Effects of Corporate Governance on Corporate Tax Avoidance of Selected Deposit Money Banks in Nigeria

ADEWOLE, Ezekiel Aremu FCA, ACIT, PhD Student.; Prof. James. S. KEHINDE, PhD, FCA, FIIP.; Dr. ADEBAYO M. Adeniyi, PhD, FCA.

Department of Accounting, Lagos State University, (LASU) Ojo, Lagos

DOI: https://dx.doi.org/10.47772/IJRISS.2024.8080247

Received: 06 August 2024; Accepted: 15 August 2024; Published: 16 September 2024

ABSTRACT

Global corporate tax avoidance (CTA) has been a major source of worry among researchers, professionals, and other stakeholders. Despite constant tax law reforms, the Government revenue from tax has consistently not measured up to expected income. Any legal strategy employed by a taxpayer to reduce the amount of income tax is known as corporate tax avoidance, however, its cumulative effects had significantly and negatively impacted the allocation of public goods, budget execution, and security quality. This study essentially examined the roles the corporate governance attributes (Credit Risk Committee, CEO duality, Board Independence and Board Audit Committee Independence) play in downward or upward trend of tax avoidance. Data were purposively obtained from annual reports and accounts of the quoted Deposit Money banks (DMB). Descriptive and inferential statistics were employed in the study to analyze the data. The hypotheses were tested using Panel regression analysis technique. The study found that corporate governance components (Credit Risk Committee, CEO duality, Board Independence and Board Audit Committee Independence) have significant influence on the Effective Tax Rate (ETR) of selected deposit money banks in Nigeria. Thus, the study rejected the null hypothesis which state that corporate governance measures do not significantly affect effective tax rate (ETR) of selected deposit money banks in Nigeria. Hence, companies should encourage growth of strong and robust board governance to discourage managers from pursuing aggressive tax planning that may ultimately jeopardize reputation and long-term stability of the firm.

Keywords: Tax avoidance, corporate governance, Credit Risk Committee, Board Independence and Effective Tax Rate (ETR)

INTRODUCTION

Researchers from the west experimentally investigate the effects of corporate tax avoidance, evasion and governance in many economic sectors. Tax is a cost to businesses and their shareholders, which lowers the dividend that will be distributed to them as residual earnings. Shareholders thus favor tax management strategies to improve dividends or earnings after taxes. Tax reductions or eliminations for a company's shareholders and managers could be the consequence of a tax avoidance scheme. This tactic, however, may be detrimental to the government revenue (Aliyu & Umar, 2023).

Corporate Tax Avoidance as a legal technique used by a taxpayer to reduce the income tax liabilities and it has shortcomings due to his negative impacts on company’s reputations, earnings management and his aggregate effects on Government revenue. In response to worries about the aforementioned lost Government income, researchers like Aburajah, Maali, Jaradatand Alsharairi (2019) and Omesi and Appah (2021) have intensified their research on tax avoidance. With the aid of tax professionals and other financial experts, every nation on earth engages in tax avoidance strategies. Tax compliance is required in order to increase tax revenue, as cited by Tania & Mukhlasin (2020). Tax avoidance is the adoption of legal approaches by a business to reduce taxes through tax planning (Tania & Mukhlasin, 2020). Desai & Dharmapala (2009) as stated in (Ogbodo and Omonigho, 2021) espoused that tax avoidance is the use of legal ways to reduce one's tax payment responsibilities.

According to Lanis and Richardson (2013) as mentioned in (Wulandari, Prastiwi and Atmini, 2022), tax evasion is a risky business decision that can damage the reputation of the organization. This decision may be influenced by a number of variables, such as the number of independent directors, the board of directors' experience and skill, the size, and the independence of the board audit committee. Ogbodo and Omonigho (2021) espoused that manager’s utilized tax avoidance as a strategy to boost the company's profitability in order to meet shareholder expectations, which may end up to earnings management. While tax avoidance techniques can increase revenue in the short term, managers' self-serving behavior may expose the business to risks in the long run (Tania & Mukhlasin, 2020).

One strategy to reduce the tax avoidance is to put good corporate governance principles into robust practice. Four criteria have been identified by studies as essential for establishing effective governance: the relationship between the company and its shareholders, the obligations of the management, stakeholder’s involvement, and information disclosure. This matches the description given by the stakeholder theory, which maintains that the contributions made by various stakeholders have an effect on efficient governance, Freeman, (1984) as quoted in (Wulandari, Prastiwi & Atmini, 2022). Kovermann and Velte (2019), asserted that certain governance elements, such as ownership structure, audit committee, board configuration, and shareholder pressure, may deter tax circumvention. According to Wulandari et al. (2022), the number of supervisory board members had an unfavorable effect on tax avoidance, a high number of supervisory board members will improve the supervisory functions and decrease the quantity of tax manipulations.

The relationship between tax avoidance and corporate governance has already been studied in many nations and these studies yielded unexpected findings; while some exhibit a negative correlation, others exhibit a favorable one.. Overall, our study is investigating the roles play by Corporate Governance components in improving or worsening the trend of CTA, its implications on Government income, company’s reputation and how company’s constantly and deliberately used this technique to make its financial reports look better. The motivation for this study is to ascertain the roles the corporate governance components play in downward or upward trend of corporate tax avoidance.

The investigation into tax avoidance and corporate governance in Nigeria has evolved as a result of the researcher's review of international cases of corporate tax evasion and avoidance. In earlier investigations, this was noted by Ekoja and Jim-Suleiman (2014), Kadir (2018), Salawu and Adedeji (2017), and Saturday and Sunday (2018). Recently, Omesi and Appah (2021) and Ezejiofor and Ezenwafor (2021) have both researched this topic.

Yusnaini, and Meirawati, (2019), found that good corporate governance, as evidenced by a range of corporate governance systems, had no discernible impact on tax evasion or avoidance.

Ezejiofor and Ezenwafor (2021), tax evasion and avoidance has negative consequences on a company's reputation and diminishes its reputational worth, which lowers shareholder return on investment. Corporate governance and tax avoidance have a strong positive link, according to experts Kovermann, and Velte, (2019), Tahar & Rachmawati, (2020). This research aims is to confirm the relationship between tax avoidance and corporate governance.CTA is gaining attention scholarly and within the political discussions (Huseynov, Sardali, & Zhang, 2017).

Corporate scandals have brought tax avoidance to the public's notice as well; and media stories about the tax-avoidance strategies of a number of multinational corporations (Kanagaretnam, Lee, Lim, & Lobo, 2016). Based on anecdotal evidence from recent companies like Apple, Facebook, and Starbucks (Davis, Guenther, Krull, & Williams, 2016) and more established cases like Enron (McGill & Outslay, 2004) and Tyco (Wilson, 2009), it appears that tax avoidance (aggressive tax planning), is a frequent occurrence in today's business environment and this could lead to earnings management. (Blouin, 2014) as cited in Kovemann & Patrick (2019), stated that persistent and aggressive types of tax avoidance may be linked to an unfortunate degree of risk, it would be in the interests of shareholders to reduce tax avoidance.

The act of unfairly taking advantage of loopholes or gaps in the tax laws in order to avoid paying taxes is known as tax avoidance. Regarding tax avoidance and its effects, there are various points of view. Instance is when shareholders encourage tax avoidance because it increases residual revenue and lowers borrowing costs (Ogbodo and Omonigho, 2021), but government will be against it since it reduces the amount of money available for developments.

Although tax evasion and avoidance are issues that plague tax systems, Nigeria's situation seems exceptional considering the extent of its corrupt activities (Ezeala, & Okerekeoti, and (2021).While tax avoidance strategies can increase short-term profitability, management's self-serving actions may expose the business to long-term risks (Tania & Mukhlasin, 2020).CTA has become source of concerns to stakeholders because it reduces government revenue which directly forced government to reduce spending on public goods and services. This limits economic growth, impede social mobility, and exacerbates income inequality. More research is therefore required in Nigeria, this study offers a thorough and detailed evaluation of the roles the corporate governance components such as (Credit Risk Committee, CEO duality, Board Independence and Board Audit Committee Independence) play in downward or upward trend of corporate tax circumvention.

The main objective of this study is to examine the effects of corporate governance on corporate tax avoidance of selected deposit money banks in Nigeria. The specific objectives are to; Examine effect of CEO duality on effective tax rate of selected deposit money banks in Nigeria; Assess the influence of audit independence on effective tax rate of selected deposit money banks in Nigeria; Determine effect of board independence on effective tax rate of selected deposit money banks in Nigeria; and Examine influence of credit risk committee on effective tax rate of selected deposit money banks in Nigeria

The Hypotheses of the study are stated in null form:

H_{01}: CEO duality has no significant effect on effective tax rate of selected deposit money banks in Nigeria

H_{02}: Audit independence has no significant effect on effective tax rate of selected deposit money banks in Nigeria

H_{03}: Board independence has no significant influence on effective tax rate of selected deposit money banks in Nigeria

H_{04}: Credit risk committee has no impact on effective tax rate of selected deposit money banks in Nigeria

LITERATURE REVIEW

Corporate Tax Avoidance

Every business agreement has a tax effect, which can be leveraged to generate profits by utilizing tax loopholes. Corporate Tax Avoidance (CTA)is the legal practice of reducing firm's tax liabilities by utilizing tax credits, deductions, and other legal gaps. It entails structuring one's financial activities to maximize tax law benefits and minimize the amount of tax due. Martinez (2017) states that CTA entails "organizing business operations so that tax obligations are optimized at their minimum amount; and, involves taking advantage of legitimate concessions and exemptions foreseen in the tax law."Mgbame, Chijoke-Mgbame, Yekini, and Yekini (2017), refers tax aggressiveness to various management-initiated actions thatdecrease taxable income legitimately or otherwise. Managers make strategic decisions that include tax planning in an effort to lower explicit and implicit taxes (Franca, Moraes, & Martinez, 2015) as cited in Guanming, Helen and Richard (2019).

Martinez (2017) as referenced in Ogbodo & Omonigho (2021), noted that tax planning initiatives typically result in lower tax obligations. However, this is dependent on how widely and lawfully these tactics are used. Osuegbu (2007, p. 1) defines tax avoidance as "The legal application of tax laws to one's own advantage, in order to reduce the amount of tax owed that are within the law". According to Khuong et al. (2020), decisions about tax avoidance are viewed as the lawful transfer of funds from the government to enterprises.

Measurement of Corporate Tax Avoidance are grouped into three by Annuar, Salihu, and Obid (2014) as cited in Ogbodo and Omonigho (2021) having been employed in earlier research to quantify tax avoidance. The first category consists of the metrics that account for the vast variations in book and taxable income. The measurements that show the ratio of taxes to business income make up the second group. Among these are effective tax rates (ETR). Unrecognized tax benefits (UTB), tax shelter estimates, and discretionary permanent differences (PERMIDIFF)/DTAX are the metrics used by the third group. Effective Tax Rate, which is based on research (Wulandari, T., Prastiwi, A., & Atmini, S. (2022); Ogbodo & Omonigho (2021)), will be used in this study.

Effective tax rate (ETR) $=taxexpense/pretaxincome$

Corporate Governance

Corporate governance (CG) (Financial Services Authority) is the frameworks and procedures used to direct and manage the company. Corporate governance, according to Wulandari et al. (2022), is a framework that enables a firm to add value for all of its stakeholders through regulations and controls. As defined by the OECD, corporate governance as "a group of connections involving the board, shareholders, management, and other stakeholders of a business" in more detail. Additionally, corporate governance offers the framework that the business uses to establish its objectives, strategies for accomplishing them, and ways for gauging its performance. According to Ogbodo and Omonigho (2021), corporate governance is a set of safeguards that investors used to prevent management's (managers' and/or controlling shareholders') expropriation (the use of assets without authorization).

Companies establish corporate governance to fulfil their company missions, aspirations, and goals concerning different stakeholders. As stated in (Ezeala and Okerekeoti, 2021) by Fadhilah, & Rahmi (2014). There are two methods for supervising corporate governance: internal and external. A company's internal operations can be managed by internal structures and procedures such shareholder general meetings, board meetings, board composition, number of independent board members, and frequency of board meetings. Conversely, the external mechanism is primarily focused on market control, proprietorship structure, and firm control. Better oversight and fewer opportunities for tax fraud will result from the numerical strength and calibre of independent directors and the board of directors inside the directors' organizational structure.

CEO Duality

This indicates that the same individual is able to decide the company's strategic direction and supervise its execution. Wulandari, Prastiwi, and Atmini, (2022), noted that CEO duality can facilitate quicker and more informed decision-making, but it can also lead to inadequate accountability, conflicts of interest, and a laxer enforcement of tax laws. Also, duality's opponents contend that it limits board independence and lessens the likelihood that the board can effectively carry out its oversight and governance responsibilities (Aburajah, Maali, Jaradat, and Alsharairi, (2019). Through earnings management, CEO duality is frequently cited as the main contributing factor to the recent corporate scandals involving large companies like Westinghouse, Sears, General Motors (GM), and IBM.

Audit Committee Independence

The Board of Directors established the Audit Committee, which reports to the Board and carries out its responsibilities. An Independent Board member serves as the Audit Committee's chairman and outside professionals may make up its membership. The Board appoints and removes Board Audit Committee. An audit committee will be established by a public company to function independently in the performance of its obligations. At least three persons should be on the audit committee, including one from an independent company and serving as the committee's chairperson. The committee's duty is to confirm that the firm’s business has been operated in accordance with law and guidelines. Tax circumvention activity will decline as management and auditor collusion becomes increasingly challenging to achieve.

Board Independence

The study's indication of the independence of the board of directors is calculated as the ratio of outside directors to all board members. It is the total of the company's registered and external directors. Previous studies have provided evidence that a company's success increases with the level of independence on the board. As a result, it may be claimed that the stronger the corporate governance system, the more significant the board of directors' independence metric. In this investigation, if the proportion of outside directors among all registered directors was higher than the median value of the total, the independence of the board of directors was assessed as a dummy variable with a value of 1 and if otherwise, 0Ilaboya&Ohikkha (2014),Aribaba and Ahmodu (2017).

Credit Risk Committee

The credit committee of the bank oversees credit risk in a fair and uniform manner for the bank's lending and credit-related operations. The committee is in charge of managing the bank's lending and credit policies, including the approval of internal credit guidelines and the setting of loan portfolio concentration cap. It also examines the portfolio performance and quality of the bank credit. The loan committee makes sure that the loan under review satisfies all legal requirements, the company's lending guidelines, its stomach for credit risk, and that IFRS 9 (Loan loss allowance) is applied correctly for tax benefits.

Tax Avoidance and Corporate Governance Relationship

According to stakeholder theory, businesses have to take all stakeholders' interests into account while making decisions and doing other actions. The firm created the Corporate Governance (CG) framework to make sure that its operations align with the interests of its stakeholders and shareholders. According to Wogu (2016), cited in Wulandari et al. (2022), companies with strong board governance procedures will use caution when conducting business to prevent damaging firm reputation. Corporate governance is required to address any conflicts of interest or competing goals among the various stakeholders in the firm. Agents who follow all current regulations, including abstaining from taking severe actions to foil tax fraud, are assured by robust corporate governance.

Theoretical Review

Agency Theory

Jensen and Meckling 1976, referenced in (Tandean and Winnie, 2016), state that an agency relationship arises when one or more people (the principal) hire another person (the agent) to provide a service and assign decision-making authority. According to agency theory, everyone is egocentric and self-centered in their own special way. Another implication of agency theory is the asymmetric information. In order to attain both psychological and financial fulfillment, it is the moral responsibility of management to advance the interests of the owners (principals) and to address individual demands. Conversely, investors' attention will be directed toward raising the share price. As a result, two separate interests in the business are found, each of which aims to increase or preserve a specific degree of profitability. A conflict of interest between the two led to the development of agency theory (Tandean and Winnie, 2016). In order to achieve the objectives of owners, the principal must provide adequate incentives to encourage the agents to undertake surveillance in order to prevent undesired events Jensen Meckling, (1976). According to Adeyemi et al. (2019), agency theory is a branch of accounting and finance that addresses conflicts of interest that arise when numerous parties have competing interests in the same asset. Rusydi and Martani (2014) contend that agency theory leads to agency cost. Due to conflicts in the agent's interests, agency problems may occur when the principal participates in active tax fraud. This issue emerges when some shareholders want to cap earnings to reduce tax costs, but management wants to boost compensation through higher profits to lower agency costs. It is proper application of agency theory tenets through robust incentives to agent that can reduce unpleasant tax aggressive planning.

Stakeholder Theory

The stakeholder theory, which asserts that for a corporation to prosper, it must simultaneously endeavor to fulfill the interests of its customers, suppliers, owners, employees, and unions, was developed by Freeman 1984, as cited in (Wulandari, Prastiwi and Atmini, 2022). The stakeholder theory approach to corporate governance is broader than agency theory. According to agency theory, the governance process compels managers and other stakeholders to act in the owners' best interests. The governance process adopts a novel viewpoint based on the concept of stakeholder theory, which transforms problems with agents and principals into problems with team outputs. Furthermore, issues with governance based on stakeholder theory ensure effective coordination, bargaining, and dispute resolution to maximize and distribute benefits among stakeholders. According Freeman, (1984) stakeholder theory offers a practical, efficient, successful, and moral method to managing groups in a highly complex environment. The concept of stakeholders is essential to corporate governance and can help organizations balance the interests of various groups including payment of taxes.

Empirical Review

Ezejiofor and Ezenwafor (2021) investigated the relationship between company governance and tax avoidance using remarks from the food and beverage industries in Nigeria. In the study, descriptive statistics were used. The findings showed that tax avoidance is significantly and favorably impacted by CEO duality. The board composition and tax structure of publicly traded non-financial companies were assessed by Muhammad and Zachariah (2020). Regression analysis and Pearson product moment correlation were employed. The study discovered that while board independence and foreign directorship had non-significant negative effects on tax planning, gender diversity, board size, and board meetings had non-significant favorable effects.

A study was conducted by Tania and Mukhlasin (2020) to assess the impact of tax avoidance on internal control effectiveness, the number of audit committees, the audit committee's expertise, the expertise of the board of directors, and independent directors in manufacturing firms listed on the Indonesia Stock Exchange between 2016 and 2018. The deductive method was employed in this study to generate hypotheses based on relevant ideas and findings from earlier investigations. The data analysis employed multiple linear regression, descriptive statistics, and secondary data. The findings indicate that there is a negative correlation between the expertise of the board of directors and the number of independent directors, and a positive correlation between the size of audit committees and the effectiveness of internal control, i.e., more audit committees and more effective internal control translate into more tax avoidance. Additional findings showed that tax avoidance or evasion was not significantly impacted by the audit committee's experience.

Sani and Umar (2023) examined the relationship between board size and tax evasion. The reports of the Nigerian Deposit Insurance Corporation (NDIC) and the banks' annual reports served as the study's data sources. In order to analyze the data, the study used panel unit root, panel co-integration, cross-sectional dependence, correlation matrix, and descriptive statistics. To test the theories, the Panel Generalized Method of Moments (PGMM) was employed. The (PGMM) discovered a weak and negligible correlation between board size and tax evasion. Tax avoidance is positively and significantly impacted by board independence. The impact of control variables on tax evasion by Nigerian deposit money institutions is large and negative. These variables include firm size, profitability (ROA), and financial leverage. The relationship between board size and tax evasion is weak or nonexistent. Board independence has a favorable and considerable impact on tax avoidance. The study's findings recommend that governmental regulatory bodies like the Security Exchange Commission (SEC), Nigerian Exchange Group (NGX), and Central Bank of Nigeria (CBN) implement rules that will strengthen the oversight and control of choices made by Nigeria's deposit money banks. This would increase the openness and accountability of the Nigerian banking sector and help eliminate or restrict tax fraud tactics.

Wulandari et al. (2022) investigated and assessed the impact of company governance as a moderating factor on tax circumvention. This study is beneficial because it used deductive reasoning to propose a theory that is then put to the test using a research design. The population of this study consists of businesses that were listed on the Indonesia Stock Exchange between 2017 and 2021. Purposive sampling was employed to choose the samples. After analyzing 505 samples, the study's findings revealed that organizations with sound corporate governance hardly use tax avoidance. Finally, by establishing excellent corporate governance, the characteristics identified in this study can help organizations lower their level of tax avoidance.

RESEARCH METHODOLOGY

The research sample included of Deposit Money Banks (DMB) that were listed on the Nigerian Stock Exchange between 2011 and 2022. Ten (10) of the twenty-four (24) Deposit Money Banks (DMB) that were listed on the Nigerian Stock Exchange (NSE) as of the end of the 2022 fiscal year comprised the study's population. A sample of the study was chosen in accordance with the condition that the companies had complete data in their publicly traded financial statements for the study periods. The study used data from secondary sources. The sampled companies' yearly financial statements provided the data. The panel regression analysis was used to test the hypotheses, and the Hausman test was employed to determine whether fixed, random, or pooled panel regression models should be adopted.

Research Design

A research design is a procedure for choosing research participants and gathering data. This study employed an *ex post facto* research design. *Ex post facto* research design is a systematic empirical study in which the independent variables are not subject to direct observer control because they have already arterialized or are not naturally manipulable. The study employs this methodology because the researcher is interested in establishing the causal relationship between the dependent and independent variables but does not have direct control over the independent variables.

RESULTS AND DISCUSSION OF FINDINGS

This study adapted the empirical model of Ogbodo and Omonigho (2021), which established how corporate governance affect tax avoidance among quoted consumer goods manufacturing companies in Nigeria. The model for Ogbodo and Omonigho (2021) was stated below:

$\mathbf{ETR_{it}} = \beta_0 + \beta_1 CEOD_{it} + \beta_2 BS_{it} + \mu_{i\,+}\varepsilon_{it}$

Eqn 1, Where;

1. ETR = Effective Tax Rate proxied for Tax Avoidance
2. CEOD= CEO Duality Proxied for Corporate Governance
3. BS = Board Size proxied for Corporate Governance

The Ogbodo and Omonigho (2021) model was modified to introduced additional metrics for corporate governance, like board independence and credit risk committee that will enhance sound tax avoidance via effective tax rate which were not capture by Ogbodo and Omonigho (2021) and also to suit specific objectives of this study. Thus, this justified inclusion of Audit committee Independence, Board Independence and credit risk committee in the model of Ogbodo and Omonigho (2021). The adapted model was stated as:

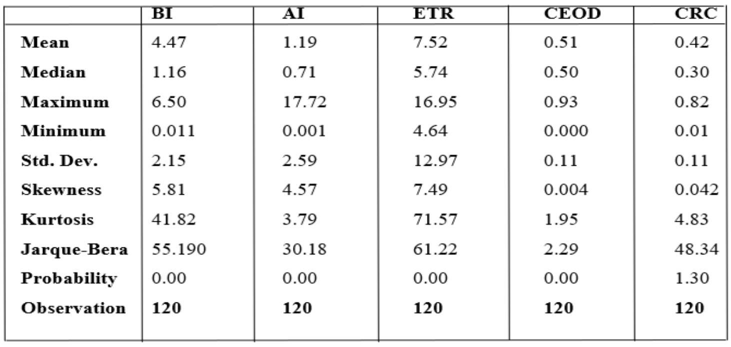
$EFTR_{it} = \beta_0 + \beta_1 CEOD_{it} + \beta_2 AI_{it} + \beta_3 BI_{it\,+}\ \beta_4 CRC_{it} + \mu_{i\,+}\varepsilon_{it}$

Eqn 2

Where;

1. ETR = Effective Tax Rate proxied for Tax Avoidance
2. CEOD= CEO Duality Proxied for Corporate Governance
3. AI = Audit Independence proxied for Corporate Governance
4. BI = Board Independence proxied for Corporate Governance
5. CRC = Credit Risk Committee proxied for Corporate Governance

Table 1: Descriptive Statistics

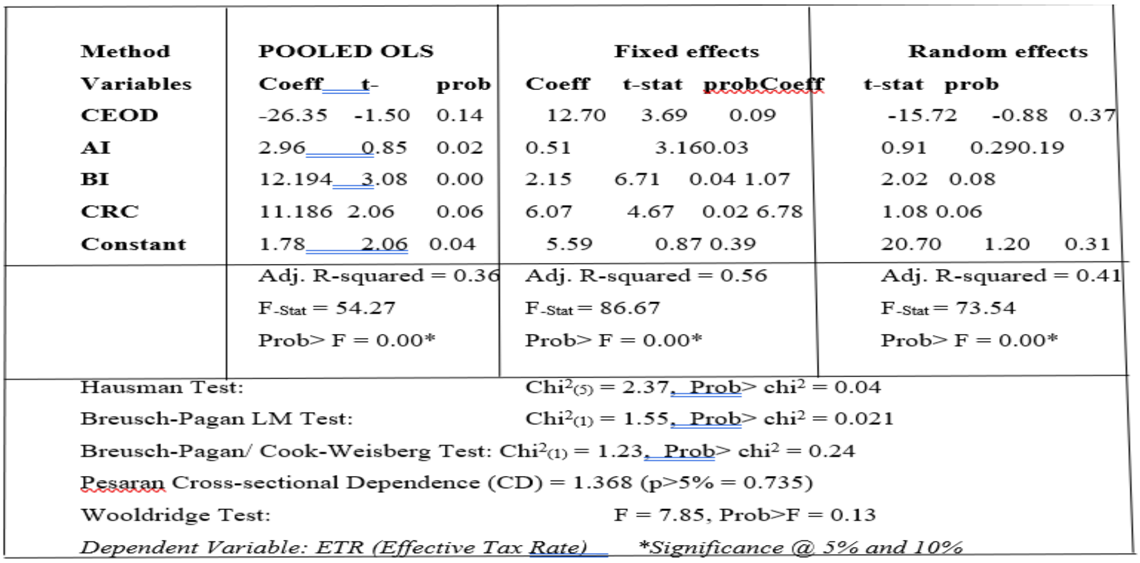


	BI	AI	ETR	CEOD	CRC
Mean	4.47	1.19	7.52	0.51	0.42
Median	1.16	0.71	5.74	0.50	0.30
Maximum	6.50	17.72	16.95	0.93	0.82
Minimum	0.011	0.001	4.64	0.000	0.01
Std. Dev.	2.15	2.59	12.97	0.11	0.11
Skewness	5.81	4.57	7.49	0.004	0.042
Kurtosis	41.82	3.79	71.57	1.95	4.83
Jarque-Bera	55.190	30.18	61.22	2.29	48.34
Probability	0.00	0.00	0.00	0.00	1.30
Observation	**120**	**120**	**120**	**120**	**120**

Source: Author’s computation (2023)

The table 1 shown above gives an overview of the main characteristics of the data that was used for the analysis. With the exception of CRC, the data for the research variables BI, AI, ETR, and CEOD were not normally distributed, according to the Jarque-Bera probability value, which is less than 5%. The study variables' data distribution was not normally distributed, according to the Jarque-Bera probability.

Table 2: Panel Regression



Method	POOLED OLS			Fixed effects			Random effects		
Variables	Coeff	t-	prob	Coeff	t-stat	probCoeff		t-stat	prob
CEOD	-26.35	-1.50	0.14	12.70	3.69	0.09	-15.72	-0.88	0.37
AI	2.96	0.85	0.02	0.51	3.160.03		0.91	0.290.19	
BI	12.194	3.08	0.00	2.15	6.71	0.04 1.07	2.02	0.08	
CRC	11.186	2.06	0.06	6.07	4.67	0.02 6.78	1.08 0.06		
Constant	1.78	2.06	0.04	5.59	0.87 0.39		20.70	1.20	0.31
	Adj. R-squared = 0.36 $F_{\text{-Stat}}$ = 54.27 Prob> F = 0.00*			Adj. R-squared = 0.56 $F_{\text{-Stat}}$ = 86.67 Prob> F = 0.00*			Adj. R-squared = 0.41 $F_{\text{-Stat}}$ = 73.54 Prob> F = 0.00*		

Hausman Test: $\text{Chi}^2_{(5)}$ = 2.37, Prob> chi^2 = 0.04

Breusch-Pagan LM Test: $\text{Chi}^2_{(1)}$ = 1.55, Prob> chi^2 = 0.021

Breusch-Pagan/ Cook-Weisberg Test: $\text{Chi}^2_{(1)}$ = 1.23, Prob> chi^2 = 0.24

Pesaran Cross-sectional Dependence (CD) = 1.368 (p>5% = 0.735)

Wooldridge Test: F = 7.85, Prob>F = 0.13

Dependent Variable: ETR (Effective Tax Rate) **Significance @ 5% and 10%*

Source: Author’s Computation (2023)

The appropriateness of the Fixed Effect and Random Effect Analysis methods was evaluated using the Hausman Test. The outcomes, detailed in **Table 2,** suggest that the Fixed Effect estimator is the most fitting choice based on the null hypothesis, which asserts the existence of unaccounted variations in the model coefficients. Consequently, the study rejects this null hypothesis at a significance level lower than 5 percent.

The explanatory power Adj.R^2 of corporate governance measures (CEOD, AI, BI and CRC) had combined effect on ETR (Effective Tax Rate) proxies for deposit money bank tax avoidance using fixed panel regression was 0.56. This means that just 56.0% deviation in the ETR is explained through the joint influence of corporate governance indicators (CEOD, AI, BI and CRC) while the remaining 44 percent is affected by external causal variables that fall beyond the scope of this study. Looking at the F-statistics results with a p-value of 0.00 (0 percent), it indicates that the combined impact of the explanatory variables (CEOD, AI, BI, and CRC) significantly influences the dependent variable (ETR), which serves as a proxy for bank tax avoidance. The probabilities and the signs of the t-statistics as shown in **Table 2** indicated that CEOD (t-stat =3.69, p-value = 0.09 > 0.05 but less than 10% level of significance); AI with (t-stat = 3.16, p-value = 0.03 < 0.05); BI with (t-stat = 6.71, p-value = 0.00 < 0.05); and CRC (t-stat = 4.67, p-value = 0.02 < 0.05) have favourable influence on the Effective Tax Rate (ETR) of selected deposit money banks in Nigeria. Looking at the fitness of the regression model for the study, the F-statistics is 86.67, while the p-value of the F-statistics is 0.00, which is less than the level of significance of 0.05 used in this study and indicated that the model is well fitted and corporate governance indicators used combinely explained tax avoidance proxied with ETR. Thus, this study rejected the null hypothesis which state that corporate governance measures (CEOD, AI, BI and CRC) do not significantly affect effective tax rate (ETR) of selected deposit money banks in Nigeria.

The results of the study were consistent with the findings of Bala, Sani& Umar, Salim. (2023), Ogbodo and Omonigho (2021), Amidu, Kwakye, Harvey, and Yorke (2016), Annuar, Salihu, and Obid (2014), Kovermann and Velte (2019), Aburajah, Maali, Jaradat, and Alsharairi (2019), Bessem, Jabr, and Aris (2020), Edwin, and Victor (2019), Ezejiofor, and Ezenwafor (2021) among others supported this study finding that corporate governance measures (CEOD, AI, BI and CRC) affect effective tax rate, thus null hypotheses rejected. Organisations should endeavour to improve their corporate governance ethics in order to experience this effect.

CONCLUSION

The relationship between corporate governance and the effective tax rate was examined in this study. It was discovered that company governance and tax avoidance are related. The effective tax rate was found to be positively impacted by the CEO duality, board independence, audit committee independence, and credit risk committee. Nonetheless, we found that in organizations with strong board governance, the overall impact of tax avoidance eroding company value and reputation is decreasing.

The study assesses the connection between corporate governance at Deposit Money Bank (DMB) and tax avoidance. This study supports the hypothesis that good business governance might lessen tax avioidance. By including both internal and external stakeholders, effective company governance can improve the supervisory role and reduce the danger of tax fraud. Agents may decide to forego taxes to a different degree than principals due to agency conflicts. Therefore, in order to address these problems, corporate governance is necessary. Generally speaking, implementing sound corporate governance procedures is linked to corporate accountability for safeguarding shareholder interests, including corporation tax compliance. It is asserted that managers of well-managed businesses are more motivated than those of badly managed businesses to abstain from tax avoidance or tax sheltering.

RECOMMENDATIONS

This research aims to ascertain whether corporate governance components influence tax avoidance. Many corporate governance principles were established, including board independence, credit risk committee, CEO duality, and board audit committee independence. The research's assumptions state that corporate governance methods positively affect how compliant a corporation is with tax laws.Because of this, companies should encourage the growth of strong board governance to discourage managers from pursuing aggressive tax planning that may ultimately jeopardize reputation and long-term stability of the firm. This study's scope is constrained by its exclusive emphasis on samples from the banking sector. It is advised that more data be gathered from different industries for research reasons.

REFERENCES

1. Aburajah, L., Maali, B., Jaradat, M. & Alsharairi, M. (2019). Board of directors" characteristics and tax aggressiveness: Evidence from Jordanian listed firms. Theoretical Economics Letters, 9, 2732-2745.
2. Adeyemi, S.B., Omobude, S.I. & Udofia, I.E. (2019). Impairment testing of intangible assets and quality of financial reporting of Nigerian manufacturing companies. Global Journal of Accounting, 5(1), 1- 15.
3. Aliyu A.A & Umar S.I (2023). Assessment on the Impact of Corporate Governance Mechanisms on Corporate Tax Avoidance. UBS Journal of Business and Economic Policy, 1(3), 312-323
4. Annuar, H. A., Salihu, I. A., &Obid, S. N. S. (2014). Corporate ownership, governance and tax avoidance: An interactive effects. Procedia-Social and Behavioral Sciences, 164(2014), 150- 160.
5. AnshuDuhoon and Mohinder Singh (2023). Corporate tax avoidance: a systematic literature review and future research directions. LBS Journal of Management & Research.
6. Bala, Sani& Umar, Salim. (2023). Corporate Governance Factors and Tax Avoidance of Listed Deposit Money Banks in Nigeria. Lafia Journal of Economics and Management Science Volume 8, Issue 1; 2023
7. Bessem, S., Jabr, A. J. & Aris, J. (2020). A comparison of corporate governance and tax avoidance of UK and Japanese firms. Comparative economic research central and Eastern Europe. 23(2), 112-132. http://dx.doi.org/10.18778/1508-2008.23.23
8. Choi, J.; Park, H. (2022) Tax Avoidance, Tax Risk, and Corporate Governance: Evidence from Korea. Sustainability, 14, 469. https:// doi.org/10.3390/su14010469
9. Emmanuel, E. & Omena, O. I. (2021). Corporate governance and corporate tax aggressiveness: A comparative analysis. Journal of Social and Administrative Sciences Studies, 5(1), 20-33.
10. Ezeala, G and Okerekeoti, C.U. (2021). Corporate governance and tax avoidance: an empirical study of quoted food and beverage firms in Nigeria. International Journal of Research in Education and Sustainable Development | ISSN: 2782-7666 Vol. 1, Issue 9 (September, 2021) | www.ijaar.org
11. Ezejiofor, Raymond & Ezenwafor, Emmanuel. (2021). Corporate Governance and Tax Avoidance:

Evidence from Nigerian Quoted Food and Beverage Companies. Macro Management & Public Policies. 2. 10.30564/mmpp.v2i4.2632.

12. Franca, C. J. de, Moraes, A. M. L. de M. de, & Martinez, A. L. (2015). Tributacao Implicita e Clientelas, Arbitragem, Restricoes e Friccoes. Revista de Administração e Contabilidade da FAT, 7(1), 5-18.
13. Gaaya, S., Lakhal, N. &Lakhal, F. (2017). Does family ownership reduce corporate tax avoidance? The moderating effect of audit quality. Managerial Auditing Journal, 32(7), 731–744.
14. Goh, B.W.; Lee, J.; Lim, C.Y.; Shevlin, T. (2016) The Effect of Corporate Tax Avoidance on the Cost of Equity. Account. Rev. 2016, 91, 1647–1670.
15. Halioui, K., Neifar, S., & Ben Abdelaziz, F. (2016). Corporate governance, CEO compensation and tax aggressiveness. Review of Accounting and Finance, 15(4), 445–462. https://doi.org/10.1108/RAF-01-2015-0018.
16. Ibobo, B. I., Egbule, A. C. S. & Arukaroha, J. (2019) Effect of board characteristics, firms' performance and effective tax planning in Nigeria food manufacturing Sector. FUO Quarterly Journal of Contemporary Research, 7(3), 1-12
17. Kadir, O. A. (2018). The impact of corporate governance mechanisms on corporate tax avoidance in Nigeria listed manufacturing companies. Global Journal of Contemporary Research, Auditing and Business Ethics, 4(9), 622–636.
18. Khuong, N. V., et al. (2020). Does corporate tax avoidance explain firm performance? Evidence from an emerging economy. Cogent Business and Management, 7(1). doi: 10.1080/23311975.2020.1780101.
19. Kovermann, J., &Velte, P. (2019). The Impact of Corporate Governance on Corporate Tax Avoidance. A Literature Review. Journal of International Accounting Auditing and Taxation, 36. https://doi.org/10.1016/j.intaccaudtax.2019.100270.
20. Mahmud, Bashiru& Sule, Ba'Aba& Bukar, Musa. (2020). The Impact of Corporate Governance Attributes on Tax Planning of listed Nigerian Conglomerate Companies. International Journal of Academic Research in Business and Social Sciences. 10. 10.6007/IJARBSS/v10-i5/7190.
21. Mapadang, A. (2018) "Pengaruh Mekanisme Corporate Governance Tax Avoidance," Aliansi: Journal Manajemendan Bisnis, vol. 13, pp. 115-120, 2018.
22. Martinez, A. L. (2017). Tax aggressiveness: a literature survey. Revista de Educação e Pesquisaem Contabilidade. (Journal of Education and Research in Accounting), 11(Special Edition, 6), 104-121.Available online at: www.repec.org.br. DOI: http://dx.doi.org/10.17524/repec.v11i0.1724
23. Mgbame, C. O., Chijoke-Mgbame, M. A., Yekini, S., &Kemi, Y. C. (2017). Corporate social responsibility performance and tax aggressiveness. Journal of Accounting and Taxation, 9(8), 101-108.
24. Ogbeide, S. O. (2017). Firm Characteristics and Tax Aggressiveness of Listed Firms in Nigeria: Empirical Evidence. International Journal of Academic Research in Public Policy and Governance, 4(1), 62–75.
25. Ogbodo, O.C. and Omonigho, A.J. (2021), International Journal of Advanced Academic Research | ISSN: 2488-9849 Vol. 7, Issue 7, Series 2 (July, 2021) | www.ijaar.org
26. Omesi, O. S. &Appah, E. (2021). Corporate governance and tax Avoidance of listed consumer and industrial goods companies in Nigeria.16SR Journal of Economics and Finance. 12, 17-31
27. Rae, K., Sands, J., &Subramaniam, N. (2017). Associations among the Five Components within COSO Internal Control-Integrated Framework as the Underpinning of Quality Corporate Governance. Australasian Accounting, Business and Finance Journal, 11(1), 28–54.
28. Rusydi, &Martani, D., (2014). Influence Ownership Structure Against Aggressive Tax Avoidance. Simposium Nasional Akuntansi XVII.
29. Salawu, R. O. &Adedeji, Z. A. (2017). Corporate governance and tax planning among non-financial quoted companies in Nigeria. African Research Review: An International Multi-Disciplinary Journal, 11(3), 42-59.
30. Shin, I. & Park, S. (2019). The relation between product market competition and corporate tax avoidance: Evidence from Korea. Investment Management and Financial Innovations, 16(2), 313–325.
31. Syuhada, A, Yusnaini, Y. and Meirawati, E. (2019) "Pengaruh Good Corporate Governance danProfitabilitas Terhadap Tax Avoidance (Studi Empirispada Sektor Pertambangan Yang Terdaftar di BEI)," Akuntabilitas, vol. 13, pp. 127-140, 2019.
32. Tahar, A. and Rachmawati, D. (2020). "PengaruhMekanisme Corporate Governance, Corporate Social Responsibility, Ukuran Perusahaan dan Leverage Terhadap Penghindaran Pajak (StudiPada Perusahaan

Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2017)," Kompartemen: JurnalIlmiah Akuntansi, vol. 18, 2020.

33. Tandean, V. A. & Winnie, W. (2016). The Effect of Good Corporate Governance on Tax Avoidance. Asian Journal of Accounting Research, 1(1), 28–38. https://doi.org/10.1108/AJAR-2016-01-01- B004
34. Tania, F.F & Mukhlasin (2020), The Effect of Corporate Governance on Tax Avoidance: Evidence from Indonesia. Management & Economics Research Journal, Vol. 2 No.4 (2020), pp. 66-85 https://doi.org/10.48100/merj.v2i4.126
35. Wogu, O. E. (2016). Corporate Governance: The Stakeholders Perspective. International Journal of Business and Management Review, 4, 44–51. https://www.eajournals.org/wp-content/uploads/Corporate-Governance-TheStakeholders-Perspective.pdf
36. Wulandari, T., Prastiwi, A., &Atmini, S. (2022). The Effect of Corporate Governance on Tax Avoidance with Profitability as Moderating Variable. Journal of International Conference Proceedings, 5(3), 225-232.
37. Zachariah, P. &Muhammed, I. (2020). Board attribute and tax planning of listed non-financial companies in Nigeria. International Journal of accounting and Finance, 9(1), 132-148.