Institutional Ownership and Ownership Concentration and Tax Aggressiveness of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

Poor corporate governance practice have been cited as one of the causes of the corporate collapses noticed among firms in Nigeria. This study examined institutional ownership, ownership concentration and tax aggressiveness of listed consumer goods firm in Nigeria covering the period of twelve (12) year 2010-2021. The study adopted ex-post facto research design and secondary data was used for analysis which was obtained from Nigerian Exchange Group. Panel regression analysis technique was used to analyse research data. The result showed that institutional ownership and ownership concentration has a negative significant effect on tax aggressiveness of consumer goods firm in Nigeria. The study therefore concludes that study institutional ownership and ownership concentration has insignificant effect on tax aggressiveness of consumer good firm in Nigeria. Therefore the study recommend that Management of consumer goods firm should not give more attention to the institutional shareholders due to negative influence effect it has on the firm tax aggressiveness.

Keywords: Institutional Ownership, Ownership Concentration, Book Tax Difference, Firm Size, Consumer Good Firm.

INTRODUCTION

In order to maintain investor trust, it is important to keep tabs on management's actions now "that ownership is no longer involved (Onatuyeh and Ukolobi, 2020). Separation of ownership and management is a result of the increased professionalism brought about by the globalization of commercial contacts and operations. Although this separation could play a significant role in helping businesses achieve their goals, it can also lead to agency problems due to conflicts of interest between managers and owners (Andow, 2019). The goal of the corporate governance function is to boost a company's efficiency by encouraging responsible behavior on the part of its management and the implementation of policies that are in the best interests of its shareholders. There has been a resurgence of interest in the connection between corporate tax planning and corporate governance in Nigeria as a result of the recent focus on corporate governance issues. The government's heightened focus arises from its worries about companies' attempts to minimize tax obligations by employing tax avoidance or tax evasion tactics that are either technically prohibited or run counter to the disposition of tax laws in Nigeria. According to Joseph (2018), corporations may be prevented from participating in aggressive tax reduction strategies if they have a strong governance framework in place that discourages tax avoidance and evasion. As a result, the desire for additional information on corporate governance and tax aggressiveness has become increasingly complex, as tax aggressiveness or tax minimization policies depend to a considerable extent on the institutional arrangements in a specific nation. According to Jaffar *et al.,* (2021) the aggressiveness of tax planning leads to greyscale activities and, thereby, open an opportunity for tax evasion activities that are illegal. According to Dhamara and Violita (2018), different terms such as tax avoidance, tax planning and tax management have been used to descrie the strategies used in minimizing the tax burden.

Accountants and financial economists have noted that breakdowns in the accounting standards and governance systems that produce financial information play a significant role in the demise of many corporations. An international effort has been made to ensure that corporate reports effectively convey economic measurements and information about the resources and performance of the reporting entity to those having reasonable rights to such information in an effort to reduce the likelihood of future corporate failures. The Nigerian banking industry recorded the most severe setback in its entire history in the last decade. The industry was characterized by endemic distress occasioned by inadequate level of compliance with the code of corporate governance which results in poor credit risk assessment procedure and poor disclosure level by banks (Nwala & Abubakar, 2019). The public's trust, especially among accountants, has been shaken by this phenomena. It has persistently voiced wide-ranging, grave concerns regarding corporate governance practices.

Corporate tax aggressiveness is a worrying issue not just for the government and the corporation but also for corporate governance (Joel *et al.,* 2020) because of the revenue loss it causes and the heightened reputational risk it poses. The agency problem arises when there is a divergence of interests between management and shareholders, as might happen in a low-information environment when shareholders are understandably distrustful of the services provided by management. In a developing economy where numerous market imperfections still prevail (Andow, 2019), these issues are predicted to be even more serious. The study examine institutional ownership, ownership concentration and tax aggressiveness of listed consumer goods firms in" Nigeria

$H0_1$: Institutional ownership has no significant effect on book tax difference of listed consumer goods firms in Nigeria

$H0_2$: Ownership concentration has no significant effect on book tax difference of listed consumer goods firms in Nigeria?

LITERATURE REVIEW

Conceptual Framework

Ownership Structure

Jensen and Meckling (1976) define ownership structure as the breakdown of shares in terms "of votes, capital, and the identities of the equity owners. Their research on the connection between agency costs and equity provided a foundation for the development of a theory of corporate ownership. Due to the growing dynamism of corporate ownership portfolios, there has been a resurgence of interest in ownership arrangements in recent years. The ownership structure of a company is often believed to have a favorable effect on its performance since it serves as a mechanism in corporate governance that promotes the greater efficiency of a company. Joint-stock businesses, for instance, are inefficient compared to private co-partner organizations, as their directors would not watch over other people's money with the same anxious vigilance as their own, as pointed out by Jensen and Meckling (1976). The tension between shareholders and management is discussed in the principal-agent framework. The discrepancy between the control right and the cash flow right is the root cause of the tension between shareholders and managers. In theory, ownership structure is one of the important factors affecting corporate decision and policy (Suzana *et al.*, 2021). Thus, the type of ownership and concentration of ownership may affect mechanisms that attempt to align management interests/behaviour to owners' interests. The right combination of the two may increase the chances of implementing good corporate governance. This consequently improves firms' performance, efficiency, their access to funds, cost of capital and value (Stubelj *et al.,* 2017). Ownership structure can be viewed from the degree of diffusion of shareholding (Stubelj *et al.,* 2017). Ownership structure therefore is the proportion of holdings of the stock of the company held by individuals, instituions local or foreign and government as the case may be. Ownership structure of a company gives the breakdown of who owns the company's stock. Mohammad *et al.,* (2021) classified ownership structure into five categories to include managerial ownership, government ownership, family ownership, institutional ownership and block holders ownership. This study concentrates on institutional ownership as a determinant of tax aggressiveness. Concentration of shares held by managers, foreigners, and the government are only few of the characteristics that Joel *et al.* (2020) used to describe ownership structure.

Institutional Ownership

This is the common ratio of institutional holdings to the total number of shares in a company. To invest in securities, real estate, and other assets, institutional investors combine enormous quantities of money and do so as a group. For that matter, so may operational firms that choose to put part of their earnings towards such investments (Joseph, 2018). Financial institutions, insurance firms, retirement or pension funds, hedge funds, investment advisors, and mutual funds are common examples of institutional investors. The economy relies on them to serve as expert investors for others. A typical person, for instance, will have a pension plan via his workplace. The employee's employer contributes to a pension plan. The money will be used to purchase stocks or other financial instruments. The usefulness of funds lies in the fact that they will have a diverse portfolio of assets in various businesses. This disperses the danger so that the loss from the failure of any one firm will not wipe out the entire fund. By using its voting rights, an institutional investor can exert some influence on a company's management. As a result, it will be able to participate in corporate governance. Institutional investors can have a significant impact on which businesses succeed and which fail because of their ability to freely purchase and sell stock. As part of their duties, investment managers often lend money to publicly traded firms and attempt to influence how they operate.

Ownership concentration

The prevalence of major shareholders may be gauged by looking at the level of ownership concentration in a company. Conflict of interest between managers and owners of business has been a recurring event that has given rise to the concept of agency theory. According to Jensen and Meckling (1976) this problem might be given a final solution through the adoption of the concept of ownership concentration. Where the controlling shareholders monitor work better, there is an increase in stake. Ownership concentration reduces the possibility of classical conflict of interest between the owners and the managers which in turn reduces agency costs. The danger of concentrated ownership is that controlling shareholder could engage in undesirable behaviour at the expense of the minority shareholders which will again result in agency cost (Ntoung *et al.,* 2016). Ownership concentration is a concept that pursues the interest of owners and is determined by the number of shares held by owners (Shams *et al,* 2019). According to Olanisebe (2019), ownership concentration relates to those shareholdings that are 50 per cent and above in an organization and for the purpose of exercising control. There are two types of stock ownership structures: (1) highly concentrated ownership, in which a single shareholder holds more than half of the company's shares, and (2) highly dispersed ownership, in which there are many stockholders but no single person holds more than 10% of the company's shares. When, third, a company has both a somewhat concentrated ownership structure and a few very large shareholders. But if there is a relatively small number of very large shareholders, the company's ownership structure may end up dictating who gets a seat at the table. Large shareholders are thought to be the only ones who can effectively supervise the board's operations. Shareholders who are geographically dispersed may lack voting representation on the board and hence have no motivation to keep tabs on management.

Concentration of ownership occurs when a small number of shareholders own a disproportionately large percentage of a company.

Tax Aggressiveness

Tax aggressiveness is as old as taxation itself as whenever, authorities decide to levy taxes; individuals and organisations try to avoid paying them. This became popular through globalization as the range of opportunities to circumvent taxation while simultaneously reducing the risk of being detected grew. Aggressive tax planning or strategic tax behaviors are activities generally designed to reduce tax liability that includes tax evasion and legitimate saving of taxes (Aburajab *et al.*, 2019). It could be argued that the dollar saved through an aggressive tax practice is an extra dollar available to shareholders because aggressive taxation leads to tax savings in the short term. Different conceptualizations, references, and even methods of measurement exist for this idea, but they all essentially mean the same thing and serve the same purpose, even if their effects on businesses' vitality vary. Aburajab et al., (2019) suggested that the tax aggressiveness can appear in two basic ways, the first is the legal way, which is in accordance with the law and the second is to do the tax sheltering. Hence, tax aggressiveness entails the use of simple trigger tax management practices by business entities for tax planning that ultimately lead to tax evasion. It is thought that being too aggressive with taxes results in lower revenue. Legal and unlawful tax avoidance strategies are both included under the umbrella term aggressive tax. The researcher viewed tax aggressiveness as a strategy used by the management of corporate organizations, consisting of a collection of processes, practices, resources, and decisions whose goal is to maximize profit after taxes and other liabilities have been paid. The level of tax aggressiveness relies on the nature and extent of agency conflict. In fact, the costs of tax aggressiveness are not tax-related like costs which appear to hide actions of managers. The analysis of the decision to tax aggressiveness is generally directly related to the agency, in which managers can benefit from additional benefits at the expense of other shareholders. However, the concept of tax aggressiveness seems to be in tandem with the objective of shareholders' wealth maximization since tax aggressiveness can improve corporate net income. It's important to remember that tax aggressiveness can imply anything that complies with the legal and ethical requirements set out by the tax authorities, including tax planning, tax avoidance, and tax shelters. In common, the various defnitions divulge that the ultimate aim of tax aggressiveness is to minimize firms' tax liability. However, tax avoidance represents the polar opposite of tax aggressiveness. Tax aggressiveness is a legal tax avoidance considered as an expression of companies' pursuit of market value maximization in the market economy and it is investigated in a value neutral manner (Lenz, 2020). However, companies must take caution not to indulge in the overuse of tax avoidance.

Book-Tax Difference

Book-tax mismatches, or discrepancies between a company's financial accounting and "taxable revenue, can be transitory or permanent. To account for book-tax disparities, we use financial accounting income in the denominator and taxable income in the numerator. The book-tax gap (BTD) is another metric used to quantify tax evasion strategies. The size of the book-tax gap (the discrepancy between reported and taxable income) is the primary emphasis. The difference between book income, calculated in accordance with accounting standards, and the taxable income, whose objective is tax collection, is called book-tax differences (Marques *et al.*, 2017), while the reasons of BTD are numerous and are often categorized as permanent and temporary disparities Book-tax differences have made a major subject of study for a considerable number of literary works. Book-tax differences have made a major subject of study for a considerable number of literary works. In Riguen and Jarboui (2017), BTD was explained to involves various aspects, mainly, the motives lying behind these differences, the potential interest conflicts stemming from an agency theory respective and the information quality disclosed to the market. Total book-tax gap and residual book-tax gap are two common BTD measures used to detect tax avoidance.

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Income reported to financial markets and tax authorities may vary, resulting in a book-tax discrepancy.

Firm Size

Due to economies of scale, a larger company is better able to compete with smaller rivals by lowering their own operating expenses and seizing more market possibilities. Experts agree that size matters when calculating a company's profitability, and that there is a positive correlation between the two. Alexander and llya (2018) asserted that firm size has become such a routine to use as a control variable in empirical corporate finance studies that it receives little to no discussion in most research papers even though not uncommonly it is among the most significant variables. Intuitively, firm size matters for a number of reasons. In the presence of non-trivial fixed costs of raising external funds large firms have cheaper access to outside financing, larger firms are more likely to diversify their financing sources. Alternatively, size may be a proxy for the probability of default, for it is sometimes contended that larger firms are more difficult to fail and liquidate, or, once the firm finds itself in distress, for recovery rate. Size may also proxy for the volatility of firm assets, for small firms are more likely to be growing firms in rapidly developing and thus intrinsically volatile industries. As a result of these factors, large corporations operate in less-competitive, more lucrative environments.

Empirical Review

The impact of concentrated ownership on tax aggression among Nigeria's publicly traded non-financial companies is investigated by Dick et al. (2021). Data was collected from yearly reports of a sample of 960 firm-year observations during a 12-year period (2008-2019) using a correlational study methodology and data filtering approach. Ownership concentration was captured by two measures: the ratio of shares held by shareholders with at least 5% shares to total outstanding shares and an indicator variable of 1 if the ratio of block holdings is greater than the mean value; otherwise 0, and tax aggressiveness (TAXAGG) was measured using the cash flow effective tax rate. Using the censored tobit regression method, we found that higher levels of ownership concentration are correlated with more aggressive tax strategies, all else being equal. As a result, the authors of the study draw the inference that a correlation between high levels of concentration of ownership and tax aggression is consistent with the entrenchment theory. In order to avoid scenarios where equity and voting rights are concentrated in the hands of a few, the report suggests that individuals responsible for governance keep a constant eye on the ownership" concentration level.

The impact of company governance on the correlation between tax-cutting zeal and profit margins is investigated by Osariemen and Osasu (2021). The study employed a retrospective methodology. All 52 financial service providers listed on the floor of the Nigerian Stock Exchange between 2013 and 2018 made up the population and the sample. "According to the results of the Hausman test, the random effect panel regression method was used to analyze the study's data. A negative correlation between tax aggression and company performance was seen, although this was not determined to be statistically significant at the 5% level of significance. At the 5% level of significance, we find that there is a positive correlation between corporate governance and business performance. At the 5% level of significance, the influence of corporate governance on the connection between tax aggression and business success was determined to be insignificant. According to the findings, most businesses need to strictly adhere to corporate governance processes in order to enhance their financial performance and make the most of their tax aggressive approach. Researchers only looked at data over the past six years, so their findings may not apply to consumer businesses as a whole.

Bamigboye and Akinadewo (2020) looked on how different types of bank ownership affected the dividend policies of several Nigerian financial institutions. This was done so that the dividend policy of Nigerian

Deposit Money Banks (DMBs) could be better understood, and the ownership structure of these institutions could be revealed. This research made use of already-existing data sets. The audited financial reports of the banks, the 'fact book' of the Nigerian Stock Exchange, and the Central Bank of Nigeria's statistics bulletin were mined for the information. From the banks on the list, ten (10) DMBs were chosen because of their large customer base and long history in the industry. Percentages, random effects, and the fixed effect approach were used to examine the data. The findings revealed that the owned policy of DMBs in Nigeria was positively and significantly influenced by concentrated ownership, institutional ownership, and management ownership. The research found that dividend policy in the Nigerian banking industry was significantly affected by ownership structure. The study suggests that concentrated block holders and even the government should make investments to diffuse the ownership structure, which is characterized by manager-ownership and institutional owners, in order to decrease the agency problem in the Deposit Money Banks in Nigeria. Management can do this by consistently rewarding shareholders with dividend payments.

The impact of corporate governance and audit fees on the tax aggressiveness of listed firms in Nigeria is investigated by Onatuyeh and Ukolobi (2020). This research set out to answer the question, Are audit fees significantly associated with tax aggressiveness and corporate governance mechanisms among Nigeria's listed firms? among a sample of Nigerian businesses. Using the agency and stakeholder theories as a foundation, this research looked at how different factors in corporate governance—including board gender diversity, audit committee diligence, and board independence—explained shifts in external audit fees. One hundred and seven (107) companies were used, out of the total number of companies quoted on the Nigerian Stock Exchange as of the end of 2018. All information was collected from the companies' annual financial statements from 2009 to 2018. To estimate the balanced panel data, we used the panel regression method, with a preference for the random effect model determined by the Hausman test. The study found that audit fees were positively and significantly impacted by cash tax rate, audit committee thoroughness, and board independence. The study found a favorable correlation between the number of women on a board and lower audit costs, although the difference was not significant statistically. There may be a correlation between this finding with the lack of women on the boards of the companies studied. Our research suggests that the Norwegian model of 40% female gender participation on boards of listed corporations and the Federal Government's affirmative action target of 35% should be adopted in Nigeria. Based on their findings, the researchers suggest that Nigeria's publicly traded companies should prioritize board independence in order to improve the integrity of financial reporting and auditing. Damilola et al. (2020) looked at the effect of institutional investor ownership on the financial performance of deposit money banks listed on the Nigerian stock market (NSE), however their findings are not applicable to consumer goods companies. The years 2011-2018 comprise the research window. The information was gathered from the NSE-listed annual reports of 15 deposit money banks. A favorable and statistically significant correlation between institutional investor ownership and bank performance was found using a panel data analysis. According to the findings, increased investment in bank stock is correlated with a higher proportion of capital coming from institutional investors. As institutional investors gradually shape the financial system, swift implementation of appropriate prudential guidelines should be sufficient to prevent grave volatility. Since large institutional shareholders are crucial to a bank's success, the research suggests that their management pay them more attention. Despite the study's exclusive emphasis on deposit money banks, its findings may be applicable to other types of businesses.

For the years 2015 through 2019, Gospel et al. (2020) analyze the impact of corporate governance mechanism on the tax aggressiveness of listed consumer firms in Nigeria. Twenty-two companies' annual reports and financial statements for the study period were analyzed, and information was gathered using an ex-post facto research approach. Effective tax rate was used to quantify tax aggression as a dependent variable, while corporate governance characteristics such as board independence, board size, ownership structure, audit committee size, and audit quality served as independent variables. The two control variables that were implemented were profitability and company size. Descriptive statistics, correlation analysis, and multiple regression analysis were used to the annual report data. The research showed an inverse and statistically significant correlation between board autonomy and effective tax rate. There was no noticeable connection between any of the other characteristics of corporate governance and the effective tax rate. Therefore, this paper draws the conclusion that the degree of tax aggressiveness of listed companies in Nigeria is inversely related to certain corporate governance variables. The research concluded, among other things, that Nigerian businesses would benefit from having a diverse set of professionals on their corporate boards, including accountants, tax experts, business strategists, and lawyers, all of whom would bring to bear the knowledge and wisdom gained from their years of experience and education to bear on the crucial issue of how aggressively to pursue tax minimization. The study found that a distinct adverse effect may occur if a more sophisticated analytical method was used.

In 2019, Yakubu et al. looked into how institutional ownership affected the financial results of publicly traded Nigerian companies in the construction materials industry. Six (6) companies were listed on the Nigerian stock exchange as of December 31, 2016, but only four (4) were included in the analysis because they met one of two criteria: either they made available their annual report for the previous thirteen (13) years, or they were listed on the Nigerian stock exchange prior to 2004. Multiple regressions are employed in the study as a secondary analytic technique. The research found that the financial performance of publicly traded Nigerian companies supplying building materials is considerably impacted by institutional ownership. In light of the findings, the report suggests that the Nigerian Security and Exchange Commission encourage potential institutional investors in the construction material business to make long-term investments. The study only included four companies, thus the findings cannot be extrapolated to the consumer products industry as a whole."

Mohammad et al. (2019) looked at how different types of ownership affected the performance of publicly traded Jordanian enterprises. The purpose of this research is to provide empirical evidence linking the composition of the firms' shareholdings to their performance on the "Amman Stock Exchange (ASE). Institutional and blockholder ownership was employed as proxies for the ownership structure. Tobin's Q (TQ) is used to evaluate the effectiveness of a system. The autonomy of the board was also employed as a moderator in this investigation. This study employed the panel data approach to evaluate information from 180 businesses trading on the Amman Stock Exchange (ASE) between 2009 and 2017. The results demonstrate that the processes of ownership structure significantly impact the performance of the business as measured by (TQ). The results demonstrate a positive correlation between institutional ownership and (TQ), but a negative correlation between ownership by block holders and (TQ). However, the relationship between institutional ownership and (TQ) is significantly attenuated by the moderating effect of board independence, while the relationship between block holders ownership and (TQ) is significantly bolstered. This study's results provide credence to the notion that empirical researchers will keep looking for a better way to gauge business success. Therefore, the study suggests giving stakeholders, managers, and interested parties access to empirical evidence to back up their decision. Results can be extrapolated outside Nigeria because the study was conducted in a foreign country.

Joseph (2018) looked into how different types of ownership affected the ROI of Nigerian deposit money institutions. The purpose of this study was to analyze the connection between deposit money bank ownership structure and ROA. Fifteen publicly traded commercial banks' financial statements were used to compile the cross-sectional data. Domestic ownership, ownership concentration, international ownership, institutional ownership, and management ownership were modeled as factors influencing the return on assets. The study adopts the fixed effect model after comparing it to the pooled effect and the random effect. Private ownership and management ownership were shown to have a positive association with the dependent variable, return on investment, whereas ownership concentration and institutional ownership were found to have a negative relationship with the dependent variable. Management ownership has a negative influence on the dependent variable (return on assets), while private ownership, ownership concentration, institutional ownership, and foreign ownership all have favorable effects. According to the findings, commercial banks should increase their ownership structure by public listing, right issue, and other means to attract public and institutional investors, and regulatory bodies like the Securities and Exchange Commission and the Nigerian Investment Promotion Council should encourage private investors to invest in the equity shares of the commercial banks. The study found that the potential for negative effects may shift if a more sophisticated method of analysis was used.

In their 2018 study, Samuel et al. investigate how different types of ownership affect the profitability of publicly traded Nigerian companies in the construction materials industry. Cement companies that made available their annual report for at least thirteen (13) years and Cement companies that were quoted on the Nigerian stock exchange prior to 2004 were used as the sampling criteria to select four (4) firms from the study's population of six (6) firms quoted on the Nigerian stock exchange as of 31st December 2016. The research used multiple regressions for its analysis, and the results suggest that the financial performance of enterprises dealing in construction materials in Nigeria is positively impacted by institutional ownership, managerial ownership, and ownership concentration. Based on the findings, the study recommends that the Security and Exchange Commission encourage more managers, Institutional shareholders, and concentrated owners to make long-term investments in the building materials industry. Such investments have been shown to improve the financial performance of Nigerian construction companies. The study's focus on construction materials meant that its findings and conclusions might not be relevant to consumer product companies.

Musa and Nafiu (2017) looked at the conglomerates that are publicly traded in Nigeria and analyzed their ownership structures and financial results. Thus, the research looks at how different types of ownership affect the ways in which Nigerian conglomerates handle their financials. Managerial ownership, institutional ownership, block ownership, and foreign ownership all illustrate different types of ownership, while return on asset is used to evaluate performance. Stata 13 was utilized for the study, and the robust ordinary least square method was applied." Secondary information was gathered from the company's annual reports and financial statements. All six conglomerates traded on the Nigerian Stock Exchange between 2008 and 2014 were considered. The research shows that managerial ownership and ownership concentration have a negative impact on the earnings management of listed conglomerates in Nigeria. In contrast, foreign ownership recorded a positive and significant effect on the earnings management of firms. The study's findings and conclusions may not be generalizable to consumer products companies because they were conducted on a sample of listed conglomerates.

Theoretical Framework

Agency Theory

(Jensen and Meckling 1976) explain that agency theory is concerned with "the contractual connection between a principle and an agent, in which the principal delegates authority to the agent to make decisions on the principal's behalf. The principal has an agency difficulty when his or her goals conflict with those of the agent, and when it is inconvenient or costly for the principle to monitor the agent's actions. The agency problem and the costs incurred by the managers that are eventually borne by the owners (the agency cost) arise because of the separation of ownership, which causes managers to prioritize their own interests over those of the shareholders. (Jensen & Meckling 1976) add that these discrepancies arise because shareholders lack the information necessary to keep tabs on management's activities and results.

Political Power and Cost Theory

These two theories—political cost and political power—form the basis of this framework. The political economy suggests that taxes should be proportional to the size of businesses. According to the theory's political influence component, huge organizations wield more sway in the political sphere than their smaller counterparts. Since large firms have more leverage and resources to negotiate their tax burden or influence lawmaking in their favor (lobbying activities), they typically pay lower effective tax rates than smaller businesses do (Siegfried, 1972). Watts and Zimmerman (1978) pointed out that larger firms are vulnerable to more control from the government, and this is the political cost part of the theory. They are also more politically vulnerable to public demands and inspection, both of which encourage them to engage in socially responsible activities and to control their own operations and corporate behavior to meet the expectations of the communities in which they operate. Some firms with enough political power can eliminate or significantly reduce their tax-related political costs, as noted by Zimmerman (1983), who also noted that a large firm can have a large political power which it might exploit to get excess advantages.

Institutional Theory

Institutions are defined as conventional, standardized patterns of behavior found within and across organizations and giving meaning to social exchange and order. These patterns of behavior include organizational and industry standards, routines, and norms. Organizations, according to institutional theory, can gain legitimacy by conforming their methods and traits to prevalent social and cultural norms. According to Guth (2016) Institutional theory seeks to explain the processes and reasons for organizational behavior as well as the effect of organizational behavior patterns within a broader, interorganizational context. The study of organizational institutions occurs across fields of research in sociology, business, and communication and informs public relations practitioners' understanding of corporate reputation and legitimacy. Organizations, it is suggested, alter their institutional procedures not to monitor management but to make themselves more legitimate in the eyes of their stakeholders. Institutional theory have it that organizational behaviors are copied and reproduced, establishing taken-for-granted norms and, eventually, widespread standardized expectations of practice. According to institutional theory, corporations have governance structures in place to ensure they are embedded in their communities (Alghamdi, 2012). Institutional theory seeks to explain the processes and reasons for organizational behavior as well as the effect of organizational behavior patterns within a broader, interorganizational context (Guth, 2016). The foundations of institutional theory as it is currently understood took root between 1977 and 1983 amid a broader search for understanding the elements that support successful and sustained organizational performance. Understanding how adhering to institutions, or relatively fixed and formal working rules, confers legitimacy on organizations thus enables researchers to conceptually differentiate institutions from an organization's reputation, or its perceived status (Lammers & Garcia, 2018).

This research, which tracks consumer-goods companies in Nigeria to see how their ownership structures affect how aggressively they pay taxes, makes use of institutional theory.

METHODOLOGY

Since this is a study based on previously collected data, it used an ex post facto research "strategy.

Twenty-one (21) consumer-goods companies trading on the Nigeria, Nigeria Exchange Group (NGX) as of December 31, 2021 make up the study's population. Purposive sampling methods were used to select 16 participants at random. The audited financial statements and annual reports of listed consumer goods companies in Nigeria during a 12-year period (2010-2021) provided the necessary data for this study. Due to the nature of the data, the inferential analyses also necessitate the application of the suitable statistical method of Panel Regression Analysis. The research modified the framework developed by Onatuyeh and Ukolobi (2020).

The Panel regression model

$$BTD = \beta_0 + \beta_1 IO + \beta_2 OC + \beta_3 FZ + \epsilon_{it} \quad \ldots\ldots (1)$$

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Where:

β_0 = The autonomous parameter estimate (Intercept or constant term)

β_1 - β_3 = Parameter coefficient of Board Attributes

ETR= Book Tax Difference

MO= Institutional Ownership

OC = Ownership Concentration

FS= Firm Size

ϵ_{it} = Stochastic Error term

Study Variables and their Measurement

Variable Acronym	Variable Name	Variable types	Measurement	Source
BTD	Book Tax Difference	Dependent	using the residuals from estimating book-tax differences on total accruals	Emmanuel & Omena (2021)
IO	Institutional Ownership	Independent	The proportion of shares owned by Institutions to total number of shares issued.	Bamigboye & Akinadewo (2020)
OC	Ownership Concentration	Independent	The proportion of shares owned by the largest shareholders to total number of shares issued.	Samuel, Yakubu & Olumuyiwa (2018)
FS	Firm Size	Control	Natural logarithm of total Asset	Bamigboye & Akinadewo (2020)

Source: Author's Compilation (2022)

DESCRIPTIVE STATISTICS

In descriptive statistics, the average, maximum, and lowest values of the variables used are displayed, as well as any available standard deviations. Descriptive statistics for all of the study's variables are provided in the table below.

Table 4.1: Descriptive Statistics Result

	BTD	IO	OC	FS
Mean	1.156406	0.033854	0.014844	6.270104
Median	0.775000	0.030000	0.010000	6.125000
Maximum	4.200000	0.060000	0.060000	8.490000
Minimum	0.030000	0.020000	0.010000	3.240000
Std. Dev.	1.029989	0.008964	0.005965	1.177198
Skewness	0.760847	0.521398	2.286535	-0.167608
Kurtosis	2.610819	3.053867	17.78275	1.977815
Jarque-Bera	19.73609	8.722617	1915.542	9.257854

Probability	0.000052	0.012762	0.000000	0.009765
Sum	222.0300	6.500000	2.850000	1203.860
Sum Sq. Dev.	202.6276	0.015348	0.006795	264.6870
Observations	192	192	192	192

Source: E-View 10 Output (2022)

Listed consumer goods companies in Nigeria from 2010 to 2021 have "their institutional ownership, ownership concentration, and tax aggression summarized in Table 4.1 below. Book tax difference (BTD), a metric for tax aggression, has a mean of 1.1564 and a standard deviation of 1.0299, with lowest and highest values of 0.03000 and 4.20000, respectively, as shown in the table below. Since the standard deviation indicates that the data is not overly dispersed from the mean value, the fact that the range between the minimum and maximum is not overly wide suggests a stable tax aggressiveness. For the other indicator, institutional ownership, the mean value is o.0338, the standard deviation is 0.00896 (or 0.00596), the minimum value is 0.02000 and the highest value is 0.06000. Since the standard deviation is low relative to the mean and the minimum and maximum values are close together, we can infer that there was a slight increase in institutional ownership and ownership concentration during the study period. All three study variables, BTD, IO, and OC, are positively skewed and have values greater than zero, indicating that the distribution tails to the right-hand side of the mean, while none of the study variables are positively skewed, as none have values less than zero. Skewness is a measure of the shape of the distribution and also shows the measure of the symmetry of the data set.

Table 4.2: Correlation Matrix

Covariance Analysis: Ordinary				
Date: 10/06/22 Time: 04:40				
Sample: 2010 2021				
Included observations: 192				
Correlation				
Probability	BTD	IO	OC	FS
BTD	1.000000			
IO	-0.105609	1.000000		
	0.1449	—–		
OC	-0.046580	0.001530	1.000000	
	0.5212	0.9832	—–	
FS	-0.027031	-0.075651	0.045114	1.000000
	0.7098	0.2970	0.5344	—–

Source: E-View 10 Output (2022)

Table 4.2 displays the results of a correlation analysis, which measures the strength of a relationship between two continuous variables (such as an independent and a dependent one, or two independent ones). The Pearson Product Moment correlation coefficient is used to estimate a sample correlation coefficient in correlation analysis. The direction of the relationship may be inferred from the sign of the correlation coefficient. The significance of a correlation coefficient measures how strongly two variables are connected. In this subsection, we'll use the E-views 10 Statistical software to continue our research by establishing the level of linear relationship between the pairs of variables that make up the boards' qualities. As seen above, there is a significant negative association between ownership concentration (-0.04658) and book tax difference (-0.10560).

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Fixed Effect Likelihood Ratio Test

The Fixed Effect Likelihood Ratio test is used to decide between the pooled effect model and the fixed effects model in panel data analysis. Pooled effect and fixed effect regressions were conducted because of the panel structure of the data. After comparing the pooled effect and fixed effect regression models using a likelihood ratio specification test, we decided on the latter. The test essentially looked to see if there was any correlation between the error words and the regressors. In light of this, the fixed effect likelihood ratio specification choice rule reads as follows: at 5% Importance scale

Table 4.3: Fixed Effect Likelihood Ratio Table

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.010575	(15,173)	0.0003
Cross-section Chi-square	44.530728	15	0.0001

Source: E-View 10 Output (2022)

A probability value of 0.0001 and a chi-square statistic of 44.530728 are reported by the fixed effect likelihood ratio test. Therefore, it can be concluded that the pooled effect is the best option for the Panel Regression analysis and the null hypothesis can be rejected. Since the pooled effects are likely correlated with one or more regressors, the error component model (pooled effect) estimator is inappropriate. Given the choice between a pooled effect analysis and a fixed effect analysis, the fixed effect model of regression analysis provides the most reliable and time-efficient estimation for the research. Since the likelihood ratio test statistics, represented by the corresponding probability value, is less than 5%, this finding suggests that the fixed effect regression model is most appropriate for the sampled data (given the two options as encapsulated" above).

Hausman Test

The Hausman test is a statistical tool utilized in panel data analysis to assess model "specification. Specifically, it is employed to differentiate between the fixed effects model and the random effects model. The study employed fixed effect and random effect regressions due to the panel nature of the utilized data set. The researcher conducted a Hausman specification test to determine the optimal model between the fixed effect and random effect regression models. The examination primarily assessed whether the error terms exhibited correlation with the regressors. The decision rule for the Hausman specification test is expressed as follows: at a significance level of 5%. The level of significance refers to the probability of rejecting the null hypothesis when it is actually true in a statistical hypothesis test.

Table 4.4: Hausman Test

Correlated Random Effects – Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.475835	3	0.0023

Source: E-View 10 Output (2022)

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The Hausman test yielded a chi-square statistic value of 14.4758 and a corresponding probability value of 0.0023. This suggests that there exists sufficient evidence to reject the null hypothesis, which posits that a random effect is the most suitable approach for conducting Panel Regression analysis. Therefore, it can be concluded that the fixed effect estimator of the error component model is the most suitable option due to the lack of significant correlation between the random effects and the regressors. The random effect cross-sectional model is deemed to be the most reliable and effective approach for estimating the study. The findings indicate that the fixed effect regression model is the most suitable for the sampled data, given that the probability value associated with the Hausman test statistics is below 5%.

Multicollinearity Test (VIF)

A Multicollinearity test was conducted to assess the presence of significant correlations among the independent variables that could potentially lead to erroneous outcomes. According to the findings presented in Table 4.2, the correlation coefficient with the highest value is 0.37465, which pertains to the relationship between TDC and HSC. However, it is noteworthy that this value falls below the threshold of 0.80, which is typically deemed critical for regression analysis. The modest magnitude of the correlations observed among the independent variables suggests that multicollinearity is unlikely to pose a concern for the dataset under examination. In order to provide additional evidence regarding the lack of multicollinearity issue among the independent variables, diagnostic tests for collinearity were carried out utilizing the variance inflation factor (VIF). Table 4.5 displays the outcome of the collinearity diagnostics examination.

Table 4.5: Multicollinearity Test (VIF)

Variance Inflation Factors			
Date: 10/06/22 Time: 04:44			
Sample: 2010 2021			
Included observations: 192			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.288684	52.17744	NA
IO	69.61379	15.42625	1.005781
OC	156.6489	7.240483	1.002064
FS	0.004045	29.74905	1.007830

Source: E-View 10 Output (2022)

***Decision rule**: When the centred VIF is less than 10, it suggests that there is no presence of multi-collinearity. Conversely, when the centred VIF is greater than 10, it indicates the presence of multi-collinearity.

As stated previously, the criterion for the multicollinearity test utilizing the variance inflation factor is that a Centred VIF value below 10 indicates the lack of multicollinearity, whereas a Centred VIF value exceeding 10 suggests the presence of multicollinearity. The data presented in Table 4.5 indicates the absence of multicollinearity among the independent variables. This is evidenced by the fact that all independent variables (IO, OC, and FS) possess a center VIF value” that is less than 10.

Heteroskedasticity Test

To assess the soundness of the estimates, a Heteroskedasticity test was performed as a diagnostic measure. Heteroskedasticity refers to the phenomenon where the variability of a variable's standard errors is not constant over a given time period. Heteroskedasticity constitutes a breach of the assumptions underlying linear regression modeling, thereby potentially compromising the validity of the outcome of any analysis. Although heteroskedasticity does not induce bias in the coefficient estimates, it does result in a reduction in their precision. This decrease in precision elevates the probability that the coefficient estimates deviate further from the accurate population value.

Table 4.6: Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test			
Null hypothesis: Residuals are homoscedastic			
Equation: UNTITLED			
Specification: BTD C IO OC FS			
	Value	df	Probability
Likelihood ratio	16.44482	16	0.4224
LR test summary:			
	Value	df	
Restricted LogL	-276.2157	188	
Unrestricted LogL	-267.9933	188	

Source: E-View 10 Output (2022)

Table 4.6 shows the results of the panel cross-section Heteroskedasticity regression test. "The decision rule for the panel cross-section Heteroskedasticity test is stated thus:

*Decision Rule: At 5% level of Significance

H_0: No conditional Heteroskedasticity (Residuals are homoskedastic)

H_1: There is conditional Heteroskedasticity

The null hypothesis posits the absence of Heteroskedasticity, whereas the alternative hypothesis asserts the presence of Heteroskedasticity. The acceptance of the null hypothesis is contingent upon the P value exceeding the 5% level of significance. Based on the findings presented in Table 4.6, which indicate a ratio value of 16.44482 and a corresponding probability value of 0.4224 exceeding the 5% threshold, the study concludes that the null hypothesis cannot be rejected. Conversely, the alternative hypothesis, which posits the presence of a conditional Heteroskedasticity problem, is rejected. Based on the diagnostic probability of 0.2668, the null hypothesis is accepted, indicating the absence of conditional heteroskedasticity. This suggests that the residuals are homoskedastic, and therefore, the samples accurately represent the population.

Table 4.7: Panel Regression Result (Fixed Effect)

Dependent Variable: BTD
Method: Panel Least Squares
Date: 10/06/22 Time: 05:00
Sample: 2010 2021
Periods included: 12

Cross-sections included: 16				
Total panel (balanced) observations: 192				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.878525	0.225253	8.339624	0.0000
IO	-1.994913	3.330848	-0.598921	0.5500
OC	-2.001856	4.710313	-0.424994	0.6714
FS	-0.047822	0.029209	-1.637216	0.1034
LOGBTD	0.799656	0.026591	30.07224	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.875103	Mean dependent var		1.156406
Adjusted R-squared	0.861306	S.D. dependent var		1.029989
S.E. of regression	0.383585	Akaike info criterion		1.019822
Sum squared resid	25.30766	Schwarz criterion		1.359145
Log likelihood	-77.90294	Hannan-Quinn criter.		1.157250
F-statistic	63.42791	Durbin-Watson stat		2.071052
Prob(F-statistic)	0.000000			

Source: E-View 10 Output (2022)

The aforementioned table (Table 4.7) indicates that the coefficient of multiple determinations (R2) is 0.8751. The regression model, which takes into account the panel nature of the data utilized in this study, reveals that the adjusted R2 and R2 values range between 87% and 86%, respectively. The findings suggest that approximately 87% of the overall fluctuations in book tax difference (BTD) can be accounted for by the fluctuations in the independent variables (IO, OC, and FS). The residual term captures the remaining 13% of the variation in the model, indicating a high degree of fit for the best-fit line. Table 4.7 displays the findings of the panel regression analysis conducted on a sample of consumer goods firms. The results indicate a negative correlation between institutional ownership, ownership concentration, and book tax difference. The corresponding P-Values for these relationships are 0.5500 and 0.6714, respectively. The statistical analysis indicates that the parameter estimate for institutional ownership is not statistically significant, as the respective probability value of 0.5500 exceeds the 5% threshold. Similarly, the probability value of 0.6714 for ownership concentration is also not significant, as it exceeds the 5% threshold. The F-statistic value of 3.75772 and the probability value of 0.00000 were obtained when the regressors IO and OC were collectively applied against the regressed variable ETR. The aforementioned outcome suggests that the regression as a whole is positively oriented and holds statistical” significance at a 5% level.

DISCUSSION OF FINDINGS

The present research investigated the impact of institutional ownership, ownership concentration, and tax aggressiveness on consumer goods firms that are publicly listed in Nigeria. The objective of this study was to investigate the impact of institutional ownership and ownership concentration on the book tax difference of consumer goods firms that are publicly listed in Nigeria. “Thus, the results of this investigation are predicated upon the development of hypotheses, models, and analyses. The research conducted indicates that, on the whole, institutional ownership and ownership concentration do not have a significant impact on the book tax difference of consumer goods firms that are listed in Nigeria. The present study’s results are juxtaposed with those of prior research.

The study conducted an evaluation of institutional ownership and tax aggressiveness, using book tax difference as a proxy, among consumer goods firms listed in Nigeria. The findings indicate a significant negative impact of institutional ownership on the book tax difference of the aforementioned firms. The results obtained are incongruent with those reported by Damilola et al (2020), who presented empirical evidence of both positive and negative correlations between institutional ownership and tax aggressiveness within the banking industry. The study conducted an investigation into the impact of ownership and book tax difference on listed consumer goods firms in Nigeria. The findings indicated that ownership concentration did not have a significant effect on the book tax difference of these firms. The findings of Gospel et al (2020) were corroborated by the results, which indicated a negative correlation between ownership concentration and the tax aggressiveness of firms.

CONCLUSION AND RECOMMENDATIONS

The study was basically undertaken to examine the institutional ownership and ownership concentration and tax aggressiveness of listed consumer goods firms in Nigeria from 2010-2021 in Nigeria. The institutional ownership and ownership concentration has no significant effect on the tax aggressiveness in Nigeria which has caused increase in the book tax difference. Therefore, study conclude that institutional ownership and ownership concentration has insignificant effect on tax aggressiveness of consumer good firm in Nigeria."

Based on the findings of this study and the conclusion made, the following recommendations are made to management of consumer goods firm in Nigeria:

1. Management of consumer goods firm should not give more attention to the institutional shareholders due to negative influence effect it has on the firm tax aggressiveness.
2. Management of consumer goods firms should not increase ownership concentration share because it does not helps in decreasing tax aggressiveness of the firms.

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