Volume 2, Nomor 1, 2026, pp 1-11. Copyright © 2026 JAMES, Program Studi Sarjana Akuntansi, Fakultas Hukum dan Bisnis Digital, Universitas Kristen Maranatha. ISSN 3163-5598 | https://journal.maranatha.edu/index.php/james

Debts And Tax Payable: Sacrosanct Evidence From Manufacturing Companies

Tajudeen Adejare Adegbite[1]*
Department of Accounting, Al-Hikmah University Ilorin, Kwara State, Nigeria
Adekunle Lukmon Lawal[2]
Department of Accounting, Al-Hikmah University Ilorin, Kwara State, Nigeria
Saliu Omotayo Ayinla[3]
Department of Accounting, Al-Hikmah University Ilorin, Kwara State, Nigeria
Alabi Williams Omodara[4]
Department of Entrepreneural Studies, Bamidele Olumilua University of Education, Science and Technology, Ikere-Ekiti, Ekiti State, Nigeria
Azeez Kayode Abdulrasaq[5]
Department of Accounting, Al-Hikmah University Ilorin, Kwara State, Nigeria
Wahab Ismail Ayinde[6]
Department of Business Administration, LAUTECH, Ogbomoso, Oyo State, Nigeria
*Correspondences: adetajud@yahoo.com

Abstract

Debts are the financial instrument employed by the manufacturing companies to upsurge their financial potency for day to days running of the business which invariably has consequence on taxable income and interest expenditure. Therefore, this study examines the effect of debts on tax payable in manufacturing companies in Nigeria from 2011 to 2023. Data collected through the financial statement of selected manufacturing companies were analyzed with Panel data analysis such as Random effect model, Fixed effect and Hausman test. It was discovered that creditor has negative effect on tax payable in Nigeria manufacturing companies. Also, debenture possessed negative effect on tax payable. Bank loan, bonds and short-term loan negatively and significantly affected tax payable in Nigeria manufacturing company. Conclusively, debts have negative effect on tax payable in Nigeria Manufacturing companies. It is recommended that government should set aside monitoring device to monitor the debts accessibility of manufacturing companies in order to checkmate the excessiveness in their debt collection, so as to enhance tax payable by the manufacturing companies.

Keywords: Bank loan; Bonds; Creditors; Debenture; Short term Liabilities; Tax Payable

INTRODUCTION

The manufacturing companies is an economy component which serves as formidable channel for the government to garner tax income through the gain from the efforts of manufacturing companies for enhancing productivity by changing raw materials into export expansion, import replacement and finished goods. Manufacturing firms thus, through their strategies and attributes such as research and development, thin capitalization, size, age and capital intensity leverage all ways to downplay, avoid or postpone tax payments legally or illegally. By reducing tax legally is tantamount to tax avoidance while reducing illegally is tax evasion. Tax evasion consequence makes it an unpleasant decision for firms (Akabom & Ejabu, 2018). The downplay of tax payment legally by the organizations invariably improve their profit and performance. Subsequently, taxes payment reduction enhances earnings declared in annual financial statements, and with the motive of enhancing shareholders wealth.

© 2026 Journal of Accounting Maranatha Emerging Scholars. This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License.

Moreover, Taxation is enforced levies by agent who proxied government on the income, consumption or profits made by the individual citizens, and organization. It is likewise regarded as a obligatory and compulsory contribution forcefully donated by organization and individuals to government for defraying the expenditure of government (Oyedele et al, 2018; Aronmwan & Okaiwele, 2020). Furthermore, Olaoye and Ayeni (2018) in their opinion advocated government charge levied on the wealth or income of a corporate organization and person for providing essential facilities to common people refers as taxation. Similarly, Uchime and Anichebe (2019) opined that real economic resources' transfer from private sector (surplus units) to public sector (government) to offset public sector activities also refers as taxation. Taxation, therefore, is the financial resources transfer from private economic agents such as corporate bodies, and households to the government (public sector) to financing country's developmental projects. Taxes Multiplicity, High tax rates, hostile tax policies, ineffective and inefficient tax administration system, tax credits non-refund and non-issuance are threatening the manufacturing firm's profitability coupled with ultimately tax planning strategics and other operational costs.

According to Adegbite and inyada (2024), increased debts indirectly enhance tax shields, leading to lower taxable income and, consequently reduced taxation payable. A higher debts ratio led to increased scrutiny and increase interest expense deduction which ultimately affect tax payable. It was stated further that financial distress scenarios led to complex tax consequences, including potential taxation on debt restructuring which can affect taxation payable. To legally avoid tax liabilities, investment decisions and capital structure choices influenced by the debt ratio are considered appropriate by the manufacturing companies (Ishola et al, 2020). These decisions do not only affect taxation payable but also determine taxable income where interest expenses are deducted, tax regulations and investment decisions are made. With this, the interplay between debts, profitability, and tax liabilities holds substantial importance for both firms and policymakers. However, the precise nature and extent of this relationship remain inadequately understood. The fluctuation of debts in manufacturing companies has great consequence on taxable income and tax payable. It is at the junction that the extent of debts on tax payable is examined. Therefore, this study designed to assess the effect of debts on tax payable in Nigeria manufacturing companies. The findings of this study add to the existing body of knowledge on the effect of debts on tax payable in manufacturing companies in Nigeria. It helps manufacturing companies to ultimately chose the appropriate and acceptable debts to legally plan for tax liabilities with the aim of optimizing profits.

LITERATURE REVIEW AND HYPOTHESIS

Tax payable and Manufacturing companies

Taxation which as being defined by many scholars as enforced levy by government on the inflow of oreganisation and individuals to generate income for day to days running government activities for the provision of relatively safety and security of environment for the citizens, and stimulation of economic growth (Adegbite, 2025; Uzoka & Christian, 2018; Adegbite and Inyada 2024). However, government has been employing the revenue realized from taxation to provide safety and security for the populace. Tax payable is the enforceable contribution from the income of manufucting companies to the government as enacted pursuant to legislative authority towards alleviation and social welfare (Oyedokun, 2020).

Manufacturing company involves raw materials conversion into intermediate or finished or goods. Manufacturing companies (MANFC) have been seen as the vital economic progressive indicator which motivates raw materials conversion into usable or consumer goods. According Adegbite and Bojuwon (2021), MANFC is formidable avenue for the government to enhance productivity in relations with imports and export enlargement, foreign exchange advantages, employment creation and per capital income improvement. The significance of the

manufacturing companies cannot be overemphasized because processes raw materials from the primary sector to higher value-added finished products remained sacrosanct (Aronmwan & Okaiwele, 2020)

Debenture

Debenture is a form of debts' instrument used by establishments to increase capital. It is essentially loans made by investors to the company, with a promise to pay both the principal and interest within specified periods. According to Adegbite (2025), debentures is an attractive investment option for those seeking regular income and relatively lower risk which divulges the companies' financial position. It provides intuitions into the fraction of the companies' debts in relation to assets. Therefore, debts have been supporting the organization by making funds available for the production of valuable goods and services. Adegbite and Bojuwon (2021) opined that most of the companies employed debts to generate income by ways of procuring raw materials and human materials for the goods and services production. The companies' financial health is evaluated with debts ratio which are derived from financial structure of the effective and efficient companies. Effective and favourable debt ratio is tantamount to company's favourable financial health, and risk tolerance which invariably increase profitability. Otherwise, it is an omen of liquidation and insolvency. Hence, debenture supports company's capability to fulfill financial obligations, uphold sustainable growth and financial stability.

H_1: Debenture has significant effect on tax payable in Nigeria Manufacturing Companies

Creditors

The concept of creditors refers to individuals, institutions, or entities that lend money, provide goods, or extend credit to a business with the expectation of receiving repayment in the future. Creditors are external entities that lend funds or extend credit to a company with the expectations of enhancing company's financial strategy. It plays a crucial role in the financial operations of a company by providing capital or credit, which the company uses for various purposes, such as expansion, daily operations, or purchase of assets. In manufacturing companies, creditors play a significant role in shaping the company's tax obligations through their influence on debt levels and financing structures. By providing access to debt, creditors accumulate interest which ultimately downplays taxable income and company's tax payable. Excessive creditors strain financial stability and potentially lead to negative tax consequences in the future. That is, excessive reliance on debt introduces risks particularly if the company faces difficulties in meeting its obligations. It has been discovered by Adegbite (2025) that creditors offer companies with significant tax shields. Also, it has been viewed that trade creditor as a supplier paves ways for financial potency for the company for effective, efficient and productive performance. This type of debt helps to maintain cash flow by delaying payment for materials or other business expenses. Hence, it is postulated that:

H_2: Creditors have significant influence on tax payable in Nigeria Manufacturing Companies

Bank Loan

Bank loans are a common form of debt financing for manufacturing company. These loans provide businesses with immediate capital to finance operations, business expansion, or capital assets procurement such as plants and machinery or facilities' upgrading. A bank loan is a financial arrangement where a lending institution provides a sum of money to a company with the agreement to repay the amount plus interest over specified periods (Olatunji & Adegbite, 2014; Adegbite, & Azeez, 2016; Onyeka-Iheme and Chimeruo (2021). According to Smith and Wesson (2021), bank loans are the credit extended by a commercial bank to individuals or businesses for the enhancement of the business which require the repayment that

embedded with interest within a defined time frame. Bank loans are commonly used by businesses to finance operations, expansion, or capital expenditures. Unlike equity financing, bank loans involve borrowing funds that need to be repaid with interest either within short term or long term. Manufacturing companies often rely on bank loans due to the capital-intensive nature of the industry which necessitates large upfront investments. For businesses, it is a vital source of funding for activities such as working capital, asset purchases, or long-term projects, with repayment terms usually varying based on the loan type and company (borrower) profile. Adegbite and Araoye (2018) affirmed that bank loan positively assisted companies but reduced the volume of tax payable to the government. Therefore, it is hypothesized that:
H_3: Bank loan has significant influence on tax payable in Nigeria Manufacturing Companies

Bonds

Bonds are a form of debt instrument used by organization to increase capital. MANFC issues bonds to gather funds from investors through borrowing which must both the principal and interest must be paid back within specified period. Bonds are considered a key source of debt financing but has significant implications for a company's tax obligations. According to Onyeka-Iheme and Chimeruo (2021)**,** a bond is a debt security gathered from the investors (corporation or government entity) to argument organization's financial potency for effective and efficient production. Bonds are also very pertinent to the financial potency of the organization which invariable diffuses financial instability and insolvency of the organization with minimal periodic interest and principal repayment. Adegbite & Araoye (2018) advocated that bonds are formidable debts tool for enhancing organization capital level with avoidable interest which dwindles tax liability and taxable income of manufacturing company.
H_4: Bond has significant effect on tax payable in Nigeria Manufacturing Companies

Short-Term Debt

Short-term debt refers to financial obligations that a company must repay within a year. It is typically used for managing day-to-day operational needs such as inventory purchases, paying suppliers, and fulfillment of other short-term expenses. In manufacturing companies, where the cash flow cycle is often complex due to inventory and production needs, short-term debt is a critical tool for maintaining liquidity and ensuring smooth operations. Onyeka-Iheme and Chimeruo (2021) described **s**hort-term debt as borrowings that due for repayment within a year. It is commonly used by companies to meet immediate operational needs, such as attainment of working capital requirements. The interest expense associated with short-term debt is tax-deductible, providing an effective means of reducing the company's taxable income and tax payable.
H_5: Short-term debt has significant influence on tax payable in Nigeria Manufacturing Companies

Total liabilities

Total liabilities represent the sum of all financial obligations owned by a company to external parties. These obligations arise from various transactions, including loans, accounts payable, and accrued expenses. Total liabilities is crucial for evaluating a company's financial health and its ability to meet its long-term obligations. It is classified into two current Liabilities and non-current liabilities. Obligations due within one year, such as accounts payable, short-term loans, and accrued expenses refers to current Liabilities while obligations due beyond one year, including long-term loans, bonds payable, and deferred tax liabilities is non-current Liabilities. Total liabilities provide insight into a company's leverage and financial structure. A high level of liabilities relative to assets may indicate potential solvency issues. Similarly, liabilities help assessing cash flow needs for servicing debt and other obligations. Furthermore,

lenders and investors analyze total liabilities to gauge a company's risk profile and determine creditworthiness (Odusanya et al., 2018). A company's total liabilities are financed through either debt (liabilities) or shareholders' equity. The implications of total liabilities for manufacturing companies include leverage ratios which often used to assess a company's financial leverage and risk. Also, investors consider total liabilities when making decisions, as higher liabilities imply higher risk. Total liabilities are a fundamental component of a company's financial profile which provide critical insights into financial stability, risk, and operational efficiency (Umer, & Muhammad 2018). According to Adegbite and Olatunji (2014), liabilities is a determinant of formidable decisions regarding investment and tax payable strategies.

H_6: Total liabilities have significant effect on tax payable in Nigeria Manufacturing Companies

Theoretical Review

Agency Theory (AGTH)

AGTH was ignited by Jensen and Meckling in 1976 which was recently cited by Ogbeide and Iyafekhe (2018). AGTH opined that the growth, separation amidst managers and business owners in any organization become beneficial wherever managers are absolutely granted organization potency to saddle the organization affairs progressively and profitably which manager ultimately reports to the business owners. The theory speculated that manager when endowed with managerial potency, decide on the financial structure of the organization in terms of the combination of equity and debts. But the conflict escalates when the agent and shareholders' interests are not unanimous. Manager employs financial structure to downplay the taxable income and tax payable for the benefit of the organization when permitted by the business owner. According to the theory, managers conceal interest abstractions through financial structure which invariably birth tax aggressiveness. Tax aggressions is the reduction in tax payable with legal means in terms of debts engagement in organization. AGTH emphasized that the potency of tax saving by organization through tax planning strategies (financial structure) are engaged to reduce tax liability, transform organization progressively, efficiently and effectively as well as organization enhancement after tax return because of managerial opportunism, potential or resource diversion which are realized from formidable financial structure. This theory is relevant to the study because of the involvement of debts which is one of the financial determinants of the organization and ingredient to tax payable.

Empirical Review

Obelogu and Olatunde (2022) investigated firm characteristics effect on Nigeria non-financial firms' tax aggressiveness. Findings from data extraction through thirty annual reports of Nigeria listed non-financial firms which were analysed with multiple regression. revealed that operating cash flow ratio impacted cash effective tax rate positively while capital intensity and debts ratio impacted tax aggressiveness negatively and insignificantly. Firm size positively and insignificantly influenced tax aggressiveness. However, the study was confined to firm characteristics effect on Nigeria non-financial firms' tax aggressiveness which is absolutely distant to current study on debts effect on tax payable.

Osho et al, (2018) empirically examined company income tax (CIT) impact on Nigeria economic growth. Regression analysis was employed to analyze data gathered from CBN bulletin. Findings exposed that CIT impacted Nigeria economic growth positively and significantly. The study finally concluded that CIT revenue dispensed a pertinent role in Nigeria economic activity which makes the funds available for the Nigeria government to fulfill and execute colossal projects for the citizen. In another study, Anisa and Wiwik (2021) analyzed determinant factors that trigger tax aggressiveness in Indonesia real estate and property companies from 2017 to 2019. Data collected from 62 companies were analysed with

ANOVA. The ANOVA results displayed that Leverage impacted tax aggressiveness negatively and insignificantly in Indonesia real estate and property companies.

Onwuzurike and Ugwu (2020) assessed tax effect on profitability in Nigeria beverage and food firms. Data expunged from annual reports of the selected companies between 2008 and2019 were analysed with panel data analysis. It was revealed that CIT impacted asset turnover positively and significantly but education tax impacted asset turnover negatively and insignificantly. The study finally concluded that tax negatively and insignificantly impacted profitability in Nigeria beverage and food firms. Ishola et al (2020) studied on the capital structure and its effects on taxable income, the data sourced through administered questionnaire of 86 employees while fixed effect model were used to analyze the data. The study concluded that capital structure has significant effect on tax income.

Having reviewed studies on debit ratio and tax payable in developed and developing countries, there is limited research on debit ratio and tax payable in Africa particularly in Nigeria. To the best of researcher knowledge, majority of the studies explore the impact of capital structure and taxable income, but there is a limited focus specifically on Nigeria manufacturing companies. The current research on manufacturing companies provides pertinent insights to manufacturing's unique characteristics especially as regards to tax payable and debt.

METHODOLOGY

This study employed the ex-post facto research design. The population of the study comprises of all the manufacturing companies listed on Nigeria Exchange Group (NXG) while twenty (20) manufacturing companies that have data needed for the study were selected for the study. The study period was 2011 to 2023 which is thirteen (13) years. Secondary data were generated from the audited annual reports of the sampled companies for study period. Data obtained were analyzed using panel data analysis, through fixed effects and random effects model as well as Hausman test for better selection of the appropriate models.

Model Specification

The model for this study adapted from the work of Olatunji and Adegbite (2014) with little modification. To determine the effect of debts on tax payable in Nigerian manufacturing companies as stated above, tax payable is taken as the dependent variable while creditors, debenture, bank loan, bonds and short-term debt are taken as the independent variables

$$\mathbf{TPAY = f(Debt + U)} \quad \mathbf{1}$$

$$\mathbf{TPAY = \alpha_0 + \beta_1 Creditor + \beta_2 Debenture + \beta_3 Bank\ loan + \beta_4 Bonds + \beta_5 Short\ Term\ Debt + \beta_6\ Totalliab + u} \quad \mathbf{2}$$

α = The intercept or autonomous parameter estimate
$\beta_1 - \beta_6$ = coefficient of the parameter estimates
u = stochastic (error term)

RESULTS AND DISCUSSION

Table 1. Descriptive Analysis of Debts on Tax Payable in Manufacturing Companies

Variables	Obs	Mean	Std Dev.	Minimum	Maximum
TPAY	260	-37779	1.97e+07	1.82e+08	9.29e+07
CREDITORS	260	5.16e+07	8.64e+07	190000	6.81e+08
DEBENT	260	.7017794	1.247487	.0004162	12.41524
BANKLOAN	260	1.29e+08	1.86e+08	475131.8	1.24e+09
BONDS	260	1.68e+08	2.26e+08	656886	1.59e+09
SHORTTDBT	260	9.73e+07	1.28e+08	328443	8.87e+08
TOTALLIAB	260	8.72e+07	1.41e+08	876892	8.72e+08

Source: Researchers' Computation (2025)

The results in Table 1 showed the descriptive statistics of the effect of debit ratio on tax payable in manufacturing companies in Nigeria. It indicated that the mean, standard deviation, minimum and maximum of all the series including tax payable (TPAY), debenture (DEBENT), bank loan (BANKLOAN), bonds (BONDS), short term debt (SHORTTDBT), and total liabilities (TOTALLIAB). TPAY has a mean of 3777, standard deviation of 1.97e+07 with the minimum and maximum values of 1.82e+08 and 9.29e+07 respectively. The negative mean indicates a potential tax benefit or loss, with a wide variation reflecting significant discrepancies in tax obligations across observations. The mean, standard deviation, minimum and maximum values of CREDITORS stood at 5.16e+07, 8.64e+07, 190000 and 6.81e+08 respectively for the periods observed. This indicates significant reliance on credit, which must be monitored to avoid liquidity issues. DEBENT has mean and standard deviation values of .7017794 and 1.247487 respectively while its minimum value reveal .0004162 as well as maximum value of 12.41524. A strong asset base indicates financial stability but the wide range signals disparities in asset management. The mean value above 0.5 suggests high leverage, which could pose risks if not managed properly.

Moreover, the mean, standard deviation, minimum and maximum values of BANKLOAN stood at 1.29e+08, 1.86e+08, -475131.8 and 1.24e+09 respectively for the period observed. High levels of bank loans indicate reliance on external funding, which can increase financial risk. BONDS has mean and standard deviation values of 1.68e+08 and 2.26e+08 respectively while its minimum value reveal 656886 as well as maximum value of 1.59e+09. The substantial mean reflects considerable bond financing, which may suggest a favorable credit rating. Moreover, SHORTTDBT has mean and standard deviation values of 9.73e+07 and 1.28e+08 respectively while its minimum value reveal 328443 as well as maximum value of 8.87e+08. These values Indicate short-term financing reliance which needs careful liquidity management. Lastly. TOTALLIAB has mean and standard deviation values of 8.72e+07 and 1.41e+08 respectively while its minimum value reveal 876892 as well as maximum value of 8.72e+08. A strong liability base implies substantial obligations that need to be effectively managed. The descriptive statistics showed a clear picture of the distribution and range of the effects of all series of debt on Tax Payable in Manufacturing Companies in Nigeria.

Table 2. Correlations Matrix

Variables	TPAY	CREDITORS	DEBENT	BANKLOAN	BONDS	SHORTTDBT	TOTALLIAB
TPAY	1.000						
CREDITORS	-0.0636	1.000					
DEBENT	-0.0149	-0.0646	1.000				
BANKLOAN	-0.3020*	0.5408*	-0.0407	1.000			
BONDS	-0.1334*	0.6031*	-0.1157	0.4089*	1.000		
SHORTTDBT	-0.164*	0.6014*	-0.1133	0.3353*	0.3951*	1.000	
TOTALLIAB	-0.3919*	0.5111*	-0.0308	0.7217*	0.1994*	0.1300*	1.000

Source: Researchers' Computation (2025)

Table 2 showed the relationship between debt and tax payable in manufacturing companies in Nigeria. It shows that TPAY of manufacturing companies has negative insignificant relationship with CREDITORS with the value of -0.0636. Similarly, DEBENT has negative insignificant relationship with TPAY of manufacturing companies in Nigeria with the value -0.0149. Also, BANKLOAN has a negative significant relationship with TPAY with the value -0.3020*. More so, BONDS has negative significant relationship with TPAY with the value of -0.1334*. Likewise, SHORTTDBT shows negative significant relationship with TPAY with the value of -0.1640*. In addition, TOTALLIAB has negative significant

relationship with TPAY of manufacturing companies in Nigeria with the value -0.3919*. This invariably suggests that debts have negative relationship with tax payable in Nigeria manufacturing companies.

Table 3. Multicollinearity Test with Variance Inflation Factor

Variables	VIF	1/VIF
CREDITORS	5.20	0.192308
DEBENT	3.88	0.257732
BANKLOAN	6.36	0.157233
BONDS	7.55	0.132450
SHORTTDBT	4.65	0.215054
TOTALLIAB	3.88	0.257732

Source: Researchers' Computation (2025)

The values for the independent variables reveal moderate VIF values for creditors, bank loans, bonds, short-term debt and total liabilities do not indicate potential multicollinearity issues as shown in Table 3. Thus, VIF above 10 is typically seen as problematic, and the values here suggest that these variables are moderately correlated. This multicollinearity can lead to inflated standard errors, making it difficult to isolate the individual effect of each variable. This led to computation of robust regression.

Table 4. Effect of Debts on Tax Payable in Manufacturing Companies in Nigeria

TPAY	Linear Regression	Robust Regression	Random Effect Model	Fixed Effect Model
CREDITORS	0.204***	0.204*	-0.204***	0.211***
	(0.000)	(0.070)	(0.000)	(0.000)
DEBENT	200941.3	200941.3	-2.00941	364944.3
	(0.801)	(0.196)	(0.001)	(0.626)
BANKLOAN	0.0910***	0.0910**	-0.0910***	0.0758***
	(0.000)	(0.049)	(0.000)	(0.001)
BONDS	-0.0533	-0.0533	-0.0533	0.0200
	(0.373)	(0.763)	(0.013)	(0.729)
SHORTTDBT	0.0325	0.0325	-0.0325	-0.113
	(0.739)	(0.896)	(0.009)	(0.239)
TOTALLIAB	-0.239***	-0.239***	-0.239***	-0.192***
	(0.000)	(0.001)	(0.000)	(0.000)
_cons	-1734584.4	-1734584.4*	-1734584.4	-2831356.8**
	(0.236)	(0.076)	(0.000)	(0.041)
N	260	260	260	260
R^2	0.683	0.683		0.667
adj. R^2	0.666	0.666		0.617

p-values in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Source: Researchers' Computation (2025)

Table 5: Hausman Test

Dependent variables	Independent variables	Coefficient (b) Fixed	Coefficient (B) Random	(b-B) Difference	Sqrt (diag (v-b-v-B)) S.E
TPAY	CREDITORS	-.2040621	.2112041	.007142	.0166854
	DEBENT	-200941.3	364944.3	164003	271928.1
	BANKLOAN	-.0909671	.0757632	.0152039	.0065208
	BONDS	-.0532617	.0199819	.0732436	.0157566

SHORTTDBT	-.0325464	-.1130545	.1456009	.0187219
TOTALLIAB	-.2386621	-.1919972	-.0466649	.0068848

b = consistent under Ho and Ha; B = inconsistent under Ha, efficient under Ho; Test: Ho: difference in coefficients not systematic Chi2 (5) = (b-B)' [(v-b-v-B)^ (-1)] (b-B) = 0.36 Chi2< 0.5464

Source: Researchers' Computation (2025)

The objective of this analysis is to determine the effect of the debts on tax payable in manufacturing companies in Nigeria. The dependent variable is the Tax Payable (TPAY), while the independent variables are creditors, debenture, bank loan, bonds, short-term debt, and total liabilities. The Hausman results advocated that random effects model is appropriate for the study with the confirmation value of 0.5464 as displayed and confirmed in Table 5. Therefore, the results of Random model effect in Table 4 shows that creditors the values of -0.204 ($p < 0.05$), indicating a significant negative effect on tax payable. Moreover, the debenture also shows a coefficient of -2.00941 which is negative, but also statistically significant effect on tax payable ($p > 0.05$). The coefficient for bank loans is -0.0910 ($p < 0.01$) also suggesting a significant negative effect on tax payable. Also, the coefficient for bonds is -0.0533 displaying negative effect and statistically significant on tax payable ($p > 0.05$). Lastly, short term debt possessed negative significant effect on tax payable with the coefficient of 0.0325, which is also statistically significant ($p < 0.05$). This suggests that short-term debts significantly affect tax payable. In addition, the total liabilities variable shows a negative coefficient of -0.239 ($p < 0.05$). Furthermore, the overall R^2 of 0.683 indicates that approximately 68.3% of the variance in tax payable can be explained by creditors, debenture, bank loan, bonds, short-term debt, and total liabilities.

Discussion of Findings

This study examines the effect of debts on tax payable in manufacturing companies in Nigeria from 2011 to 2023. Data collected through the financial statement of selected manufacturing companies were analysed with Panel data analysis such as Random effect model, Fixed effect and Hausman test. It was discovered that creditors have a significant negative effect on tax payable suggests that an increase in creditors is associated with lower tax payable. This is in consonance with the submission of Adegbite and Inyanda (2024); Onwuzurike and Ugwu, (2020); Onyeka-Iheme and Chimeruo (2021); Akabom and Ejabu (2018); Adegbite, & Azeez (2016) but negates the submission of Ishola and Chimeruo (2020). However, debenture also statistically, and significantly affect tax payable negatively which indicates that the overall debenture reduces the volume of tax payable to the government by the manufacturing companies in Nigeria. This agrees with the opinions of Omesi and Appah (2021), Akabom and Ejabu (2018), and Adegbite, & Azeez (2016) but discards the opinion of Omodero, and Ogbonnaya, (2018); Osho and Omotayo (2018); and Omesi, and Appah, (2021).

Moreover, bank loans have a negative impact on tax payable implies that lower bank loan amounts are associated with reduction in tax liabilities, potentially because interest is treated differently in tax calculations. This is in line with the submission of Aronmwan and Okaiwele (2020); Adegbite and Inyanda (2024) ; Omesi and Appah (2021), Akabom and Ejabu (2018), Onwuzurike and Ugwu, (2020); Onyeka-Iheme and Chimeruo V. (2021) and Adegbite, & Azeez (2016) but rejected the submission of Uzoka and Christian (2018); and Onwuzurike and Ugwu (2020). Furthermore, the bonds and short-term debts have significant effect on tax payable suggesting that the duo significantly affect tax obligations negatively. This submission agrees with that of Umer and Muhammed (2018); Onwuzurike and Ugwu (2020); Akabom and Ejabu (2018), and Adegbite, & Azeez (2016) but negates the view of Onwuzurike and Ugwu (2020). In addition, the total liabilities that shows a negative and significant effect on tax payable indicating that an increment in total liabilities, decreases tax payable in manufacturing

companies in Nigeria because of the effects of interest deductions before taxable income is realized. This is in line with the opinion of Adegbite and Inyanda (2024); Oeta and Muchiri (2019) but disagreed with the submission of Otuya (2021). Based on the results, the null hypotheses are rejected therefore, all the predictors significantly and negative effect tax payable in Nigeria manufacturing companies.

CONCLUSION

This study examines the effect of debts on tax payable in manufacturing companies in Nigeria from 2011 to 2023. Data collected through the financial statement of selected manufacturing companies were analyzed with Panel data analysis such as Random effect model, Fixed effect and Hausman test. It was discovered that creditor has negative effect on tax payable in Nigeria manufacturing companies. Also, debenture possessed negative effect on tax payable. Bank loan, bonds and short -term loan negatively and significantly affected tax payable in Nigeria manufacturing company. Conclusively, debts have negative effect on tax payable in Nigeria Manufacturing companies. It is recommended that government should set aside monitoring device to monitor the debts accessibility of manufacturing companies in order to checkmate the excessiveness in their debt collection, so as to enhance tax payable by the manufacturing companies. The results further suggest a need for clearer guidelines on the tax treatment of various debts particularly regarding the interest deductibility which will invariably help firms manage their tax liabilities more effectively. In addition, the negative relationship of debts with total liabilities suggests that firms should be encouraged to use long-term financing options which will offer better tax advantages for the manufacturing companies so as to enhance financial stability while optimizing tax obligations.

REFERENCES

Adegbite T.A. (2025). Receivables and Tax Payable in Manufacturing Companies: Panel Analysis Reactions. *Iranian Journal of Accounting, Auditing and Finance,* 9(2), 21-42. published by Ferdowsi University of Mashhad.

Adegbite T.A. and Araoye F.E. (2018). An evaluation of the impact of Customers' Deposits and investment on Loan Administration: Nigerian Banks. *Al-Hikmah Journal of Education and Management*, 5 (2): 219-228.

Adegbite, T.A. and Azeez B.A. (2016). Analysis of The Impacts of Credit Administration on Profitability in Nigeria: Banking Sector Perspective. *International Journal of Marketing and Technology.* 6 (8): 39-54.

Adegbite T.A. and Inyanda S.J. (2024). Working Capital and Tax payable: Analysis of Interrelationship in Nigeria Manufacturing Companies. *Economics and Organization* 21(1), 25 – 45

Ejabu, F. E. (2018). Effects of thin capitalization and international law on performance of multinational companies in Nigeria. *Journal of Accounting and Financial Management, 4 (2), 47-58*.

Aronmwan, E. J., & Okaiwele, I. (2020). Measuring tax avoidance using effective tax rate: Concepts and implications. *Journal of Accounting and Management, 10*(1), 27-38.

Effiong, S. E., & Ekpoese, J. D. (2020). Firms' characteristics and going concern status: A diagnostic spectrum analysis. *Journal of critical reviews, 7(11)*, 4591-4599.

Ishola R. A., Folajimi F. A. and Chimeruo V. O. (2020). Tax Planning Strategies and Profitability of Quoted Manufacturing Companies in Nigeria. *Journal of Finance and Accounting*. Vol 8(3),148-157.

Obelogu M.I and Olatunde J. O (2022). Firms' Characteristics and Tax Aggressiveness of Listed Companies in Nigeria. *Proceedings of the 7th Annual International Academic*

Conference on Accounting and Finance Disruptive Technology: Accounting Practices, Financial and Sustainability Reporting.

Odusanya I. A., Yinusa O. G., and Ilo B. M. (2018). Determinants of Firm Profitability in Nigeria: Evidence from Dynamic Panel Models. SPOUDAI Journal, .68 (1) . 43-58

Oeta, S.M., Kiai, R. & Muchiri, J. (2019). Influence of tax planning on financial performance of manufacturing companies listed at Nairobi Securities Exchange. *International Journal of Research in Business and Social Sciences, 8(*6), 262-269.

Ogbeide, S. O., & Iyafekhe, C. (2018). Empirical assessment of tax aggressiveness of listed firms in Nigeria. *Accounting & Taxation Review*, 2(3), 13-29.

Omesi, I. & Appah, E. (2021). Corporate tax planning and firm value of listed consumer goods companies in Nigeria. *Journal of Business and Management 23*(2), 42-51.

Omodero, C.O. & Ogbonnaya, A.K. (2018). Corporate tax and profitability of deposit money banks in Nigeria. *Journal of Accounting, Business and Finance Research, 3*(2), 47-55.

Onwuzurike E. N. and Ugwu, J. I.(2020). Effect of taxation on the profitability of selected food and beverage companies in Nigeria. European Journal of Accounting, Finance and Investment 6, (8); 45-47

Onyeka-Iheme and Chimeruo V. (2021). Tax Planning Strategies and Liquidity of Manufacturing Companies Quotedin Nigeria. American Journal of Humanities and Social Sciences Research (AJHSSR) e-ISSN: 2378-703X -5, (2), 138-140

Osho A., Omotayo A.D and Ayorinde F.M (2018). Impact of Company Income Tax on Gross Domestic Products in Nigeria. Research Journal of Finance and Accounting. .9(5)50-55

Otusanya, O. & Adeyeye, G. (2022). The dark side of tax havens in money laundering, capital flight and corruption in developing countries: some evidence from Nigeria. *Journal of financial crime*, 29(1), 62-100.

Otuya, Sunday (2021). Thin capitalisation, effective tax rate and performance of multinational companies in Nigeria. In: Accounting and taxation review 8(5)90-92

Oyedokun G. E. (2020). Tax Management and Compliance in Nigeria. Overview of Taxation and Nigerian Tax System. *January, 2020, PP 1-53. ISBN: 978-978-978-978-734-0*

Pradip Kumar Das (2017). Impact of Return on Capital Employed On Company Performance – An Introspection in India. Saudi Journal of Business and Management Studies, Scholars Middle East Publishers Dubai, United Arab Emirates. 18(2) 123-125

Uchime, H. N. & Anichebe, A. S. (2019). Effect of taxation on domestic investment in Nigeria,*International Journal of Economics, Business and Management Studies*, 6 (1), 96-104.

Ugbogbo, S. N., Omoregie, N. A., & Eguavoen, I. (2019). Corporate determinants of aggressive tax avoidance: Evidence from Nigeria. *IOSR Journal of Business and Management (IOSR-JBM), 21*(4), 01-09.

Umer, I. & Muhammad, U. (2018). Impact of financial leverage on firm performance. *SEISENSE Journal of Management. 1(2), 70-78*. Doi:10.5281/zenodo.1241454.

Umobong, A. A. & Agburuga, U. T. (2018). Corporate tax and corporate social responsibility of firms in Nigeria. *Research Journal of Finance and Accounting, 9 (10), 8 – 25.*

Uzoka, P. U. & Christian, O. (2018). Effect of tax revenue on economic growth in Nigeria. International Journal of Social Sciences and Management Research, 4(7). 30-42