1.737184	-0.580920	0.5613
PRPEQ	3.764084	12.52786	0.300457	0.7638
SEGAE	0.630150	0.588399	1.070957	0.2842
CASTI	-248.7926	149.1575	-1.667986	0.0953
INFLA	-0.621783	1.241113	-0.500988	0.6164

McFadden R-squared	0.733857	Mean dependent var	0.922078
S.D. dependent var	0.268923	S.E. of regression	0.159431
Akaike info criterion	0.288525	Sum squared resid	3.634817
Schwarz criterion	0.505450	Log likelihood	-11.21645
Hannan-Quinn criter.	0.376640	Deviance	22.43289
Restr. Deviance	84.28876	Restr. log likelihood	-42.14438
LR statistic	61.85587	Avg. log likelihood	-0.072834
Prob(LR statistic)	0.000000		
Obs with Dep=0	12	Total obs	154
Obs with Dep=1	142		

The above result of the Logit regression test shows that the model is valid and significant in explaining the relationship between the dependent variable and the explanatory variables given the *LR* statistic of 61.85587 and a p-value of 0.00000 < 0.05. Furthermore, the null hypothesis that there is no significant relationship between *CT* and *CSR2* is rejected given that *EFTAR* returned a coefficient of -1.058039 and a P-value of 0.0028 < 0.05. The result however indicates that an increase in *EFTAR* is more likely to lead to a 34.7136 % decrease in *CSR2* or vice versa given that the antilog of -1.058039 is 0.347136.

3.4.5 Discussion of Findings

One of the aims of the study was to determine if Nigeria as a third world country practices CSR1 (environmental remediation) or CSR2 (poverty alleviation, health-care provision, promoting education and infrastructure development) hence the formulation of two models to depict CSR1 and CSR2. The result of our study indicate that CSR1 has a mean of 0.779221 while CSR2 has a mean of 0.922078 higher than that of CSR1. This implies that although firms in Nigeria practice both CSR1 and CSR2 more firms in Nigeria practice CSR2. This finding is in agreement with the generally held notion that third world countries practice of *CSR* emphasize more of poverty alleviation, health-care provision, promoting education and infrastructure development. The reason for the mean of *CSR*2 over and above *CSR*1 is not far-fetched. The firms that are located in regions with huge environmental hazards from oil spillage, and gas flaring, ranging from huge negative ecological activities and health hazards to greenhouse effect are constantly faced with communal agitations for environmental remediation. Firms in such regions are more likely to engage in *CSR*1 to ameliorate the impact of the negative environmental effects of their activities and to mitigate communal crisis. On the other hand, considering the level of poverty and economic development in Nigeria where there is dearth of good health care facilities, poor level of educational development, lack of infrastructure, firms embark on corporate social responsibility to ameliorate these problems.

The second aim of the study was to determine if *CT* is a complement or a substitute of *CSR*. A negative

relationship denotes that the result is consistent with the risk management view that *CT* and *CSR* are substitutes while a positive relationship denotes that *CT* and *CSR* are complements. From the result of the study we confirm a significant positive relationship of *CSR*1 with *CT* implying that firms which practice environmental remediation view CSR activities as complements. These firms therefore consider their taxation cost as part of their social responsibility. From model 1 which considered the relationship between *CT* and *CSR*1, an increase in the control variables namely *LEVER, LOEPE, SIZE, SALES, PRPEQ, CASTI* and *INFLA,* and a decrease in *PREBET* and *SEGAE,* are also more likely to contribute to *CSR1* with varying degrees of significance. This implies that increases in the level of leverage, the size of the firm, sales volume, and level of firm fixed assets, level of cash and short term investments and inflation have positive implication on CSR activities of the firm. Also, a decrease in administrative cost and profit before tax increases *CSR* activities. The reason for this is obvious, as a decrease in administrative costs free more funds for investment in environmental remediation activities and this also result in decrease in profit performance. Such investment in *CSR* activities help to launder the image of the firm as not only environmentally sensitive but also as a good corporate citizen that pays more taxes and thereby reinforce a positive outlook for the long run revenue and profit performance of the firm. We also found *CSR*2 is negatively related with *CT* implying that sample firms view corporate social responsibility as substitutes of corporate tax. The higher the amount spent on taxation the lower the *CSR* activities which the firm is likely to execute. Conversely, the higher the amount spent on CSR activities the lower taxation that will be paid. We further found that the p values of leverage (0.0397 > 0.05), performance (0.3713 > 0.05), size (0.4108 > 0.05), sales (0.8818 > 0.05), profit before tax (0.5613 > 0.05), property, plant and equipment (0.7638 > 0.05), admin expenses (0.2842 > 0.05), cash and short term investment (0.0953 > 0.05) and Inflation (0.6164 > 0.05) indicates that their relationships with *CSR*2 not significant. However, leverage, sales, property and equipment, administration expenses are positively though not significantly related to *CSR*2 implying an increase in the variables increases CSR activities and vice versa. Conversely, performance, size, profit before tax, cash and short term investment and inflation relationship with *CSR*2 is negative and not significant relationships. An increase in any of the variables decreases *CSR*2 activities and vice versa. These results indicate all the control variables have moderating effects on relationship between *CT* and *CSR* activities. The tax role of the size of the firm from our result indicates varying degree of association of firm size with CSR1 and CSR2. For firms involved in environmental remediation (CSR1), size is significantly positively related to tax and CSR. The higher the size the higher its CSR and tax activity. This is in line with political cost theory (Watts and Zimmerman, 1986) proposes that larger firms pay higher tax. In contrast for CSR2 firms' size is negatively and not significantly related to CSR thus aligning with political power theory (Salamon & Siegfried, 1977).

4. Conclusion

The result of the study confirmed a significant positive relationship of *CSR*1 with corporate tax. The positive relationship indicates that firms practicing *CSR*1 (environmental remediation) view the payment of corporate tax as complements. This aligns with the artificial view of the entity which perceives a firm as a creation of the state and vested with rights and privileges, that owes obligations to the state and the society in which it operates and derives legitimacy from the society. Consequently, the payment of corporate tax is the fulfilment of that obligation which the firm owes to the state and the performance of *CSR* is an obligation to the society in which it operates. Type 1 firms that practice *CSR*1 implement and operate on the premise and principle of legitimacy theory and recognize that their survival is based on observing the laws and norms of the society which includes environmental hazards remediation. The artificial view thus supports *CSR* activities of the firm that mitigate the harm caused to the environment by its action even with no legal requirement and without regard as to whether the firm will enjoy benefit or gain in the long run. Furthermore, in type 1 *CSR* firms, different stakeholders are recognized, and the firm deliberately embark on the corporate objective of satisfying these constituents while also meeting the desire of shareholder. Hence, taxation is complementary to *CSR*. Taxation is therefore perceived as a natural distribution of profit as opposed to cost.

While the result shows that *CSR*2 is negatively though significantly related to *CT* indicating that firms that practice *CSR*2 (poverty alleviation, education enhancement etc) view it as a substitute to *CT*. The negative association of *CSR*2 with *CT* suggest that these firms adopt the risk management view. The risk management view proposes a negative relationship between corporate tax and *CSR* and suggest that firms may profile tax as a distraction from social activities and paying corporate tax is inefficient for society resulting in tax avoidance practices. The implication of this for practice is that *CSR*2 firms may indulge in tax avoidance in place of corporate social responsibility or pay tax and avoid *CSR* as corporate tax and *CSR* are substitutes. This finding also collaborates the real view of the firm which, perceives a firm as an individual with rights and responsibilities distinct from the state and its owner. The entity may not be forced to embark on *CSR* activities, though it could be persuaded to do so and being legally recognized by law as an artificial person with rights and privileges, it is required however to pay taxes. Consequently, under the real view of the firm, aggressive tax behavior to mitigate the impact of taxation on reported profit is outlawed. Theoretically however, type 2 firms

that practice *CSR*2 align with traditional economic theory which posits that *CT* and *CSR* are mutually exclusive. The firms under this category exist to satisfy the shareholders through profit maximization and every act of *CSR* activity is carried out with the motive of long run gain. Aggressive tax planning behavior may therefore be used as a medium for satisfying this goal of profit maximization and hence a trade-off between taxation and *CSR*. Given this view, the payment of Corporate Tax is not a *CSR* activity. Type 2 *CSR* firms perceive Taxation and *CSR* activities as costs hence they are mutually exclusive and such cost must be managed either through aggressive tax planning behaviors to reduce tax or through reduction in *CSR* activities. This is in tandem with the findings in prior empirical studies which shows that firms may indulge in *CSR* activities to remedy reputational damage or as a shield for aggressive tax behavior.

The result of our findings that *CSR*2 firms are more dominant In Nigeria given the higher mean of *CSR*2 over *CSR*1 goes to buttress the expectation that firms in developing countries indulge in developmental and Poverty alleviation *CSR* activities. Secondly, as mentioned earlier, the economic recession and the declining oil prices which affects governmental revenue implies that regulators will be more intense in drive for internal revenue and firms will deliberately switch from type I *CSR* to type 2 *CSR* as a survival strategy thereby indulging in aggressive tax planning behaviors and reduction in *CSR* activities. This by implication indicate that the stage of the economy of a country and the fortunes of a firm can affect the nature of *CSR* activity practiced by the firm.

Our study further revealed the role inflation could play on *CSR* activity is dependent on the type of *CSR* activity practiced by a firm. *CSR*1 (environmental remediation) is positively related to inflation implying that during inflationary period firms incur more cost on environmental remediation activities while *CSR*2 is negatively related to inflation; a rise in inflation reduces the amount spent on developmental and poverty alleviation activities. This inverse relationship can be explained from two perspectives. First, the desire to mitigate cost by firms during inflationary period and second the switch off from extra cost arising from CSR to taxation as a substitute to facilitate aggressive tax planning activities .Conversely, *CSR*1 is positively related to inflation because during period of inflation cost increases thereby increasing the expenditure however, since firms need to sustain their legitimacy they are compelled to ameliorate the hazards created by their activities hence the higher the inflation the higher the cost of *CSR*1

The result of our study also show a positive significant relation of leverage to *CSR*1 and positive insignificant relation to *CSR*2 and we conclude that the capital structure of a firm affects the type of *CSR* activity indulge by a firm. This could be attributed to the cost of the various sources of funding and debt covenants. High cost of financing ultimately impacts on profit and mitigate investment in *CSR* activities hence the inverse relationship between *CSR*2 firms and leverage.

We also considered the relationship of the size of a firm to *CSR*. For *CSR*1 firms size is positively significantly related to *CSR* while for *CSR*2 firms size is negatively not significantly related to CSR. The conflicts in literature as to the nature of relationship of size of firm and *CSR* is collaborated by this finding. However, our study is emphatic in drawing conclusion that the nature of *CSR* practiced by a firm influences the type of relationship of firm size with *CSR*. For *CSR*2 firms (developmental and Poverty alleviation) firm size is negative and insignificant implying that it does not play a major role while as the firm size increases the *CSR* activity declines. In contrast *CSR*1 firms (environmental remediation) as the size of firm increases the firm embark on more *CSR* activities

Like the differential role of size to the type of *CSR* practiced by the firm, we also conclude that the type of *CSR* activity practiced by a firm determines the nature of association with taxation as our findings indicate that *CT* is positively related to *CSR*1 (environmental remediation) and negatively related to *CSR*2 (developmental and poverty alleviation)

Given that firms that practice *CSR*1 see the payment of corporate tax as a complement or as part and parcel of their *CSR* activities and therefore very willing to pay taxes irrespective of investments in environmental hazards remediation, it is recommended that government should encourage such firms to continue to do so through awards and other forms of recognitions. A listing of such firms as environmentally friendly could go a long way to encourage not only tax compliance but also *CSR* activities. On the other hand, firms that practice *CSR*2 may be encouraged to reduce aggressive tax behavior by giving them incentives for their investments in *CSR* activities. Such incentives might include accepting such investment costs as tax deductible. Government should design a mechanism and put in place checks that will monitor investment in corporate social responsibility by firms to ensure that there is a correspondence between the amounts of investments in *CSR* reported by firms in the financial statement actual CSR activities. These recommendations will help to mitigate tax evasion and aggressive tax planning activities

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