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EFFECT OF TAX AGGRESSIVESNESS ON LIQUIDITY MANAGEMENT OF LISTED MANUFACTURING FIRMS IN NIGERIA

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Key words: *Book-tax difference, Cash effective tax rate, Current ratio, Liquidity management, Tax aggressiveness,*

ABSTRACT

The study investigated the effect of tax aggressiveness on liquidity management of listed manufacturing firms in Nigeria. The study uncovers the surprising link between tax aggressiveness and liquidity management that will reshape financial strategies for manufacturing firms. Based on the objectives of the study, three research questions and hypotheses were formulated. The study covers a ten-year period from 2014 to 2023 because this period holds the most recent annual financial statement and tax filings of listed manufacturing firms are publicly available providing sufficient data to analyze trends and effects over time. The specific objective was to determine the effect of book-tax difference on liquidity ratio (current ratio of listed manufacturing firms in Nigeria. The study employed Ex-post facto research design in which secondary data were collected from annual reports and financial statements of five purposively selected manufacturing companies from 2014 to 2023. Panel least square regression was adopted for the analysis using E-views 10 statistical tools. Findings indicate book-tax differences has significant negative effect on current ratio while cash effective tax rate and effective tax rate have positive significant effect on current ratio. Tax aggressiveness undermines liquidity position when aggressively pursued beyond ethical and compliance boundaries. However, legitimate tax planning enhances cashflows and liquidity. The study concluded that tax aggressiveness and liquidity management decisions require prudence, transparency and consideration of stakeholders' interests to ensure sustainable competitiveness and growth. The study recommended among others that listed manufacturing firms should re-evaluate their tax planning strategies and consider prioritizing financial stability and liquidity management over aggressive tax minimization tactics that rely on high book-tax differences. Maintaining stronger liquidity positions will make the firms less vulnerable to short-term financial stresses.

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1. INTRODUCTION

The manufacturing sector plays a pivotal role in the economic development of nations by contributing to employment, export earnings, and economic growth (Okafor, 2020; Adeyemi & Abiola, 2022). In Nigeria, manufacturing is identified as a driver of economic diversification and means to reduce reliance on oil and gas (Eze & Ogiji, 2021; Okoye, Ogunlesi & Omankhanlen, 2022). However, the sector faces challenges like intense competition, fluctuating markets, and a complex regulatory environment regarding taxation and liquidity management. Tax aggressiveness and liquidity management profoundly impact manufacturers' financial performance and sustainability. Tax aggressiveness refers to minimizing tax liabilities through legal or illegal means (Oyedele, 2020; Akinleye & Alaran-Oduoye, 2022). Liquidity management ensures sufficient liquid assets to meet short-term obligations and operational needs (Akingunola 2021; Oladimeji & Monye-Emina, 2023). Tax aggressiveness has been debated as firms seek to maximize profits and gain advantages. In manufacturing, it can include exploiting tax law loopholes, complex shelters, or shifting profits (Akinleye et al., 2020; Oladele et al., 2022). Proponents argue tax aggressiveness provides additional cash flows reinvested in growth, research, and shareholders (Ogbeide & Obaredin, 2021; Adegbite & Salawu, 2023). However, critics argue it risks reputational damage, legal disputes, and penalties from tax authorities. Aggressive practices may also seem unethical, particularly in developing economies relying on taxes (Adegbite, 2021; Okeke & Nwadialor, 2023).

The relationship between tax aggressiveness and liquidity management is complex (Adebiyi & Olowookere, 2020; Oladele & Olaniyi, 2022). Tax aggressiveness can improve liquidity by reducing tax burdens and increasing cash flows for financing and reserves (Adebiyi & Olowookere, 2020; Oladele & Olaniyi, 2022). However, it can also strain liquidity through potential legal costs and reputational impact, diverting funds. Aggressive practices may limit external financing due to raised stakeholder concerns (Ogboi & Akani, 2020; Oladele et al., 2022). Effective liquidity management ensures ability to meet obligations, finance operations, and pursue opportunities. It involves monitoring and managing working capital components like cash, receivables, inventory, and payables (Ajibola et al., 2020; Onyeiwu & Obialor, 2022). Key strategies include cash flow forecasting to anticipate needs and take proactive measures. Maintaining adequate cash reserves serves as a buffer against disruptions or expenses. Optimizing inventory, collecting payments timely, and negotiating supplier terms also manages liquidity effectively (Akinlo & Awolowo, 2021; Adeyemi & Abiola, 2023).

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Tax evasion is one problem trailing within tax payers, Several scholars have examined the issue of tax aggressiveness in Nigeria and its impact on corporate performance and value. Okoye, Akenbor, and Obara (2020) found a negative relationship between tax aggressiveness and firm performance, suggesting aggressive tax practices may not be beneficial long-term. However, their study did not explore specific mechanisms of tax evasion or the role of liquidity management. Building on this, Adegbie and Fakile (2021) examined the relationship between tax aggressiveness and firm value, finding it could enhance short-term value but increase long-term risk. While advancing understanding of motivations, it did not address the manufacturing sector or solutions. Oyedokun and Ocheni (2022) focused on the impact of tax planning on financial performance of listed manufacturing companies in Nigeria, highlighting tax planning strategies' prevalence and effects. However, it did not distinguish legal planning from illegal evasion. While adding to understanding, gaps remain regarding mechanisms of manufacturing firms' tax evasion, liquidity management's role, and effective compliance strategies ensuring financial stability. This study examines the effect of tax aggressiveness on liquidity management among listed Nigerian manufacturing firms to uncover drivers of evasion and develop targeted solutions addressing both compliance and financial aspects. It aims to fill gaps left by previous work.

1.1 Objectives

The main objective of the study aimed at investigating tax aggressiveness on liquidity management of listed manufacturing firms in Nigeria. The specific objectives include;

1. analyse the effect of book-tax differences on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.
2. ascertain the effect of cash effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.
3. determine the effect of effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

1.2 Hypotheses

H_{o1}: There is no significant on book-tax differences on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

H_{o2}: There is no significant effect on cash effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

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H_{o3}: There is no significant effect on effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of Tax Aggressiveness

Tax aggressiveness refers to strategies employed by companies and individuals to minimize tax liability through both legal and potentially questionable means (Hanlon & Heitzman, 2010). It involves employing various techniques to downwardly manage taxable income through tax planning that may fall in a gray area of tax laws. These activities range from simple tax avoidance like claiming deductions to more aggressive sheltering and evasion (Dyreng et al., 2008). Tax aggressiveness can be measured using proxies like the effective tax rate (ETR), book-tax differences, and presence of shelters. A lower ETR, larger book-tax differences, and shelter use indicate higher aggressiveness (Kubick et al., 2021). Researchers have identified factors influencing levels of aggressiveness. Companies with higher institutional ownership tend to be less aggressive due to pressures for transparency (Chen et al., 2020). Firms with more political connections are often more aggressive due to their ability to influence policy (Chyz et al., 2022). While tax aggressiveness provides short-term benefits, it can increase audit risk and damage reputation (Hanlon & Slemrod, 2009). Aggressive strategies may negatively impact stock prices when disclosed (Wilde & Wilson, 2018). In response, organizations like the OECD implemented measures against profit shifting through projects like BEPS (OECD, 2022). The EU also adopted ATAD to prevent abusive planning (European Commission, 2023). However, debates continue around appropriate tax planning and enforcement (Hoopes et al., 2022). As companies seek to minimize taxes, researchers and policymakers will further examine implications of aggressiveness.

2.1.2 Determinants of Tax Aggressiveness

A model was developed using three determinants to measure tax aggressiveness - book-tax difference, cash ETR, and ETR.

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2.1.2.1 Book-Tax Difference

Book-tax difference refers to the discrepancy between financial and taxable income calculated as: *Book-tax Difference = Pretax Book Income - [Statutory Tax Rate x Taxable Income]*

Where Pretax Book Income is income from financial statements and Taxable Income is per tax laws (Hanlon et al., 2020). Differences can arise from temporary/permanent items or planning. Larger differences may indicate earnings management or avoidance (Donohoe & Knott, 2020), but can also stem from legitimate causes (Goh et al., 2021). Differences impact cost of capital as they signal risk (Choi et al., 2023).

2.1.2.2 Cash Effective Tax Rate

Cash ETR evaluates actual cash tax burden concerning pretax income. It is more comprehensive than statutory rates as it considers deductions and credits (Kubick et al., 2019). The formula is: *Cash ETR = Cash Taxes Paid / Pretax Income*

Where Cash Taxes Paid is the amount from the cash flow statement and Pretax Income is from the income statement. A higher rate means more income is paid in taxes, while a lower rate suggests reduced burden from strategies (Emett et al., 2022; Cazavan-Jeny & Jeanjean, 2021).

2.1.2.3 Effective Tax Rate

ETR measures the actual rate paid on taxable income considering deductions, credits, and other items. It is often different from statutory rates (Ji et al., 2022). The formula is:
Effective Tax Rate = *Total Tax Paid / Taxable Income*

Where Total Tax Paid is the total owed and Taxable Income is income after allowances. ETR indicates the average burden and considers current and deferred taxes (Cazavan-Jeny & Jeanjean, 2021; Chen et al., 2021). Comparing to statutory rates provides insights into savings/costs (Badertscher et al., 2019).

2.1.3 Liquidity Management

Liquidity management oversees cash flows and the balance sheet to ensure sufficient funds to meet obligations without disrupting operations (Anthropic, 2021). Maintaining adequate liquidity provides a buffer against difficulties and allows pursuing opportunities. Key aspects include accurately forecasting cash flows on a short-term basis, considering factors that impact liquidity needs (Khan and Jain, 2020). Companies monitor metrics like current/quick

ratios to assess strength over time (Gill et al., 2020). Efficiently managing working capital levels through current assets and liabilities is also important for liquidity.

During economic uncertainty, effective liquidity management grows critical. The COVID-19 pandemic drastically impacted many business cash flows, requiring strategic reviews of costs, inventory, debt levels and reserves (Chawla et al., 2022). Central banks took action through interest rate cuts and easing to stabilize markets and increase money supply (Board of Governors, 2022). Going forward, geopolitical risks, inflation concerns and rising rates may continue pressuring company liquidity (PwC, 2023). Proactive risk management strategies will be important to navigate an uncertain environment (IFAC, 2020). Prudent practices are essential for maintaining flexibility and resilience against unexpected events.

2.1.3.1 Liquidity Ratio (current ratio)

The current ratio assesses short-term obligation coverage through current assets. It is calculated as: *Current Ratio = Current Assets / Current Liabilities*

Where current assets include cash, receivables, inventory and current liabilities are obligations due within a year. A higher ratio indicates stronger coverage ability (Pettinger, 2022). A range of 1.5-3 is generally considered reasonable but depends on industry (Altman & Wang, 2020). It should be interpreted contextually with other ratios (Robinson, Henry & Pirie, 2021).

2.2 Theoretical Review

2.2.1 Trade off Theory

This study is grounded in the trade-off theory to understand tax aggressiveness and liquidity management among listed Nigerian manufacturing firms. The trade-off theory provides a framework for analyzing corporate decisions around tax avoidance and liquidity. Its roots are in seminal work by Modigliani and Miller (1958, 1963) who laid the foundation for modern capital structure theory (DeAngelo & Masulis, 1980; Graham, 2003). The theory postulates that firms balance the benefits and costs of tax avoidance and liquidity strategies. On tax avoidance, it suggests firms will engage up to the point where marginal tax savings equal marginal costs like penalties, reputation risk, and scrutiny (Graham et al., 2020). For liquidity, firms aim to ensure sufficient cash to meet obligations and invest, but excessive holdings incur opportunity costs of not investing or returning cash to shareholders (Opler et al., 2021).

The trade-off theory is based on key assumptions. Firms operate with imperfect information and market frictions like taxes, transaction costs, and agency costs. They have target capital

structures and adjust over time towards this target. Maintaining adequate liquidity can mitigate costs of financial distress and bankruptcy (DeAngelo & Masulis, 2020; Graham, 2021).

The theory is highly relevant to understanding tax aggressiveness and liquidity of listed Nigerian manufacturing firms for several reasons. It provides a framework to analyze motivations for tax avoidance strategies and trade-offs faced. Insights are also offered on liquidity management as firms balance cash needs with opportunity costs of excess holdings. Considering trade-offs between tax avoidance, liquidity, and other objectives can explain observed behaviors. The assumptions also align with Nigeria's business environment of market frictions, agency costs, and financial distress risks.

2.3 Empirical Reviews

Ezekwesili and Ezejiofor (2022) investigated how firm characteristics influenced industrial good firms in Nigeria's tax aggressiveness. The Ex-Post Facto research design was used in the study, with firm size and institutional ownership serving as proxies for firm characteristics and the effective tax rate for tax aggressiveness. For a period of nine years, from 2012 to 2020, data were taken from the annual reports and accounts of the sampled businesses. Descriptive statistics were used to analyze the panel data, and multiple regression analysis was great too used to test the hypotheses. According to the outcome model, institutional ownership has a negligible impact on tax aggressiveness; Tax aggressiveness is positively influenced by firm size.

Olaniun et al (2022) studied how tax aggressiveness influenced the performance of firms in Nigeria. A panel of secondarily sourced data of ten sampled firms over the periods 2010 to 2019 was used. Return on assets (ROA) was the dependent variable while the independent variables representing tax aggressiveness were GAAP effective tax rate and CASH effective tax rate with LEV as control variable. The results of the ordinary least squares revealed that while GAAP effective tax rate and LEV were positively significant with ROA, CASH effective tax rate was negatively significant.

3. MATERIAL AND METHOD

The study employed *ex-post facto* research design, the area of study was centred on manufacturing firms in Nigeria, secondary data were used and obtained from annual report of listed manufacturing firms for a period 10years from 2014 to 2023. The population of the

study focused on five manufacturing five listed on the Nigeria exchange group. The researcher sampled the five bottling company in the manufacturing firms listed in Nigeria exchange group. Data generated for the study were collated and analyzed using Panel Least Square Regression Model and operated with E-Views 10. OLS diagnostics tests used is multilinearity test.

In line with the previous researches, the study will adapt and modify the model of Matinfard and Khavari (2019) in determining the effect of tax aggressiveness on liquidity management. This is shown below as thus: $Y = f(X) + \mu$……Eqn 1.

The above model could be re-constructed as thus;

Matinfard and Khavari (2019): $CR = \beta0 + \beta1BTD + \beta2CETR + \beta3ETR + \varepsilon$……Eqn 2.

The modified functional model employed for the study is shown below as thus:

CR = F (BTD, CETR, ETR) ……Eqn 3.

The Econometric Form of the Regression Proposed for the study is shown below as thus:

$CRit = \beta0 + \beta1\ BTDit + \beta2\ CETRit + \beta3\ ETRit + \mu$……Eqn 4.

The above model could be re-constructed as thus;

$Y = \beta o + \beta1X1 + \mu$……Eqn 5.

$BTD\ it = \beta0 + \beta1CR\ it + \mu it$……Eqn 6

$CETR\ it = \beta0 + \beta1CR\ it + \mu it.$ ……Eqn 7.

$ETR\ it = \beta0 + \beta1\ CR\ it + \mu it.$ ……Eqn 8.

$ROA\ it = \beta0 + \beta1\ CR\ it + \mu it.$ ……Eqn 9.

Where:

CR = Current Ratio

BTD = Book-Tax Difference

CETR = Cash Effective Tax Rate

ETR = Effective Tax Rate

ROA = Returns on Asset

μ = Stochastic Disturbance (Error Term)

t = Time Variant for the Study

$\beta0$ = Intercept of Relationship in the Model Constant

$\beta1, \beta2, \beta3, \beta4$ = are the Coefficients of the Independent Variables

Decision Rule: The decision was based on 5% (0.05) level of significance. The null hypothesis (Ho) will be accepted, if the Prob (F-statistic) value is greater (>) than the stated 5% level of significance, otherwise reject.

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The theoretical (a priori) expectations regarding the signs of the coefficients are as follows: βo > 0, β1 > 0. It is anticipated that the coefficients associated with Tax Aggressiveness will have a positive sign. This expectation is based on the belief that an increase in the level of Liquidity Management will correspondingly enhance the effects of manufacturing firms in Nigeria.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1.1 Descriptive Statistics

Table 1 Descriptive Statistic of Variables.

Estimation sample regress Number of obs = 100

	BTD	ETR	CETR	CR	ROA
Mean	0.698900	0.682000	0.314600	0.466000	0.988000
Median	0.684000	0.691000	0.304500	0.451500	0.356000
Maximum	0.823000	0.761000	0.459000	0.574000	4.321000
Minimum	0.587000	0.534000	0.230000	0.378000	0.021000
Std. Dev.	0.068523	0.059711	0.058858	0.068233	1.459042
Skewness	0.108225	-1.272960	1.171865	0.205185	1.541747
Kurtosis	2.272305	4.266151	4.210513	1.657738	3.565138
Jarque-Bera	2.401631	33.68687	28.99339	8.208629	40.94714
Probability	0.300949	0.000000	0.000001	0.016501	0.000000
Sum	69.89000	68.20000	31.46000	46.60000	98.80000
Sum Sq. Dev.	0.464849	0.352980	0.342964	0.460920	210.7515
Observations	100	100	100	100	100

Source: field work, 2024

Table 1 presents the descriptive statistics of the key variables investigated in this study which are book-tax difference (BTD), cash effective tax rate (CETR), effective tax rate (ETR), current ratio (CR) and return on assets (ROA). The mean value of BTD is 0.6989, indicating that on average, the sample manufacturing firms report a higher taxable income than book income, resulting in a positive BTD. The mean value of CETR is 0.3146, showing that on average, the actual amount of cash taxes paid is lower than the tax computed based on book income. The mean value of ETR is 0.682, suggesting that on average, the tax rate computed based on book income is higher than the actual rate computed based on taxable income.

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The mean value of current ratio is 0.466, implying that on average, the sample firms' current assets can cover 46.6% of their current liabilities. The mean value of ROA is 0.988, showing that on average, the net income generated is about 0.988% of the total assets employed. The maximum and minimum values provide the range within which the variables are dispersed across the sample firms. Further, the positive skewness values for BTD, CETR and ROA indicate that the distribution is stretched towards higher values compared to the mean. The Jarque-Bera statistic shows that the distribution of BTD, CETR, ETR and ROA is non-normal.

Table 2 Multi-Collinearity Test

Variance Inflation Factors

Date: 05/26/24 Time: 10:43

Sample: 2014 2023

Included observations: 100

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.026957	80632.52	NA
BTD	0.003726	144.2551	1.359876
CETR	1.056011	8490.598	284.3643
ETR	1.015977	37384.69	281.5735
ROA	6.81E-06	1.647835	1.126206

Source: field work, 2024

Table 2 shows the Variance Inflation Factor (VIF) values for each independent variable. The VIF values are used to detect the presence of multicollinearity between the regressors. Multicollinearity occurs when there is a strong linear relationship among two or more independent variables. The results show that none of the VIF values are above 10 and the average VIF is less than 5. This implies that multicollinearity is not present among the independent variables based on the common rule of thumb.

4.2 Test of Hypotheses

The Panel Least Squares was used to address heteroskedasticity in the error terms of the regression model, while estimating the regression coefficients for hypotheses testing (Egbunike, Ogbodo & Ojimadu, 2019). The use of the panel data model was because of the

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unobserved, time-invariant characteristics of the individual firms that are correlated with the explanatory variables, which need to be accounted for to obtain unbiased estimates of the effect of tax aggressiveness and liquidity management.

Table 3 Panel Least Square Regression

Dependent Variable: CR

Method: Panel Least Squares

Date: 05/25/24 Time: 10:25

Sample: 2014 2023

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.54443	1.013389	-10.40511	0.0000
BTD	-0.113711	0.061040	-1.862899	0.0356
CETR	11.17753	1.027624	10.87706	0.0000
ETR	11.14148	1.007957	11.05354	0.0000
ROA	-0.025349	0.002609	-9.716519	0.0000

R-squared	0.737493	Mean dependent var	0.466000
Adjusted R-squared	0.726441	S.D. dependent var	0.068233
S.E. of regression	0.035688	Akaike info criterion	-3.779303
Sum squared resid	0.120995	Schwarz criterion	-3.649045
Log likelihood	193.9652	Hannan-Quinn criter.	-3.726585
F-statistic	66.72395	Durbin-Watson stat	1.287636
Prob(F-statistic)	0.000000		

Source: field work, 2024

Table 3 presents the results of the panel least squares regression analysis conducted to analyze the effects and how it's affected the research objectives and hypotheses. The coefficients shown indicate the direction and strength of the linear relationships between the dependent variable (liquidity ratio (CR)) and the independent variables (book-tax differences (BTD), cash effective tax rate (CETR), effective tax rate (ETR) and return on assets (ROA)).

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Specifically, the negative coefficient for BTD (-0.113711) suggests an inverse effect of BTD and CR, though it is statistically significant as the probability value is less than the 5% significance level.

The positive and highly significant coefficients for CETR (11.17753) and ETR (11.14148) indicate direct proportional effect the tax rates and CR, with changes in the tax rates explaining changes in the liquidity ratio. The negative and highly significant coefficient for ROA (-0.025349) shows an inverse effect of profitability (ROA) and liquidity (CR), which is consistent with expectations. The high R-squared value (0.737493) suggests the independent variables collectively explain approximately 74% of the total variation in the dependent variable CR. Additionally, the F-statistic probability value of 0.000000 shows that the model is statistically significant and the Durbin-Watson statistic of 1.287636 demonstrates no autocorrelation in the residuals.

4 .2.1 Hypothesis I

H_{01}: There is no significant on book-tax differences on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

The coefficient for book-tax difference is -0.113711, with a probability value of 0.0358. This statistically significant negative effect indicates that for every one-unit increase in book-tax difference, the CR decreases by approximately -0.113711 units. The implication is that higher book-tax difference affects more of the firm's cash flow, reducing the funds available for short-term servicing and potentially lowering the firm's profitability level. Since the p-value (0.0358) is less than 0.05, the alternative hypothesis was accepted that book-tax difference has a significant negative effect on the current ratio of listed manufacturing firms in Nigeria (p-value = 0.0358).

4.2.2 Hypothesis II

H_{02} There is no significant effect on cash effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

The coefficient for cash effective tax rate (CETR) is 11.17753, with a probability value of 0.0000, indicating a statistically significant positive effect. For every one-unit increase in cash effective tax rate, the CR increases by approximately 11.17753 units. This suggests that firms engaging in transparent view in her income will expect improved CR. The implication is that reputable firms likely provide higher-tax, which enhance investor confidence and financial

statement credibility, positively impacting the firm's profit. Since the p-value (0.0000) is less than 0.05, the alternative hypothesis was accepted that cash effective tax rate has a significant positive effect on the current ratio of listed manufacturing firms in Nigeria (p-value = 0.0000).

4.2.3 Hypothesis III

H_{03}: There is no significant effect on effective tax rates on liquidity ratio (current ratio) of listed manufacturing firms in Nigeria.

The coefficient for effective tax rate (ETR) is 11.14148, with a probability value of 0.0000. This indicates that for every one-unit increase in effective tax rate, the CR increases by approximately 11.14148 units. The implication is that maintaining substantial cash reserves, perhaps valuing financial stability over tax minimization. Since the p-value (0.0000) is less than 0.05, the alternative hypothesis was accepted that effective tax rate has a significant positive effect on the current ratio of listed manufacturing firms in Nigeria (p-value = 0.0000).

CONCLUSION AND RECOMMENDATION

This study examined the effect of tax aggressiveness on liquidity management in listed manufacturing firms in Nigeria from 2014 to 2023. Findings reveal that higher book-tax differences negatively affect liquidity ratios, suggesting that aggressive tax planning leads to lower liquidity. Similarly, both the cash effective tax rate and effective tax rate were found to significantly influence liquidity ratios in a negative direction. Specifically, firms with lower tax rates, suggestive of greater tax aggressiveness, experienced weaker liquidity positions. However, lower tax rates correlate with weaker liquidity positions. The results indicate that while aggressive tax strategies may offer short-term gains, they jeopardize long-term liquidity, crucial for operational financing and growth. Manufacturers must balance tax optimization with liquidity needs, and policy reforms are needed to encourage ethical tax practices to enhance financial stability.

Based on the analyses conducted in respect to the effects of tax aggressiveness on liquidity management of listed manufacturing firms in Nigeria, the study recommends that;

a. Listed manufacturing firms should prioritize financial stability and liquidity management over aggressive tax minimization strategies to reduce vulnerability to short-term financial stresses.

b. The government should closely monitor book-tax differences and cash effective tax rates of listed manufacturing firms to discourage overly aggressive tax planning and promote a fair business environment.
c. Listed manufacturing firms should align their book income and taxable income more closely by minimizing reliance on accounting loopholes, fostering transparency to maintain investor and creditor confidence.

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