

CORPORATE BORROWING AND TAX SHIELD AMONG LISTED COMPANIES IN NIGERIA

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Abstract

The study investigated the relationship between corporate borrowing and tax shield among listed companies in Nigeria. Five specific variables namely tangibility, size, total debts, short-term debt and long-term debt as independent variables for thirty companies were used in order to measure their effect on firm's tax shield. The data for the study was analysed using the Pooled, Random and Fixed Effect Regression for the period 2010-2014. The finding suggests that tangibility is positively related to tax shield while firm size is negatively correlated with tax shield. Furthermore, the result shows that there is a significant relationship between interest tax shield, long term, short term and total borrowings of the firms studied. Based on the above findings, we recommend among others, that equity capital financing should be encouraged among listed companies since this could be used as basis for further borrowing. In addition, companies in Nigeria should utilize a mixture of short and long-term debts in order to have the most optimal tax shield for their debts.

Keywords: Corporate Borrowing, Tax Shield, Tangibility, Firm Size, Total Debts, Short-term Debt, Long-term Debt, Nigeria

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