Taxation and Corporate Performance: Analyzing the Effective Tax Rate, Marginal Tax Rate and Earnings Per Share (EPS) of Listed Industrial Goods Companies in Nigeria

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Abstract

This study evaluates the impact of the effective tax rate (ETR) on the earnings per share (EPS) of listed industrial goods companies in Nigeria from 2019 to 2023. Using a population of thirteen listed industrial companies, the study draws data from firm accounts and annual reports. Panel data analysis, including descriptive statistics, correlation analysis, and panel multiple regression were employed to examine the relationship between the independent variables—effective and marginal tax rates—and the dependent variable, net income after taxes and interest, adjusted for the total number of outstanding common shares. The findings reveal that the effective tax rate significantly reduces earnings per share among Nigerian listed industrial companies. The study recommends that these companies adopt legitimate tax planning strategies, such as utilizing tax incentives, optimizing transaction structures, and effectively managing tax risks, to enhance their earnings per share and overall financial performance. These findings have significant implications for corporate management and regulatory bodies in designing tax policies that support industrial growth and shareholder value.

Keywords: Nigerian Industrial Companies, Earnings Per Share, Effective Tax Rate, Marginal Tax Rate

1. Introduction

Taxes are a mandatory financial levy imposed by federal, state, or local governments on individuals and corporate entities to generate revenue for public expenditure and economic management (National Taxation Policy, 2019). Governments use these funds to fulfill critical mandates, including providing public goods and services, enforcing laws, and promoting social welfare. While

taxation is essential for national development, it also presents challenges for corporations seeking to maximize shareholder value.

Earnings per share (EPS), a critical measure of a company's profitability reflects the portion of a company's profit allocated to each outstanding share of common stock. EPS is calculated by dividing net income, after taxes and interest, by the total number of outstanding shares. International Accounting Standard (IAS 33) mandates that companies trading equity instruments report EPS in their financial statements, emphasizing its importance to investors and stakeholders. Tax planning and effective management of tax liabilities are critical for improving EPS, as excessive tax burdens can erode profitability and shareholder returns.

The industrial goods sector in Nigeria plays a pivotal role in driving economic growth through the production of essential commodities required for industrialization. However, companies in this sector face significant challenges, including rising production costs due to inflation, foreign exchange scarcity, and high tax rates. For instance, inflation rose from 16.98% in December 2021 to 21.34% in December 2022, exacerbating the financial strain on companies (National Bureau of Statistics, 2022). Moreover, inefficiencies in tax administration, such as corruption, complex registration processes, and high tax rates, further hinder corporate profitability (Zhu et al., 2019).

Despite the critical role of taxation in corporate finance, limited research has explored the direct relationship between effective tax rates and EPS in Nigeria's industrial goods sector. Previous studies, such as Anaeto et al. (2020), have focused on broader financial performance metrics, such as stock returns and dividend policies, rather than the specific impact of ETR on EPS. This study seeks to bridge this gap by examining the relationship between effective tax rates and earnings per share for Nigerian listed industrial goods companies. The research aims to provide empirical evidence to guide corporate tax strategies and inform policymakers on designing tax regimes that support industrial growth and shareholder value. The study seeks to find out if the effective and marginal tax rates significantly influence the earnings per share of Nigerian listed industrial goods companies?

The study's findings are expected to provide valuable insights for corporate managers in optimizing tax strategies and for regulators in developing tax policies that balance revenue generation with corporate profitability. Regulatory bodies,

such as the Federal Inland Revenue Service (FIRS) and the Securities and Exchange Commission (SEC), can utilize these insights to improve tax administration and promote industrial sector growth.

2. Literature Review

2.1 Conceptual definitions

2.1.1 Concept of Taxation

Taxation is a critical component of modern governance and fiscal policy. It involves the imposition of financial charges by a government on individuals, corporations, or transactions to fund its operations and provide public goods and services (Soyode & Oyedokun, 2019). Taxes enable governments to uphold laws, ensure security, and promote economic stability. In Nigeria, taxes represent a significant source of government revenue, alongside income from natural resources like crude oil (Chude & Chude, 2015). Tax revenues are essential for fulfilling governmental responsibilities such as welfare provision, infrastructure development, and national defense.

Kabajulizi (2019) identifies multiple objectives of taxation, including funding government expenditures, redistributing wealth, and fostering macroeconomic stability. Taxes can be classified into direct and indirect forms. Direct taxes, such as personal income tax and corporate income tax, are levied directly on individuals or entities. In contrast, indirect taxes, such as value-added tax (VAT) and customs duties, are embedded in the prices of goods and services, shifting the tax burden to consumers (Oladele & Agbaje, 2017). The effectiveness of a tax system depends on its ability to balance equity, efficiency, and simplicity.

The concept of the effective tax rate (ETR) has been widely discussed. ETR represents the proportion of a corporation's earnings allocated to taxes during a specific period. Oladele and Agbaje (2017) emphasize that ETR provides a realistic measure of the tax burden, reflecting tax incentives and deductions. Abiahu and Amahalu (2017) highlight its importance in assessing corporate profitability and compliance.

Principles of a Good Tax System

Adam Smith's classical principles of taxation remain relevant in designing effective tax systems (Ikeda, 2012): **Equity**: Taxes should be proportionate to an individual's ability to pay, ensuring fairness. **Certainty**: The amount, timing, and

mode of payment should be clear to taxpayers to prevent arbitrariness. **Convenience**: Taxes should be collected at a time and in a manner that minimizes hardship for taxpayers. **Economy**: The costs of tax collection should not exceed the revenue generated.

Nigeria's tax system strives to align with these principles through periodic reforms to adapt to socio-economic changes (Azubike, 2009). However, significant challenges persist, such as evasion, inefficiencies in administration, and a narrow tax base.

The Tax System in Nigeria

Nigeria's tax system is governed by several legislations, including the Companies Income Tax Act (CITA) and the Federal Inland Revenue Service Establishment Act (FIRSEA). Over the years, reforms have been implemented to address inefficiencies and align the system with global standards. The Finance Acts of 2019 and 2021 introduced significant changes, including the modernization of tax administration and the introduction of digital economy taxation (Aboyomi, 2020).

Despite these reforms, Nigeria's tax-to-GDP ratio remains one of the lowest globally, at 6% as of 2018 (National Bureau of Statistics, 2019). This underscores the need for further measures to expand the tax base and enhance compliance. Initiatives like tax amnesty programs have yielded modest results but require more robust enforcement mechanisms.

2.1.2. Concept of Earnings Per Share (EPS)

Earnings per share (EPS) is a critical financial metric that indicates the profitability of a company from the perspective of shareholders. It represents the net income attributable to each outstanding share of common stock. The International Accounting Standards Board (IASB) introduced International Accounting Standard (IAS) 33 to standardize the calculation and disclosure of EPS, ensuring consistency and comparability across financial statements (Handayani & Zulyanti, 2018).

Utami and Darmawan (2021) define EPS as the portion of a company's profit allocated to each share of common stock, calculated as net profit divided by the weighted average number of outstanding shares. EPS serves as a key indicator for investors in evaluating the financial health and performance of companies. Higher

EPS values typically signify better profitability and greater shareholder returns (Kasmir, 2021).

2.2 Interaction between Taxation and EPS

Corporate taxation significantly impacts EPS by influencing net income, which forms the numerator in the EPS calculation. High tax rates reduce net income, thereby lowering EPS, while tax incentives and deductions can enhance profitability and EPS. According to Sunaryo (2020), corporate taxes determine the residual income available for dividend distribution, making them a critical consideration for income-oriented investors.

The effective tax rate provides a more nuanced understanding of the tax burden compared to statutory rates. Delgado, Rodriguez, and Martinez-Arias (2018) argue that ETR captures the real tax impact on corporate earnings by accounting for tax deductions and credits. This metric is particularly useful for cross-national comparisons and assessing the competitiveness of tax regimes.

2.3. The Impact of Nigeria's Finance Acts on Taxation and EPS

The Finance Act 2019 introduced reforms aimed at enhancing tax revenue and modernizing Nigeria's tax system. Key measures included taxing digital services provided by non-resident companies and simplifying the calculation of minimum tax rates, which aimed to address long-standing issues of low revenue mobilization and broaden the tax base (Aboyomi, 2020; Azubike, 2009). The inclusion of digital taxation aligns with global trends as recommended by the Organisation for Economic Co-operation and Development (OECD), which highlighted the need for fiscal modernization in developing economies (Delgado, Rodriguez, & Martinez-Arias, 2018).

Similarly, the Finance Act 2021 introduced changes such as increased education tax rates, excise duties on non-alcoholic beverages, and contributions to the science and engineering fund (Federal Inland Revenue Service, 2022). These reforms reflect efforts to diversify Nigeria's revenue sources and address structural imbalances in fiscal policy (Nicodeme, 2001; Gravelle, 2014). While these measures have potential to boost revenue, their impact on EPS varies across industries. For instance, higher education taxes may reduce net profits for educational institutions, adversely affecting their EPS, as net income plays a pivotal role in EPS calculation (Handayani & Zulyanti, 2018).

2.4 Conceptual Structure

The ability-to-pay theory underpins this investigation, providing a framework to analyze the relationship between a corporation's tax obligations and its financial capacity. The theory argues that businesses' tax contributions should align with their financial performance and profitability, ensuring equity and fairness in taxation. This perspective is particularly pertinent to the study's focus, as it examines how financial performance metrics, such as earnings per share (EPS), influence tax liabilities. Businesses with higher profitability are posited to bear a greater tax burden, while less profitable entities contribute less, consistent with the equity principle of taxation.

However, the exclusive reliance on the ability-to-pay theory presents certain limitations. For instance, the theory overlooks other critical dimensions of corporate behavior and decision-making. The signaling theory, for example, provides insights into how companies convey financial information to stakeholders, which may influence perceptions of tax aggressiveness or compliance. Similarly, agency theory highlights the dynamics between principals and agents within organizations, offering a lens to examine how management decisions on tax planning align with shareholders' interests. Furthermore, stakeholder theory emphasizes the importance of considering the diverse interests of various organizational stakeholders in decision-making processes. While these theories may not directly address tax legislation or the computation of tax liabilities, they provide valuable perspectives on the broader implications of corporate tax practices.

To strengthen the conceptual framework, integrating complementary theories could enhance the study's analytical depth. For example, employing signaling theory might elucidate the interplay between corporate tax strategies and market perceptions. Likewise, incorporating agency theory could reveal potential conflicts of interest in tax planning decisions, while stakeholder theory could address the ethical considerations of tax compliance and its impact on diverse stakeholder groups. This multifaceted approach would provide a more comprehensive understanding of the factors influencing corporate taxation and financial performance.

2.5 Evaluation of Empirical Research

Williams et al. (2023) investigated the impact of corporate tax on the financial performance of consumer goods companies listed in Nigeria from 2011 to 2021.

Using generalized least squares regression on secondary data from the annual reports of 16 companies, the study found that value-added taxes significantly hindered financial performance, while education taxes had a positive impact. The study recommended that consumer goods companies retain sufficient net income and suggested the introduction of additional tax exemptions to alleviate corporate income tax burdens. While the findings are insightful, the study could have explored sectoral variations in tax impacts and extended its analysis to include other taxation forms, such as excise duties and withholding taxes.

Adefunke and Usiomon (2022) assessed the effect of corporate income tax on the profitability of 12 Nigerian companies over a 10-year period (2011–2020). Using regression analysis, the study revealed that corporate income tax positively impacts post-tax earnings and return on equity but noted a negative relationship between changes in shareholders' funds and returns on equity. The study proposed that fiscal policies should consider the unique operational contexts of local enterprises and include tax incentives to foster economic growth. However, the study's narrow focus on corporate income tax neglects other significant taxes that may influence profitability, such as capital gains tax and petroleum profit tax. Expanding the tax scope could provide a more holistic view of taxation's impact on corporate performance.

Abdelmegeid, Abd-Elmageed, and Elsayed (2021) examined the relationship between dividend policy, earnings per share, stock market price, and tax aggressiveness in Egypt's non-financial companies from 2012 to 2019. Using ordinary least squares regression, the study found that earnings per share positively influenced tax aggressiveness, while stock market price and return on equity exhibited a negative relationship. The study also highlighted the positive correlation between tax aggressiveness and return on assets. Although the findings offer valuable insights, the study's applicability to Nigeria is limited due to differing economic and regulatory environments. Future research should address these contextual disparities to enhance relevance to Nigeria's tax landscape.

Sakthivel and Somasundaram (2019) analyzed the impact of corporate tax on profitability in India's industrial and service sectors from 2002 to 2017. The study revealed that effective tax rates positively influence asset returns, while statutory tax rates have a negligible negative impact. However, the study's focus on foreign sectors limits its applicability to Nigeria. Additionally, the analysis could be

improved by considering sector-specific characteristics and including more recent data to capture evolving tax dynamics. Adapting the methodology to Nigeria's context would provide a more accurate assessment of corporate tax implications on profitability.

Obayagbona and Darlington (2018) explored the relationship between corporate taxes, agency costs, and dividend policy among Nigerian non-financial firms from 2008 to 2015. The study found no significant impact of corporate tax liabilities on dividend payouts but noted a positive correlation between dividend payouts and firm market value. While the research provides valuable insights, it could be expanded by investigating the long-term effects of corporate taxes on dividend policies and exploring the role of external factors, such as macroeconomic stability and regulatory changes, in shaping corporate tax strategies. Including these aspects would provide a more nuanced understanding of corporate behavior in response to taxation.

3. Methodology

3.1 Research Design

This study employs a correlational research design to investigate the statistical relationships between key variables, specifically earnings per share, effective tax rate, and marginal tax rate. A correlational design is appropriate for this study as it aims to explore existing relationships rather than establish causation. However, acknowledging the limitations of this design, such as its inability to control for confounding variables or infer causality, the study incorporates measures to improve the robustness of its findings.

The study's population comprises thirteen (13) industrial goods businesses listed on the Nigerian Exchange Limited as at December 31, 2022. These companies are listed in Table 1. To ensure the integrity and consistency of the dataset, firms must meet the inclusion criterion of continuous availability of relevant data throughout the study period. This criterion ensures data reliability but introduces a potential selection bias, which is considered during the interpretation of results.

The census sampling method is employed, covering all companies in the population to achieve comprehensive insights. The listed companies produce or trade in diverse products, including cement, chemicals, protective equipment, paints, industrial decorative coatings, and architectural paints. Data collection

relies entirely on secondary sources, including official company websites and published annual reports. While this approach ensures cost-efficiency and accessibility, potential discrepancies in reporting standards among firms are addressed through data normalization techniques and cross-verification where possible.

Table 1: Nigerian Exchange Limited's List of Industrial Companies

S/NO	Name	Year of Listing
1	Bua Cement Plc	1962
2	Lafarge Africa Plc	1962
3	Cutix Plc	1968
4	Greif Nigeria Plc	1969
5	Berger Paints Plc	1974
6	Beta Glass Company	1974
7	DN Meyer Plc	1979
8	Tripple G Plc	1982
9	Austin Laz & Company Plc	1982
10	Cap Plc	1986
11	Dangote Cement Plc	1992
12	Premier Paints Plc	1995
13	Notore Plc	1996

Source: Nigerian Exchange Limited, 2023

3.2 Measurement of Variables

This study examines two sets of variables: the dependent variable (earnings per share) and independent variables (effective tax rate and marginal tax rate). The variables and their respective measurements are presented in Table 2.

Table 2: Variable Measurements

S/NO	Proxy	Type	Measurement	Source
i	Earnings per share	Dependent	Net income after interest and taxes divided by the number of outstanding common shares	Suyanto and Ekonomi, 2021
ii	Effective tax rate	Independent	Ratio of tax expense to profit before interest and taxes	Kurawa and Sa'idu, 2018
iii	Marginal tax rate	Independent	Change in tax divided by change in income	Nnubia and Okolo, 2020

Source: Compiled by the Authors, 2023

To ensure the reliability and validity of these measurements, the definitions align with established literature. However, recognizing the complexity of tax and earnings metrics, the study also considers potential nuances, such as deferred taxes and tax incentives, during analysis.

3.3 Statistical Analysis

Given the longitudinal and cross-sectional nature of the dataset, the study employs panel data regression analysis. This technique accounts for both time-series and cross-sectional variations, making it suitable for analyzing relationships across firms and time periods. The analysis is conducted using STATA statistical software version 17, ensuring access to updated functionalities and tools for robust modeling.

The regression model is specified as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} \ldots \beta_n Xn_{it} + \epsilon_{it}$$

$$EPS_{it} = \beta_0 + \beta_1 ETR_{it} + \beta_2 MTR_{it} + \epsilon_{it}$$

Dependent Variable (Y):

$$EPS = \beta + \beta ETR + \beta TR + \epsilon it$$

Where:

Y = Earnings per share for firm *i* at time *t*

X = Effective tax rate for firm *i* at time *t*

X= Marginal tax rate for firm *i* at time *t*

The study also tests for potential econometric issues, such as heteroskedasticity, multicollinearity, and autocorrelation. Diagnostic tests, including the Hausman test, are conducted to determine the suitability of fixed or random effects models. This ensures that the chosen regression framework adequately captures the underlying relationships.

4. Results and Discussions

This section presents and analyzes the results of the study, including descriptive statistics, regression analysis outcomes, diagnostic tests, hypothesis testing, and a discussion of the findings. The analysis aims to provide clarity on the relationships among the variables under investigation.

4.1 Descriptive Statistics

Table 3 summarizes the descriptive statistics for earnings per share (EPS), the effective tax rate (ETR), and the marginal tax rate (MTR), including their means, standard deviations, minimums, and maximums.

Table 3: Descriptive Statistics of the Variables

Variable	Mean	Standard Deviation	Minimum	Maximum	Observations
EPS	1.1486	1.7252	0.0440	10.3380	65
ETR	0.4727	2.9665	-1.5814	23.8324	65
MTR	0.7435	5.5059	-8.9287	32.6373	65
Source: 2024 STATA Output.					

The results indicate that the average earnings per share (EPS) for the sampled firms is 1.1486, with a standard deviation of 1.7252, reflecting moderate variability across firms. The minimum EPS of 0.0440 suggests that some firms had very low returns per share, while the maximum of 10.3380 highlights instances of significant profitability.

The effective tax rate (ETR) has a mean of 0.4727 and a high standard deviation of 2.9665, suggesting considerable dispersion. The minimum value of -1.5814 may indicate instances of tax benefits or negative tax liabilities, while the maximum value of 23.8324 shows extreme cases of high tax burdens.

The marginal tax rate (MTR) exhibits the highest variability among the variables, with a mean of 0.7435 and a standard deviation of 5.5059, surpassing the mean. The range of values, from -8.9287 to 32.6373, reflects significant differences in how marginal tax rates are applied or calculated across firms. This wide dispersion warrants further investigation into the factors driving such variability.

To better understand the implications of these descriptive statistics, future studies could compare these findings with industry benchmarks or prior research on tax impacts within similar sectors.

4.2 Regression Results

The regression analysis investigates the relationships between earnings per share (EPS) and the independent variables: effective tax rate (ETR) and marginal tax rate (MTR). Diagnostic tests were conducted to ensure the validity and reliability of the regression model, including checks for multicollinearity, heteroskedasticity, and autocorrelation. The results of these diagnostic tests confirmed the appropriateness of the model.

Table 4: Regression Results

Independent Variable	Coefficient	Z-Statistic	P-Value
ETR	-0.2156	-2.12	0.034
MTR	0.1182	2.22	0.027
R-Squared: 0.5074	Wald Chi2: 15.56	Prob: 0.0037	
Source: STATA Output, 2024			

The results indicate that the model fits the data well, as evidenced by a significant Wald Chi-squared statistic of 15.56 ($p = 0.0037$). The R-squared value of 0.5074 suggests that the independent variables explain 50.74% of the variance in EPS, leaving the remaining 49.26% attributable to other factors not included in the model.

The effective tax rate (ETR) has a negative and statistically significant relationship with EPS (β = -0.2156, p = 0.034). This suggests that an increase in the effective tax rate is associated with a decrease in earnings per share.

The marginal tax rate (MTR) shows a positive and statistically significant relationship with EPS (β = 0.1182, p = 0.027). This finding indicates that higher marginal tax rates may correspond to increased earnings per share, possibly reflecting firms' strategic responses to tax structures.

4.3 Hypothesis Testing

Hypothesis One (H_{01}): There is no evident relationship between the earnings per share of Nigerian listed industrial products companies and their effective tax rate.

- **Dependent Variable:** EPS
- **Results:** The regression coefficient for ETR is -0.2156 (p = 0.034). This negative and statistically significant relationship indicates that higher effective tax rates are associated with lower earnings per share.
- **Conclusion:** The null hypothesis is rejected. The study concludes that there is a significant inverse relationship between the effective tax rate and earnings per share for Nigerian listed industrial product companies.

Hypothesis Two (H_{02}): There is no significant correlation between the earnings per share of Nigerian listed industrial products companies and their marginal tax rate.

- **Dependent Variable:** EPS
- **Results:** The regression coefficient for MTR is 0.1182 (p = 0.027). This positive and statistically significant relationship suggests that variations in the marginal tax rate impact earnings per share.
- **Conclusion:** The null hypothesis is rejected. The study concludes that there is a significant positive relationship between the marginal tax rate and earnings per share for Nigerian listed industrial product companies.

4.4 Discussion of Findings

The findings of this study provide critical insights into the relationship between tax variables and corporate performance, measured by earnings per share (EPS), for Nigerian listed industrial product companies.

1. **Impact of Effective Tax Rate:**
   - The significant negative relationship between the effective tax rate and EPS aligns with prior studies, such as Kurawa and Sa'idu (2018). This suggests that higher tax burdens directly reduce profitability. Policymakers should consider revising tax policies to minimize their adverse effects on corporate earnings while maintaining fiscal revenue.
2. **Impact of Marginal Tax Rate:**
   - The positive relationship between the marginal tax rate and EPS is an unexpected finding. It may reflect firms' ability to leverage tax planning strategies or operational efficiencies that mitigate the negative effects of higher marginal taxes. This warrants further investigation into the mechanisms driving this relationship.
3. **Implications for Tax Policy and Corporate Strategy:**
   - The results underscore the need for firms to adopt effective tax planning strategies to enhance profitability. Policymakers should also consider how tax policies influence corporate behavior and ensure that tax structures support sustainable economic growth.
4. **Limitations and Future Research Directions:**
   - While the model explains 50.74% of the variance in EPS, additional variables—such as firm size, market conditions, and industry-specific factors—should be included in future research to improve explanatory power.
   - The high variability in MTR highlights the need for further studies to explore the underlying causes and implications of this dispersion across firms.

Therefore, this study provides empirical evidence on the significant effects of tax variables on the financial performance of Nigerian listed industrial product companies. These findings have implications for both corporate managers and policymakers in fostering a balanced approach to taxation and profitability. Future research should expand the scope of this analysis to include broader datasets and additional explanatory variables to provide a more comprehensive understanding of these relationships.

5. Conclusion and Recommendations

In alignment with the study's objectives, the findings reveal that effective tax rate management significantly influences the earnings per share (EPS) of listed industrial products businesses in Nigeria. Specifically, the study concludes that a

reduction in the effective tax rate can enhance EPS by lowering tax burdens, thus improving corporate profitability. Conversely, while the findings suggested a potential positive relationship between marginal tax rate adjustments and EPS, this outcome warrants careful interpretation and further scrutiny, as it diverges from conventional expectations.

This study also underscores the importance of strategic tax planning and operational efficiency in optimizing financial performance, emphasizing the role of effective management in leveraging tax-related opportunities to boost EPS.

Based on the findings, the following actionable recommendations are proposed:

1. **Policy Reforms by Tax Authorities**
   Tax authorities should consider revising corporate tax laws to provide a more enabling environment for industrial goods businesses. Specific reforms could include:
   - Introducing or expanding tax credits for research and development (R&D) and capital investment.
   - Implementing reduced tax rates for companies meeting specific economic contribution criteria, such as job creation or local sourcing of inputs.
2. **Adopting Robust Tax Planning Strategies**
   Management of listed industrial goods businesses should adopt comprehensive tax planning measures, including:
   - Utilizing available tax incentives and credits effectively.
   - Structuring transactions to minimize tax liabilities in compliance with regulations.
   - Investing in technology and expertise to better manage tax risks and improve compliance efficiency.
3. **Operational and Financial Optimization**
   Beyond tax strategies, companies should also focus on complementary measures that can significantly affect EPS, such as:
   - Capital structure optimization to reduce the cost of capital.
   - Implementing cost-reduction initiatives to enhance operational efficiency.
   - Driving revenue growth through innovation, market expansion, and diversification of product offerings.
4. **Clarification of Marginal Tax Rate Policies**
   Policymakers and companies must further evaluate the implications of marginal tax rate adjustments. While the study suggests a positive relationship, this finding should be validated through more robust analysis.

Policymakers should consider incremental tax adjustments with thresholds designed to avoid undue financial strain on businesses.

5.4 Suggestions for Further Research

While this study focused on the relationship between effective tax rates, marginal tax rates, and EPS within Nigeria's industrial goods sector, additional research is necessary to expand understanding:

1. **Sector-Specific Studies**
   Future studies should investigate similar relationships in other economic sectors, such as deposit money institutions, oil and gas enterprises, and food and beverage industries, to determine whether findings are sector-specific or generalizable.

2. **Exploration of Broader Financial Metrics**
   Beyond EPS, future research should explore other financial performance indicators, such as return on equity (ROE), return on assets (ROA), or earnings quality, to provide a more holistic view of tax policy impacts.

3. **Impact of Tax Policies on Long-Term Performance**
   Investigating the long-term effects of tax policies on corporate sustainability, investment behavior, and economic growth can offer deeper insights into the strategic implications of taxation.

4. **Comparative Analysis Across Regions**
   Comparative studies involving industrial goods companies in other emerging and developed economies could provide valuable benchmarks and reveal best practices for optimizing tax management and financial performance.

By addressing these areas, future research can build on the current study to offer more comprehensive insights into the dynamics between taxation and corporate performance.

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