

## International Transfer Pricing and Performance of Supranational Companies in Nigeria West Africa

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### Abstract

The study examined the relationship between international transfer pricing and the performance of supranational companies in Nigeria. The study used secondary data from the Central Bank of Nigeria (CBN) Statistical Bulletin, the Federal Inland Revenue Service (FIRS), the World Bank Statistical Bulletin, and annual reports and accounts of the sampled multinational companies. The study used panel regression analysis. The results of the study showed that interest rates and import duties have a significant and positive effect on the performance of supranational corporations in Nigeria. The study further found that corporate income tax and exchange rate have a significant and negative impact on the performance of supranational corporations in Nigeria. Based on the results, the study concluded that international transfer pricing has a significant impact on the performance of supranational companies in Nigeria, particularly when international transfer pricing is measured using interest rates, exchange rates, corporate income taxes and import duties; while performance is measured by profit after tax. The study therefore recommended that supranational companies should develop a system to defend themselves against exchange rate and corporate taxes caused by unforeseen exchange rate movements and double taxation.

**Keywords:** Interest rate, Exchange Rate, Company Income Tax, Custom Import Duty, Performance

**JEL Classification:** T22, P12

### 1.0 Introduction

There have been several academic and literary studies on international transfer pricing in supranational organizations, and no country, industry, or nation has escaped the good or bad externalities of globalization (Pryma, 2017). In a broad sense, transfer pricing refers to the process of determining internal prices (also known as "transfer prices") at which goods, services, money, and other assets are transferred from one business unit to another, as well as the subsequent calculation of each business unit's financial performance taking these transfer prices into account. Sometimes these transactions take place via specialized intermediate units (transfer centers), rather than directly between units (Jensen & Meckling, 2016).

At the same time, transfer pricing is often described in economic and legal literature as misrepresenting the contractual price or distributing earnings or losses to reduce taxes (Jensen et al., 2016; Danies, 2014). Due to their uncertain position in the process of globalization, multinational firms are important participants in the shifting economic landscape (Pryma, 2017). Multinational corporations and nations have a complicated relationship that is only becoming more so.

The impact of international transfer pricing on the performance of supranational companies in Nigeria is one of the aspects of current interest. Therefore, the research aims to determine the present state of the chosen six (6) transnational firms that operate in Nigeria..

## **2.0 Literature Review**

### **2.1 Conceptual Review**

#### **2.1.1 Transfer Pricing**

Transfer pricing" refers to the process of determining internal prices (also known as "transfer prices") at which products, services, money, and other assets are moved from one business unit to another, as well as the subsequent measurement of each business unit's financial performance taking these transfer prices into account. Sometimes these transactions take place via specialized intermediate units (transfer centers), rather than directly between units (Fields & Mais, 2004)

Transfer pricing disputes between tax authorities in various nations will rise as a result of the inconsistent propagation of national legislation, creating the unfavorable condition of double taxation of multinational corporations, which may result in significant financial losses. The multinational corporations really identify where they produce value and what the right amount of taxes is for each of the nations involved via transfer pricing, which refers to prices utilized and charged across firms within the same multinational corporation. Therefore, the tax authorities constantly assess the appropriateness of these internal pricing arrangements (Kim & Lu, 2011).

#### **2.1.2 Interest Rate**

Interest rates, or more specifically, the cost of credit, are what you pay to borrow money. They are referred to as a fee on borrowed capital or the "rent" on borrowed capital. The risk that the lender assumes of not getting their money back affects the rates. In transactions involving borrowing, interest is charged. This is a straightforward example of the Arm's Length Principle where a willing buyer and seller are present; in order to make a loan, there must be a borrower who wants to use the principal and a lender who is willing to risk their capital. The opportunity costs, lender risks, and overall economic conditions make up the interest rate. The interest levied may be termed interest, or occasionally it is hidden as a fee (Hansen 1992). (Hansen 1992).

#### **2.1.3 Exchange Rate**

The price of a unit of foreign currency in relation to the local currency is known as the exchange rate (Nydahl, 1999). The fundamental connection between the domestic and international markets for a variety of goods, services, and financial assets is the exchange rate (Reid & Joshua, 2004). The price of a country's currency expressed in another currency is known as the exchange rate. It establishes the relative costs of domestic and imported goods as well as the degree of the external sector's involvement in world trade.

#### **2.1.4 Company Income Tax (CIT)**

Companies in Nigeria are required to pay a tax on their net income, known as corporate income tax or corporation tax. Taxes paid as a percentage of a company's declared earnings were 45% in the 1980s but are currently just 30%. This is supported by Adereti (2016) and Fama and French (2014), who state that a 30% tax is due each year that a company's earnings are valued. The Company Income Tax Act (CITA) of 1979, as modified, applies to it. Simply said, the taxation of corporate earnings in Nigeria is now authorized under the Company Income Tax Act 1990. The government requires the submission of tax receipts in connection with any official management responsibility by corporations, making this tax easy to collect. This encourages subservience. Unfortunately, Nigeria's business income tax administration falls short of expectations. Nigeria would do badly on the traditional fairness, certainty, convenience, and management efficiency measures if they are implemented. Self-employed people and those who work for private companies that aren't publicly traded are more likely to avoid paying their fair share of taxes because of lax oversight. Therefore, corporate income tax is crucial to the Nigerian government's finances (Hanlon & Slemrod, 2009).

### **2.1.5 Custom Import Duties (CID)**

Taxes on domestically produced goods are known as excise duties, whereas taxes on imports are known as customs duties. Cigarettes, tobacco, furniture, etc., are subject to excise duties, which are a kind of tax levied by the government to raise revenue and reduce demand for products seen as detrimental to the public's health. Defending domestic industry against competitive foreign industries is a legitimate application of customs tariffs. Value, size, and other factors that the government sets affect how much money must be paid in customs fees. Excise taxes and customs tariffs predate all other current taxing systems by decades. Those findings may be seen in (Anderson & Reeb, 2003).

### **2.1.6 Performance**

The European Central Bank (2010) defined corporate financial performance as an organization's ability to achieve sustained profitability over a certain time frame. The ability to turn a profit strengthens a bank's buffer against losses by increasing its equity and allowing it to reinvest in the business for future growth. According to Alabede (2012), the profitability of banks is affected by both internal and external variables. External factors include macroeconomic variables like financial structure, currency rate, inflation rate, and economic growth, whereas internal aspects include things like liquidity, capital sufficiency, high operational expenditures, etc. As a consequence, these elements have a knock-on impact on business operations, and shareholders will choose to back a profitable firm.

### **2.1.7 Interest Rate and Performance**

An organization's access to external sources of funding may be impacted by the interest rate, which influences the cost of debt and the availability of money and credit throughout the economy. A company's after-tax net cash flow, cost of capital, product demand, and even viability are all susceptible to changes in tax policy. Prior to interest rate liberalization, rates were managed centrally, but thereafter they are set by the market (Loto, 2012). Inflation expectations, real interest rate differentials, surplus liquidity, and domestic and international interest rate differentials (i.e., assuming there are no constraints on the movement of capital) are now driving interest rates. Cargill (1991) identifies two methods—the Liquidity Funds Approach and the Loanable Funds Approach—for calculating interest. These methods presume that the actual economy always provides a stable baseline for wages and employment. Investment and saving choices are heavily influenced by interest rates. In order to implement their monetary policies, central banks primarily use interest rates. Exchange rates may be affected by interest rates. Short-term financial investments tend to increase in response to a rise in the relative interest rate ( $r$ ), since higher rates are associated with the expectation of larger returns. Looking at the difference in bank interest rates between the two nations is the easiest method to see this in action. It makes sense for companies to move their bank accounts to UK banks if UK interest rates on deposits are 5%, compared to US deposit interest rates of 3%.

The result will be more demand for the pound and a larger supply of dollars. If the demand for the British pound rises, the value of the pound will rise against the US dollar, leading to an increase in the pound's exchange rate. However, exchange rates are also affected by people's anticipation of future shifts. Over the long term, increased interest rates ( $r$ ) have a chilling impact on the willingness of multinational corporations to make new investments. Bank deposits increase in response to a rise in interest rates, but the cost of capital rises because of the increased risk of losing money on investments (Barron's, 1994, referenced by Murphy, 1996).

Since companies around the world rely heavily on access to credit, it makes sense for them to put money into regions with a friendlier loan environment, where they can hopefully see a return on their investment..

### **2.1.8. Exchange Rate and Performance**

A foreign currency unit's cost expressed in terms of the home currency is called the exchange rate (Nydahl, 1999). The exchange rate is the primary mechanism through which the domestic and global markets for commodities, services, and financial assets are connected (Reid & Joshua, 2004). To put it simply, an exchange rate is the cost of one currency in terms of another. It establishes how actively the external sector engages in international commerce and how much local products cost in comparison to their overseas counterparts. More and more nations are accepting trade liberalization as a precondition for economic progress, but the exchange rate regime and the interest rate remain key matters of contention in international finance and in emerging countries (Owolabi & Adegbite, 2017). The exchange rate may be used to make direct comparisons between the costs of the same commodities, services, or assets in other currencies. Both current inflation and anticipation of future price inflation are susceptible to variations in the exchange rate (Owolabi & Adegbite, 2017). It is common for fluctuations in the value

of the currency to have an immediate impact on the cost of imported products and services in the domestic market. The foreign sector of a nation may be impacted by changes in the exchange rate because of the effect on exports and imports. The cost of a country's foreign debt service may be affected by the exchange rate (Oladipupo & Onotaniyohuwo, 2011).

Foreign currency's value in relation to the domestic currency under a floating exchange rate system is set by market forces of supply and demand, just like the value of any other product or service on the market. In a system with a fixed exchange rate, the central bank decides on an arbitrary value for the local currency relative to the foreign currency. There may be periodic adjustments to the nominal value (Guney, 2014).

### **2.1.9. Company Income Tax and Performance**

Companies in Nigeria are required to pay a tax on their net income, known as corporate income tax or corporation tax. Taxes paid as a percentage of a company's declared earnings were 45% in the 1980s but are currently just 30%. To bolster their case, Fama & French (2014) proposed a 30% tax on the annual profit value of each given corporation. The Company Income Tax Act (CITA) of 1979, as modified, applies to it. An increase in corporate income tax will decrease the company's profit after tax, a major key performance indicator used by the research on this work, because the objective of international Transfer Pricing is to: - reduce taxes, duties, and tariffs, and reduce foreign exchange risks.

### **2.1.10. Custom Duty and Performance**

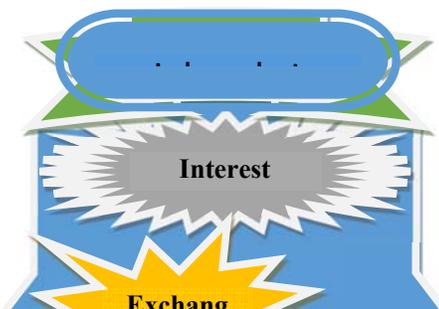
Taxes called customs duties are placed on foreign-made products entering the country, whereas taxes called excise duties are applied to the same products when they are produced in the home country. Value, size, and other government-mandated factors are often used to determine the amount of money to be paid in customs duties. The first examples of contemporary taxation may be found in customs and excise (Anderson & Reeb, 2003). Like corporate income tax, customs duty has a detrimental effect on the profitability of multinational corporations operating in Nigeria. Companies' bottom lines will be favourably influenced if the cost of importing and exchanging products and services between subsidiaries or divisions of MNCs is decreased due to a reduction in customs duties.

### **2.1.11. Impact of Taxation on Transfer Pricing and the Host Country**

Numerous academics have examined how transfer pricing affects economies. According to Obaji (2005), global corporations may mitigate the consequences of inflation and currency fluctuations via the use of transfer pricing. As it pertains to numerous processes, including taxes, manufacturing, marketing, and fiscal policy, it also aids in the achievement of MNCs' long-term goals. According to research conducted by Pantzalis (2015), transfer pricing in France decreased export value by 0.7% while increasing import value by 0.5%; as a consequence, the national income tax was lowered by nearly \$8 billion in 2008 and much more so in subsequent years. Because of this, the possibility of double taxation on stated income that is less than real income is mitigated by the tax system. In order to minimize their taxable revenue, multinational corporation (MNC) subsidiaries often engage in transactions with one another or with their parent organization, taking advantage of favorable tax treatment and transfer pricing. Governments in a lot of places are OK with these deals, but that doesn't mean businesses can't keep their distance (ALP). The ALP is an OECD guideline for managing the relative costs of trading partners. The real worth of a firm may be understated due to transfer pricing. It is common practice for host governments to actively court multinational corporations as a means of economic growth and development, issuing regulations designed to welcome foreign investment while keeping negative impacts to a minimum.

However, many nations' tax authorities hold FDI firms responsible for tax losses that hurt the national budget. There are others who believe multinational corporations are to blame for the current macroeconomic crisis because of the way they have rearranged national capital. Unfair competition and inequality between similar businesses in the host country are the results of transfer pricing. Indeed, FDI firms, particularly multinationals, have adjusted their policies to meet the challenges of contemporary markets. When businesses have a clear idea of where they want to go, transfer pricing isn't a viable approach to get there.

### **2.1.12. Conceptual Framework on International Transfer Pricing and Performance of Supranational Companies in Nigeria**



## **2.2 Theoretical Review**

### **2.2.1. Resource Dependence Theory:**

In their 1970 book *The External Control of Organizations*, Jeffrey Pfeffer and Gerald R. Salancik presented the concept of resource reliance for the first time. They claimed that resources were the driving force behind every successful business. The focus of Resource Dependence Theory (RDT) is on how different resources might influence the actions of a business. Because it does not always have complete control over the resources it need, a business must use methods to ensure continued access. This idea posits that persons in positions of authority over vital resources are in a position to have significant influence over the actions of others in those positions. Similarly, the actions of a company that is reliant on these essential resources will change.

Pfeffer and Salancik (1978) went on to argue that an organization's optimal departmental structure, board member and employee recruitment, production strategy, contract structure, external organizational links, and many other aspects of organizational strategy are all affected by its dependence on resources from the corporate environment. There are a number of additional organizations present in the environment. Therefore, it is frequently the case that the organizations who own the resources a given company need are not the ones that control those resources. An individual's ability to exert influence is based on their access to resources. Consequently, groups that are separate from one another legally might support one another.

Organizational power as resource dependence Organization B is equivalent to Organization A in that B relies on Organization A for resources. As a result, power is contextual, contextualizable, and possibly shared. In order to function, businesses need a wide variety of resources, such as people, money, supplies, etc. As a result of the wide variety of resources at their disposal, it's possible that organizations may struggle to oppose them all. Because of this, businesses should follow the criticality principle and the scarcity principle. In order to carry out its duties, an organization needs have access to a number of critical resources.

### **2.2.2. Empirical Review**

Osho and Efuntade (2019) analyzed how changes in the value of the naira affected the profitability of multinational corporations operating in Nigeria. This research looked at how changes in the currency rate affected the profitability of MNCs operating in Nigeria. An OLS (ordinary least squares) linear regression analysis was performed on the data. The research indicated that MNCs' performance in Nig is significantly affected by changes in the currency rate. The research found that the fluctuating value of the naira is having an effect on commercial activity in Nigeria. Williams (2018) analyzed how changes in the value of the naira affected the profitability of Nigerian businesses. Once the effects of currency fluctuations had been proven in the academic literature, it was crucial to investigate these effects in Nigeria.

In this investigation, we posed seven research questions and then tested seven hypotheses. The primary goal of the research was to analyze the effects of currency volatility on ROI using empirical data. The research makes use of simple least squares and descriptive statistics. The study looks at panel data from the years 2012-2016. Since most banks engage in foreign exchange transactions, the results show that currency exchange rates significantly affect investment returns. Based on the regression, it seems that the ROI is positively correlated with the 145.4265 USD/CHF exchange rate. As a result, a rise of 145.4265 basis points in the exchange rate will result in a rise of 145.4265 percentage points in the rate of return. We reject the null and accept the alternative hypothesis that the exchange rate has a substantial association with the return on investment since the T value obtained in the research is 0.287, which is larger than 0.05, i.e.  $H_1: 287 > 0.05$ . (firm performance). Other research characteristics also correlate well with ROI. In the regression analysis, the coefficient of determination is high. It demonstrates that the model's independent variables account for around 67% of the overall variance in ROI.

The effects of the exchange rate on the Nigerian economy were experimentally evaluated by Ayodele (2014). Changes in Nigeria's GDP were analyzed in relation to macroeconomic variables including the currency rate and inflation rate. Secondary data were evaluated using multiple regression analysis using Ordinary Least Squares (OLS), and the sources included reports from the Central Bank of Nigeria (CBN), the Nigerian Stock Exchange (NSE), and the Nigeria Securities and Exchange Commission (SEC). Method. This study's findings demonstrated that the exchange rate and inflation rate have a vital role in determining Nigeria's GDP and economic development. In contrast to inflation, which has a positive effect on GDP because businesses are more likely to create in response to higher prices, the exchange rate has a negative effect on GDP because it slows economic growth when it increases. The study's findings suggested that if the government took steps to improve the investment climate in Nigeria—such

as increasing public safety, expanding the country's physical infrastructure, and bolstering its domestic manufacturing—it may help reduce the dollar's hold on the economy.

The relationship between real exchange rate discrepancies and economic performance in Sudan was studied by Ebaidalla (2014). The paper looks at the dynamics of the equilibrium exchange rate and actual exchange rate misalignment in Sudan from 1979 to 2009. The effects of real exchange rate misalignment on economic output<sup>4</sup> are also analyzed. The empirical findings demonstrated that trade liberalization, government expenditure, and taxation had considerable impacts on the equilibrium exchange rate. The findings also indicate that there was an overvaluation of the Sudanese currency over the analyzed time frame.

The impact of the currency rate on Nigerian bank performance was studied by Owwoeye and Ogunmakin (2013). Using the ratio of loan losses to total loans and the ratio of capital deposits, this research analyzed the effect of a fluctuating exchange rate on the profitability of Nigerian banks. The variables of government expenditure, interest rate, and real GDP were added to the original set of factors used to determine the value of the currency exchange rate. The influence of the exchange rate on the bank's performance is model-specific, as shown by the two proxies utilized in the models. There is no correlation between the capital contribution ratio and the exchange rate, but the ratio of loan losses to total advances demonstrates that fluctuations in exchange rates may influence the capacity of lenders to manage loans, resulting to high levels of non-performing loans. This research emphasizes the need of a stable exchange rate to increase the efficiency with which banks can distribute loans across the economy.

Nnamani and David (2012) conducted their own research on the weekly swings in exchange rates of the naira and eight other currencies using symmetric and asymmetric volatility models. Volatility was found to be rather persistent in seven of the series, whereas it was explosive in one series, with a normal distribution of the residual being observed. In the asymmetric model, there was no indication that any currency was being leveraged. Bala and Asemota (2013) compared the Nigerian naira's exchange rate with that of three major currencies using monthly data (US dollar, European Union euro and British pound). The researchers set up the standard model with a dummy variable for the variance equation and a constant and a dummy variable for the mean equation. Overall, the fitted models' results indicated a decrease in persistence.

### 3.0 Methodology

Descriptive and ex post facto research methods were selected for this investigation. The order integration and long-run connection between the variables were calculated using the econometric tools of the Augmented Dickey-Fuller (ADF) Unit Root Test and the Johansen co-integration method. The availability of data pertinent to the research justified the selection of the chosen time period as being sufficient to demonstrate a correlation between the studied variables. Exchange rate, interest rate, corporation tax, and import tariff statistics were gathered from secondary sources. The World Bank Statistical Bulletin, the Federal Inland Revenue Service of Nigeria, and the annual reports and accounts of the representative multinational firms serve as additional data sources (10-k). This information may be trusted as accurate and trustworthy.

### 3.1 Model Specification

Exchange rate (ERT), Company Income Tax (CIT), Interest rate (IT), and Custom Import Duty (IMD) were used as independent variables in a regression against the dependent variable Profit after tax in an economic model adapted from Osho & Efuntade (2019) to examine the correlation between international transfer pricing and the performance of Supranational companies in Nigeria (PAT) Often used as a stand-in for actual earnings results This study employed the model specified below.

$$Y_{it} = \alpha_{it} + \beta_1 ERT_{it} + \beta_2 CIT_{it} + \beta_3 IT_{it} + \beta_4 IMD_{it} + \varepsilon_{it} \dots \dots \dots 3.1$$

Where Y represents the financial performance of firms in Nigeria measured by PAT

- $\alpha$  = the constant term
- ERT = Exchange Rate
- CIT = Company income tax
- IMD = Custom Import Duty
- IT = Interest Rate
- $\varepsilon$  = Error Term

In this study, the model will be modified as follows:

$$PAT_{it} = f(ERT_{it}, CIT_{it}, IMD_{it}, IT_{it}) \dots \dots \dots 3.2$$

$$PAT_{it} = \alpha_{it} + \beta_1 ERT_{it} + \beta_2 CIT_{it} + \beta_3 IT_{it} + \beta_4 IMD_{it} + \varepsilon_{it} \dots \dots \dots 3.3$$

Performance was proxied with Profit after Tax, whereas international transfer pricing was proxied using Exchange Rate (ERT), Interest Rate (IR), Company Income Tax (CIT), and Import

Duty (IMD) (PAT). With the use of a linear regression model, we looked at how the variables of interest rate, exchange rate, company tax, import duty, and the firm performance indicator profit after tax interacted with one another and with the performance of the firms themselves. E-Views was used to get the results of the regressions.

#### 4.0 Results

The impact of international transfer pricing on the profitability of multinational corporations in Nigeria is investigated, and the results of a preliminary test, based on descriptive data, are shown in table 4.1.

#### 4.1 Descriptive Statistics

**H0<sub>1</sub>:** The interest rate has no significant influence on the performance of SNC in Nigeria

**Table 1:** Relationship between interest rate and performance of SNC in Nigeria

Variable	N	Mean	Std Dev.	Df	Sig. Value
Interest Rate	30	15.21	6.43		
				28	0.030
Performance of SNC	30	12442.60	6553.44		

P<0.05

Source: Authors' Computation, (2022)

At the 0.05 level of significance, the numbers in Table 1 add up to 0.30. The null hypothesis that interest rate has no significant effect on the performance of SNC in Nigeria was rejected due to a significance value of 0.030, which is less than the significance level of 0.05. This indicates that interest rates significantly impacted SNC's performance in Nigeria.

**H0<sub>2</sub>:** The exchange rate has no significant influence on the performance of SNC in Nigeria

**Table 2:** Relationship between interest rate and performance of SNC in Nigeria

Variable	N	Mean	Std Dev.	df	Sig. Value
Exchange Rate	30	361.22	361.22		
				28	0.019
Performance of SNC	30	12442.60	6553.44		

P>0.05

Source: Authors' Computation,(2022)

At the 0.05 level of significance, the results shown in Table 2 are 0.019. The null hypothesis that exchange rate has no significant effect on the performance of SNC in Nigeria was rejected due to a significance value of 0.019, which is less than the significance level of 0.05. Thus, the performance of SNC in Nigeria is favorably and considerably influenced by the currency rate.**H0<sub>3</sub>:** The company income tax rate has no significant influence on the performance of SNC in Nigeria

**Table 3:** Relationship between Company Income Tax and Performance of SNC in Nigeria

Variable	N	Mean	Std Dev.	df	Sig. Value
Company Income Tax	30	28.75	1.27		
				28	0.046
Performance of SNC	30	12442.60	6553.44		

P>0.05

Source: Authors' Computation, (2022)

Table 3 revealed that significance value of 0.046 was calculated at alpha of 0.05. The calculated significance value (0.046) is less than the significance value (0.05) hence the null hypothesis which states that company income tax has no significant influence on the performance of SNC in Nigeria was rejected. This implies that company income tax had significant and positive influence on the performance of SNC in Nigeria.

**H0<sub>4</sub>:** The custom import duty rate has no significant influence on the performance of SNC in Nigeria

**Table 4:** Relationship between Custom Import Duty Rate and Performance of SNC in Nigeria

Variable	N	Mean	Std Dev.	df	Sig. Value
Custom Import Duty	30	15.05	2.38		
				28	0.023
Performance of SNC	30	12442.60	6553.44		

\*P&lt;0.05

**Source: Authors' Computation, (2022)**

Table 4 revealed that significance value of 0.023 was calculated at alpha of 0.05. The calculated significance value (0.023) is less than the significance value (0.05) therefore the null hypothesis which states that custom import duty rate has no significant influence on the performance of SNC in Nigeria was rejected. This implies that custom import duty rate had significant and positive influence on the performance of SNC in Nigeria.

#### 4.2 Panel Least Square Analysis

**Table 5:** Panel Least Square of joint influence of independent variables (interest rate, exchange rate, company income tax and custom import duty rate) on dependent variable (performance of SNC)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INTR	159509.8	48510.50	3.288150	0.0030
CIT	-111889.9	131591.7	-0.850281	0.4032
IMD	441654.1	98106.86	4.501766	0.0001
EXHR	-0.701204	84.15708	-0.008332	0.9934
C	-50089.69	48613.04	-1.030375	0.3127
R-squared	0.488639	Mean dependent var		8212.667
Adjusted R-squared	0.406821	S.D. dependent var		11546.89
S.E. of regression	8893.200	Akaike info criterion		21.17497
Sum squared resid	1.98E+09	Schwarz criterion		21.40851
Log likelihood	-312.6246	Hannan-Quinn criter.		21.24968
F-statistic	5.972277	Durbin-Watson stat		2.704067
Prob(F-statistic)	0.001625			

**Source: Authors' Computation, (2022)**

Table 5, presented the joint influence of interest rate, exchange rate, company income tax and custom import duty rate on performance of SNC in Nigeria. Conversely, interest rate and custom duty has a significant and positive effect on the performance of multilateral companies in Nigeria with coefficient value of 15.95098 and 44.16541 units respectively. This implied that a unit rise in interest rate and custom import duty will lead to an increase of 15.9509 and 44.1654 units in the performance of multilateral companies respectively. Table 5, also revealed that company income tax and exchange rate has a significant and negative effect on the performance of multilateral companies in Nigeria, with coefficient value of 111889.9 and -0.701204 units respectively. This implied that a unit rise in company income tax and exchange rate will lead to a decrease of -111889.9 and -0.701204 units in the performance of multilateral companies.

As shown in the results in table 5, R-Squared is about 0.49 and adjusted R square is 0.41 indicating that all the independent variables (interest rate, exchange rate, company income tax and custom import duty rate) explain about 41% variation in the dependent variable (performance of SNC in Nigeria).

#### 4.2 Discussions of Findings

The research found that interest rates significantly affected the success of SNC in Nigeria. According to the results, interest rates positively impacted SNC's performance in Nigeria. This conclusion is consistent with the findings of Osho and Efuntade and suggests that a higher interest rate, introduced and properly maintained, might improve the performance of SNC in Nigeria (2019). The research also found that a rising currency rate is positively related to the success of SNC in Nigeria. Thus, the performance of SNC in Nigeria is favorably and considerably influenced by the currency rate. The result is consistent with what Ebaidalla found (2014).

Moreover, the research showed that the ideal performance of SNC in Nigeria's income tax was positively correlated with the company's optimal performance overall. This study suggests that the success of SNC in Nigeria may be affected by the degree to which corporation income tax is properly managed. This conclusion was in line with that of Owoeye and Ogunmakin (2013). The research found that customs import duty rates were positively related to SNC performance in Nigeria. A favorable and statistically significant relationship was shown between the custom import duty rate and SNC's performance in Nigeria.

Findings from an analysis of the impact of Nigeria's interest rate, currency exchange rate, corporate income tax, and customs import duty rate on the success of SNC in that country. On the other side, interest rates and customs duties have a large and constructive impact on the success of MNCs in Nigeria. That meant that the performance of multinational corporations would improve with each unit increase in interest rate and customs charge. Similar to what Osho and Efuntade have found (2019). The research also found that the exchange rate and corporate income tax had a negative and considerable impact on the success of MNCs in Nigeria. Thus, it was deduced that multinational corporations would perform worse if income tax rates and exchange rates were increased by one percentage point.

## Conclusion

The study's findings suggest that international transfer pricing has a sizeable impact on the financial success of Nigeria's multinational corporations, particularly when the international transfer pricing is compared against interest rate, exchange rate, company income tax, and customs import duty, and when the financial success of these multinationals is measured against profit after tax.

The research concluded that multinational corporations should implement policies to protect themselves against the adverse effects of unexpected fluctuations in the foreign currency rate and double taxation on their corporate revenue.

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## Appendix:

### Data

	Interest Rate	C.I.T	Import Duty	Exchange Rate \$
2017	10.45%	27.5%	16.96%	304.58
2018	11%	30%	16.96%	363.98
2019	14%	27.5%	16.96%	363.93
2020	13%	27.5%	12.37%	362.06
2021	27.58%	30%	12%	411.57

### Performance PAT

Year	P & G (\$)	Chevron (\$)	Shell (\$)	EXXON MOBIL (\$)	Coca-Cola (\$)	Unilever (\$)
2017	10,194	9,269	13,435	19,848	1,283	7,331.126
2018	9,861	14,860	23,906	21,421	6,476	11,583.12
2019	3,966	2,845	16,432	14,774	8,985	6,749.12
2020	13,103	5,561	21,534	23,251	7,768	6,937.188
2021	14,352	15,689	20,630	23,598	9,804	7,833.305