



Tax Avoidance and Cash Flow of Selected Non-Financial Firms: A Comparative Study of Nigeria and Ghana

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ABSTRACT

This research study empirically investigated tax avoidance and cash flow of selected manufacturing firms in Nigeria and Ghana using book tax difference as the dependent variable. Ex Post Facto research design was adopted for the study. The study selected five firms each from Nigeria and Ghana. Data were extracted from annual reports and accounts of the sampled companies. Data extracted were analyzed and hypotheses were tested with Least Square regression analysis via E-view 9.0. The result shows that book tax difference of both the sample companies in Nigeria and Ghana has a positive effect on cash flow, however, their effect was not statistically significant at 5% level of significance. Based on the findings, the study recommended that shareholders should better understand and weigh the advantages and disadvantages of corporate tax avoidance and make better choices to promote corporate value.

Keywords: Tax avoidance, book tax difference and cash flow

INTRODUCTION

Companies use a variety of tax avoidance techniques, such as investing in pension plans, purchasing used items, moving profits to tax havens, or using other tax shelters (Mayer, 2010). In general, it comprises utilizing the tax laws' flexibilities and loopholes to minimize tax liabilities (Chen, Cheok, & Raziah, 2016). Corporate tax evasion affects governments, society, and enterprises in a number of ways. To enterprises, it results in a stronger after-tax cash position; to the government, it stifles "the state's ability to offer critical services" (Bird & Davis-Nozemack, 2018); and to society, it prevents the funding of initiatives that are crucial for society and a disregard for CSR (Slemrod, 2004).

Weisbach (2002), an American researcher, conducted research on the topic of tax avoidance agencies. According to his research on company behavior, there are more tax avoidance strategies that are less likely to result in penalties under the current tax and expropriation laws in the US, yet even in this circumstance, the majority of American businesses are still hesitant to embrace tax avoidance. According to Desai and Dharmapala (2006), if tax avoidance is widespread, information quality will be compromised, raising the risk of corporate information leakage. This is mostly due to the managers of tax avoidance firms' inescapable concealment of tax avoidance facts and associated transactional behaviors from the owners, in order to minimize the inspection risk, and avoid clues to tax agency investigations, so corporate tax avoidance activities are often complex and covert. The damage to a company's reputation (Fisher, 2014), future profitability (Katz, Khan, & Schmidt, 2013), firm value (Chang, Hsiao, & Tsai, 2013), stock prices (Hanlon & Slemrod, 2009), and cost of capital are some of the negative effects of corporate tax avoidance (Cook, Moser, & Omer, 2017). In a similar vein, research has revealed evidence that corporate tax evasion lessens the openness of an organization's information environment (Hope, Ma, & Thomas, 2013).

Studies on company tax avoidance practices have been carried out both internationally and locally. But because they concentrate on the income statement or the statement of financial status, the great majority of research are constrained (Rui, 2019). Because cash flow analysis examines actual return on investment in a more dynamic way, it is particularly successful at determining how competitive a company is in the market (Amuzu, 2010). As a result, academics are becoming more interested in cash flow data. Previous research has focused on the connections between financial distress and cash flow business valuation, stock price movements, earnings, and cash flow projection (Sayari & Mugan, 2013). Therefore, the goal of the current study is to address the four difficulties listed below. When compared to earnings, studies have demonstrated that cash flow information is more predictive (Arthur & Chuang, 2006; Barth, Cram, & Nelson, 2001). Research has also shown that breaking down cash flow into its component parts can improve predictive power (Cheng & Hollie, 2005a,b);

The empirical evidence's findings on the management of cash flow's effects on earnings are mixed and often conflicting; they can be both positive and negative. However, the lack of agreement in the empirical literature necessitates additional research on this type of study. It is in this light, this study set up to determine the effect of on tax avoidance on cash flow of quoted companies in Nigeria. Specifically, to ascertain the effect of Book Tax Differences (BTDs) on cash flow of Nigerian manufacturing firms.

CONCEPTUAL FRAMEWORK

Corporate Tax Avoidance

Because of the projected increase in corporate tax avoidance actions during the past two decades and more lately, corporate tax avoidance has attracted a lot of attention (Dyreg, Hanlon & Maydew 2008). There is no widely agreed definition of or terminology for tax avoidance, despite the fact that there is broad interest in and concern about the scale, causes, and effects of corporate tax avoidance (Hanlon & Heitzman, 2010). Different people have different definitions of tax evasion. According to Preuss (2010), tax avoidance is a strategy that encourages the utilization of intricate transactions to offer tax benefits that the tax laws unintentionally permit. Tax avoidance, as widely defined by Hanlon and Heitzman (2010), is the minimization of explicit taxes. Their definition include all transactions that have an impact on a company's explicit tax burden, such as tax-favorable real-world activity, intentional tax avoidance, and targeted tax benefits from lobbying activities.

The majority of past research, however, saw tax avoidance behavior as a result of a favorable book-tax difference and low effective tax rates (Kim & Zhang, 2011). According to conventional research, tax evasion is a value-maximizing practice that transfers money from the government to company shareholders (Khurana & Moser, 2013). Companies' managers engage in tax evasion only to lower their tax liabilities. Investors therefore perceive tax avoidance as adding value, and as a result, Managers who engage in these practices should be encouraged and compensated. Although this viewpoint also acknowledges the probable consequences of tax evasion, such as the risk of being caught by tax authorities, it ignores the implications of the agency issues in contemporary organizations brought on by the split of ownership and control.

In other studies, a different viewpoint that takes into account more agency problem characteristics in organizations has also arisen (Chen & Chu, 2005; Slemrod, 2004). According to Slemrod (2004), risk-neutral Shareholders anticipate that Managers will put their attention on increasing profits, which includes exploring ways to lower tax obligations. Separation of ownership and control, however, may result in business tax decisions that reflect the Manager's individual interests (Hanlon & Heitzman, 2010). According to the agency theory paradigm, managerial opportunism and resource misallocation are made easier by tax avoidance actions (Chen et al., 2010). Tax avoidance practices, according to Desai and Dharmapala (2009), might give managers the resources and justifications they need to act opportunistically and participate in activities aimed at misleading investors. Furthermore, by manipulating earnings, complicated and opaque tax avoidance transactions might give rise to more opportunities for rent diversion (Chen, Chen, Cheng & Shevlin, 2010; Desai and Dharmapala, 2009). (Kim et al., (2011) put it another way, opportunistic managerial behavior and tax evasion might be compatible.

Tax avoidance increases shareholder wealth. Pike and Quentin (2012) assert that an organization may benefit greatly from tax savings from tax reduction initiatives. Management makes decisions about the company tax structure with very little shareholder input (Desai & Dharmapala, 2008; Slemrod, 2004). In line with this finding, Dyreg, Hanlon, and Maydew (2010) looked into whether specific top Executives had additional effects on their companies' tax avoidance that couldn't be accounted for by organizational factors. They discovered that the degree of tax evasion that businesses engage in is significantly influenced by the particular Executives. This suggests that the executive impact has a significant role in how tax avoidance is carried out by businesses. However, the agency theory's recognition of a conflict of interest between shareholders and management may force management to make choices that serve their own interests (Chen, Chen, Cheng & Shevlin, 2010).

Book Tax Differences

Book-tax disparities are one of the main characteristics of tax evasion. The distinctions between the income reported in the financial statements and the federal taxable income could be referred to as book-tax disparities in general (Moore, 2012). Because federal taxable income is used to determine how well a firm is performing while financial statement income is used to evaluate the company's performance, book-tax disparities occur. The permanent differences and temporary differences are the two categories into which book-tax discrepancies are often separated. While transitory disparities are brought about by the discrepancy in recognition timing between accounting principles and rules, permanent variances result from income and cost transactions that are recognized by accounting principles but not by tax rules (Huang and Wang, 2013). The existence of book-tax discrepancies has been the subject of numerous prior researches, indicating that the indicator can accurately indicate the quality of the earnings. In comparison to tax laws, accounting rules offer more latitude in how financial statements are presented, according to Jackson (2011). According to the author, the quality of profits decreases as the discrepancy between accounting and taxable income increases. Jackson (2011) places even more emphasis on the significance of examining book-tax disparities and their potential to forecast future earnings.

The discrepancy between the amount of profit determined by accounting and the amount of profit determined in conformity with tax laws is known as the book-tax difference (Hanlon, 2005). The management of the company generates financial statements annually with two distinct goals in mind: to satisfy IFRS requirements and to comply with tax legislation. This distinction results from the fundamental distinction between commercial accounting and taxation accounting.

To offer information about financial position, performance, and changes in a financial position in the context of decision-making is the goal of financial statements based on financial accounting standards (Zain, 2007). The balance sheet is the primary source of information about financial position, the income statement is the primary source of information about performance, and the statement of cash flows is the primary source of information about changes in financial status. Similar in nature, the goal of financial reporting under tax legislation is to ascertain the outcomes of corporate activities by the measurement and identification of income and expenses. According to Zain (2007), tax laws and regulations' provisions are frequently employed to influence taxpayer behavior in order to influence investment, welfare, and other factors that are occasionally used as justification for deviating from tax accounting rules.

Cash flows

The company's ability to generate cash flow is indicated by the reported operational cash flow in the operating cash flow. Financial analysts feel that the cash flow from operating activities should be used to distribute gains to shareholders and boost their satisfaction, in addition to taking advantage of investment possibilities to purchase fixed assets (Bandia, 2012).

Studies on analysts' projected cash flows have become more prevalent recently. According to Defond and Hung's research from 2003, analysts are more likely to estimate cash flows when accruals, accounting technique heterogeneity, earnings volatility, capital intensity, and financial distress increase. Country-specific investor protection also influences the trajectory of cash flow forecasts, in addition to firm characteristics. Analysts are more likely to provide cash flow forecasts in nations with weak investor protection and lower-quality results (Defond & Hung, 2007). In addition to the aforementioned elements, analysts who forecast cash flows have unique characteristics. According to Ertimur and Stubben (2005), analysts from larger brokerage houses are more likely to estimate cash flows even though their earlier profit forecasts are less precise.

Strong evidence from earlier studies also supports the idea that companies are motivated to fulfill analyst estimates. According to Bartov, Givoly, and Hayn (2002), companies that beat earnings forecasts get positive market reactions. Similar outcomes are reported by Defond and Hung (2003) for businesses that satisfy cash flow projections. Since managers are motivated to satisfy cash flow forecasts, the inclusion of such forecasts could change. According to Mcinnis and Collins (2011), the idea that cash flows forecast is motivated by worries about the quality of earnings is supported by their finding that forecasting cash flows improves reported accruals and decreases the likelihood that businesses would reach or exceed earnings targets. Additionally, cash flow forecasts include details regarding potential future cash flows. Call (2009) discovered that managers are incentivized to report more illuminating cash flow data by analysts' cash flows estimate check-mates. He contends that as a result, investors give the cash component of earnings more weight among companies with forecasted cash flows since current cash flows become more indicative of future cash flows.

Operating Activities

With the exception of investment and financing activities, an entity's cash flows from operating activities demonstrate the amount to which its core businesses (production, trade, and service provision) can create cash flows. These cash flows serve as the main source of funding for the entity's operating capabilities, loan repayment, dividend payments, and new investment.

Cash outflows from operating activities of the entity include, for instance, payments made to suppliers of raw materials, finished goods, and services; payments made to employees of the entity; taxes paid; cash outflows for the purchase of current investments; cash outflows for the payment of insurance premiums; cash outflows for the purchase of non-current assets held for resale; and cash outflows for the purchase of securities of other entities for trading purposes. Dividends paid (assuming the accounting standards classify these inflows as operating activities); interest paid (if these outflows are classified as an operating activity according to the accounting policies). Cash utilized for operations and taxes paid are represented by the bank's operating activities.

Investing Activities

Cash flows from investing activities illustrate the cash sums used to purchase assets that will produce future economic benefits and the cash received when such assets are sold. Examples of cash receipts from investing activities include dividends received from other entities (if these inflows are classified as an investing activity according to the accounting policies), cash receipts from repayment of loans made to third parties, cash receipts from transfers of held for trading purposes securities of other entities, cash receipts from sales of non-current assets (aside from those held-for-resale), cash receipts from sales of non-current assets (except those held-for-resale), cash receipts from repayment of loans Cash payments to acquire non-current assets (aside from those held for resale), cash payments to construct, reconstruct, or repair non-current tangible assets that are under the entity's control and increase in value as a result of work, cash payments upon lending cash to third parties, and cash payments to purchase securities are a few examples of outflows from investing activities. The buying of investments, buying of long-term investments, selling of investments, buying of property, plant, and equipment, and receiving revenues from the sales of property and equipment are all examples of investing activities in a typical commercial bank.

Financing Activities

Cash flows from financing operations provide information about the entity's usage of outside funding during the reporting period. Cash receipts from borrowing (regardless of maturity) from third parties are examples of inflows from the entity's financing activities, as are cash receipts from the issuance of all sorts of shares, bonds, bills, and other debt securities (including credit institutions).

Cash payments to buy own shares, dividends paid (if these outflows are classified as a financing activity according to the accounting policies), cash payments to redeem bonds, bills, and other debt securities previously issued by the entity are a few examples of cash outflows from financing activities of the entity. interest paid on loans (if these outflows are classified as a financing activity according to the accounting policies); cash payments relating to a finance lease(Official Gazette, 2004, 2006). In typical commercial bank, the financial activities represents dividend paid to shareholders, non-controlling interest, capital reserve adjustment on right issue, and share issue expenses.

Empirical Review

The impact of corporate tax evasion on the financing cash flow performance of listed manufacturing enterprises in Nigeria was determined by Eze (2021). Ex-Post Facto research design was chosen as the method for the investigation. Purposive sampling was used to choose the sixty-two (62) companies for the study, with the assumption that they were manufacturing companies (based on the nature and description of activities). The hypotheses were verified using the multiple regressions. Statistical software called E-Views was used for the analysis. The study found a statistically significant relationship between book tax difference and effective tax rate and financing cash flows of listed manufacturing firm. The total impact of corporate tax avoidance on the investment cash flow sensitivity of companies listed on the Shanghai and Shenzhen stock exchanges (a-share companies) between 2009 and 2015 was shown by Rui (2019). In light of the earlier investigations, a book-tax difference (BTD)-based investment cash flow sensitivity model was developed, and the descriptive data were put through regression analysis. According to the research, businesses with a high level of tax avoidance are highly sensitive to investment cash flow. A business's tax avoidance efforts can either directly enhance cash flow or reduce it through increasing the cost of delayed financing. The research's conclusions provided fresh insight into how corporate tax avoidance decisions are

made. The impact of CEO duality on the effective tax rate of listed food and beverage companies was examined by Ezejiofor and Ezenwafor (2021). During the data gathering phase, nine (9) companies were chosen using a purposive sample technique. Data were gathered from the sampled companies' 2013–2019 annual reports and financial statements. With the use of the e-view, the study's data were analyzed using descriptive statistics and regression with a 95% confidence level at five degrees of freedom (df). The findings demonstrate that CEO duality had a positive coefficient and was significant for Nigerian food and beverage companies' tax planning. In Nigeria from 2000 to 2019, Nweze, Ogbodo, and Ezejiofor (2021) looked at the effects of tax income on per capita income. This study made use of time series data and an ex-post facto research methodology. According to the study, tax revenue significantly increased Nigeria's per capita income. A study named "Effect of cash flow management on financial performance of listed companies at Nairobi Securities Exchange, Kenya" was undertaken by Stom and Wepukhulu (2019). The study uses correlational and haphazard research designs. 54 companies listed on the Nairobi Securities Exchange made up the sample. The study was based on secondary data from the 2013 to 2017 financial statements of the companies. The technique of multiple linear regression was used to evaluate the data. The findings indicated a considerable positive association between financial performance and cash flow from financing activities. Erhirhie, Oraka, and Ezejiofor (2018) used a sample of manufacturing firms registered on the Nigerian Stock Exchange to assess the impact of corporate tax on financing decisions of manufacturing firms (NSE). Data were taken from the annual reports and financial statements of three particular manufacturing enterprises, using an ex post facto research design, and were then analyzed using a linear regression model. Our research revealed no conclusive link between corporate tax, dividends paid by Nigerian Breweries Plc, Dangote Cement Plc, and PZ Cussons Plc, and the issuing of new common shares, retained earnings, and long-term debt. The impact of the Tertiary Education Tax Fund (TETFUND) on management in Nigerian tertiary education is examined by Oraka, Ogbodo, and Ezejiofor (2017). The study specifically aimed to ascertain whether the enrolment ratio at Nigerian Tertiary Institutions is considerably impacted by ETF fund allocations to Nigerian Tertiary Institutions. A study entitled "Relationship between Cash-Flow and Financial Performance of Insurance Companies: Evidence from a Developing Economy" was done by Ogbeide and Akanji (2017). The sample included 27 publicly traded insurance companies. The study made use of secondary data, notably time series data from annual reports and accounts for the years 2009 through 2014. To analyze the data, the researchers used the panel estimates generalized least squares (EGLS) method. The findings revealed a marginally positive relationship between financing cash flow and financial success. In companies listed on the Tehran Stock Exchange, Hossein and Gaskari (2016) examined the impact of cash flow volatility and financial leverage on earnings management (TSE). The data of 90 companies listed on the Tehran Stock Exchange (TSE) in the period of 1386–1390 (2007–2011) were used as a sample for testing the research hypotheses and examining the relationship between variables, and the analysis of the combined data was done in the form of multivariable regression. Chow and Hausman tests were utilized to estimate the appropriate models of hypothesis testing in combined data. The findings of model estimate typically point to the validation of research hypotheses. Therefore, "cash flow variations" and "leverage ratio" had a considerable positive and negative impact on the management of earnings, respectively, in the analyzed organizations. In keeping with the study's goals. We used a survey and a time series study design. Financial ratios were used to gather data from the National Bureau of Statistics, which were then tested using regression analysis and the SPSS statistical software version 20.0. According to the data, there is no relationship between the allocation of ETF funds to Nigerian tertiary institutions and their enrolment rate.

METHODOLOGY

Ex post facto research design, a branch of statistics that includes a number of methods for characterizing data sets, was chosen for this study. The researcher was able to describe and compile the data that was gathered for this investigation because to the design.

The study's population includes manufacturing firms from both Nigeria and Ghana as well as firms that have been quoted in both countries. The Stock Exchanges of Africa countries were used to pick the two viable countries for this study, which used the stratified random sampling methodology. The viability of a country's stock exchange and the stability of its economy have an impact on the sample selection. The purposive sampling technique was employed in selecting the numbers of manufacturing firms from the manufacturing sector in each country; bearing in mind the data requirements needed for the analysis. The details of selected firms are for Nigeria; PZ-Cussion Nig, Nestle Nig, Floor mill Nig, Dangote sugar and Nigerian Breweries, and for Ghana; Fan milk, PZ-Cussion, Unilever, Nestle Ghan and Avery Dennison.

Method of Data Collection

The study made use of secondary data sourced from various annual reports of the sampled companies deposited at the libraries and website of the NGX (www.NGX.com.ng) and GSE (www.gse.co.za). The research covered a period of nine (6) financial years (2012-2020).

Model Specification

In testing for the value relevance of corporate tax avoidance and in testing for the moderating effect of agency cost mitigating variables on the nexus, the study adapted firm-value model originally derived from Ohlson (1995) and have been widely used in value relevance studies including those that relates to tax avoidance as used by Abdul Wahab and Holland (2012). Their model centered on Tax Planning, and given as:

$$\text{FMV} = \beta_0 + \beta_1 \text{BVEit} + \beta_2 \text{CTAit-1} + \beta_3 \text{COGit} + \beta_4 \text{PFTit} + \beta_5 \text{CAPINTit} + \beta_6 \text{LEVit} + \beta_7 \text{EXGit} + \beta_8 \text{CTA it-1} * \text{COGit} + \beta_8 \text{MVEit DIV} + \text{AGE} + \text{eit} \quad 1$$

The model was modifies thus:

$$\text{CFL}_{it} = \beta_0 + \beta_1 \text{BTD}_{it} + \mu_{it} \quad \dots \dots \dots \quad i$$

Where:

CLF= C ash flow

BTD =Book-tax difference

Method of Data Analysis

Multiple Regressions was used to analyze the data collected for the study. This was done with aids of the E-view 9.0. The hypotheses were tested at 95% confidence level.

Decision Rule

The alternative hypotheses is to be accepted if the p-value is less or equal than the alpha and to be rejected the if the p-value is greater than alpha at 5% significance level.

ANALYSIS OF DATA

4.1.1 Data Analysis

	CFLN	BTDN	CFLG	BTDG
Mean	7117362.	0.060000	40062889	4.672222
Median	8905100.	-0.099000	10924000	4.823000
Maximum	71950349	1.375000	3.33E+08	5.671000
Minimum	-1.24E+08	-0.806000	-2.08E+08	2.815000
Std. Dev.	63247087	0.821341	1.70E+08	0.918455
Skewness	-0.939924	0.536715	0.325744	-0.977981
Kurtosis	3.016377	1.725826	2.189355	2.863733
Jarque-Bera	1.325286	1.040914	0.405593	1.441634
Probability	0.515487	0.594249	0.816445	0.486355
Sum	64056262	0.540000	3.61E+08	42.05000
Sum Sq. Dev.	3.20E+16	5.396810	2.32E+17	6.748478
Observations	9	9	9	9

Source: Researcher's computation (2022) using E-Views 9.0

Interpretation

This study considered descriptive statistics (mean, standard deviation, minimum and maximum) for Nigerian companies from 2012 to 2020. Table 2 depicts cash flow (CFLN) to have an average mean of 7117362.0 with a minimum of -0.125, a maximum of 71950349.0 and at a standard deviation of 63247087.0. book tax difference (BTDN) has an average mean of 0,060 with a standard deviation of 0.82 a minimum of 10.0 and a maximum of 1.375.

On the average in Ghanaian, cash flow (CFLG) stood at 40062889.0, the minimum of -2.09 while the maximum stood at 3.34 and standard deviation is 1.71. Similarly, on book tax difference (BTDG), the results showed that on the average, the mean value of 4.67 with a standard deviation of 0.92, a minimum value of 2.82 while the maximum value stood at 5.67.

Test of Hypotheses

H_0 : Book tax difference has no significant different on cash flow of manufacturing firms in Nigeria and Ghana.

Table 2: Regression analysis between Nigerian book tax difference and cash flow

Dependent Variable: CFLN

Method: Least Squares

Date: 08/28/22 Time: 22:49

Sample: 2012 2020

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6934339.	22587803	0.306995	0.7678
BTDN	3050384.	29082178	0.104888	0.9194
R-squared	0.001569	Mean dependent var		7117362.
Adjusted R-squared	-0.141064	S.D. dependent var		63247087
S.E. of regression	67560910	Akaike info criterion		39.08809
Sum squared resid	3.20E+16	Schwarz criterion		39.13191
Log likelihood	-173.8964	Hannan-Quinn criter.		38.99351
F-statistic	0.011002	Durbin-Watson stat		2.875797
Prob(F-statistic)	0.919407			

Table 3: Regression analysis between Ghanaian book tax difference and cash flow

Dependent Variable: CFLG

Method: Least Squares

Date: 08/28/22 Time: 22:51

Sample: 2012 2020

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-98204193	3.28E+08	-0.298994	0.7736
BTDG	29593430	69120989	0.428140	0.6814
R-squared	0.025518	Mean dependent var		40062889
Adjusted R-squared	-0.113694	S.D. dependent var		1.70E+08
S.E. of regression	1.80E+08	Akaike info criterion		41.04306
Sum squared resid	2.26E+17	Schwarz criterion		41.08689
Log likelihood	-182.6938	Hannan-Quinn criter.		40.94848
F-statistic	0.183303	Durbin-Watson stat		1.753051
Prob(F-statistic)	0.681414			

Source: Researcher's computation (2022) using E-Views 9.0

In Table 2, R-squared and adjusted Squared values were (0.001) and (0.141) respectively. This indicates that the independent variable, book tax difference (BTDN) jointly explain about 14% of the systematic variations in dependent variable, cash flow (CFLN) of our samples companies in Nigeria over the nine years periods (2012-2020).

Test of Autocorrelation: using D.urbin-Waston (DW) statistics which we obtained from our regression result in table 2, it is observed that DW statistics is 2.876 and an Akika Info Criterion and Schwarz Criterion which are 39.088 and 39.132 respectively also further confirmed that our model is well specified. In addition to the above, the specific finding from the explanatory variable is provided below.

Based on the Coefficient value of 3050384.0, t-value of 0.105 and p-value of 0.919 was found to have a positive effect on our sampled Nigerian companies and this effect is not statistically significant as its p-value is higher than 0.05 values.

In Table 3, R-squared and adjusted Squared values were (0.026) and (0.114) respectively. This indicates that the independent variable, book tax difference (BTDG), jointly explain about 11% of the systematic variations in dependent variable, cash flow(CFLG) of our samples companies in Ghana over the nine years periods (2012-2020).

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 4.5b, it is observed that DW statistics is 1.753 and an Akika Info Criterion and Schwarz Criterion which are 41.043 and 41.086 respectively also further confirmed that our model is well specified. In addition to the above, the specific finding from the explanatory variable is provided below.

The Coefficient value is 29593430. 0, t-value of 0.428 and p-value of 0.681, was found to have a positive effect on our sampled Ghanaian companies and this effect is not statistically significant as its p-value is less than 0.05 values.

This result from table 2 and 3, shows that book tax difference of both the sample companies in Nigeria and Ghana has a positive effect on cash flow, however, their effect was not statistically significant at 5% level of significance. Therefore, suggests that we should accept our null hypothesis which states, that book tax difference has no significant different between Nigerian and Ghanaian cash flow.

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATION

The cash flow and book tax differences of manufacturing firms in Nigeria and Ghana were empirically studied in this research study. To determine whether there was a significant difference between the variables, the retrieved data were evaluated, and hypotheses were tested using Least Square regression analysis. The hypotheses evaluated in tables 2 and 3 reveal that the sample firms in Nigeria and Ghana have a favorable impact on cash flow as a result of their different book taxes, but their impact was not statistically significant at the 5% level of significance. This suggests that avoiding taxes by an organization can both directly improve its cash flow and also increase the cost of its debt financing, which would reduce its cash flow. This is partly in line with a study by Ogbeide and Akanji (2017) that examined the financial performance of a sample of insurance companies and found a non-significant positive effect of financing cash flow. The study by Stom and Wepukhulu (2019), in contrast, found a substantial positive association between financing cash flow and financial performance. In conclusion, there are no appreciable differences between Ghanaian and Nigerian businesses' tax evasion practices.

According to the study's conclusions, shareholders should have a better understanding of corporate tax evasion, balance its benefits and drawbacks, and make wiser decisions to advance the company's worth.

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