INTERNATIONAL JOURNAL OF RESEARCH AND SCIENTIFIC INNOVATION (IJRSI)
ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XI Issue VII July 2024

Corporate Tax and Liquidity of Deposit Money Banks in Nigeria

Suleiman Ahmed Hadiza[1], Mohammed Garba Abubakar[2]

[1]Department of Accounting, Faculty of management sciences, Usmanu Danfodiyo University, Sokoto State, Nigeria

[2]Federal Government Collage, Sokoto State, Nigeria

DOI: https://doi.org/10.51244/IJRSI.2024.1107071

Received: 08 June 2024; Accepted: 28 June 2024; Published: 20 August 2024

ABSTRACT

This paper assesses the effect of corporate tax and liquidity of listed deposit money banks in Nigeria from 2018 to 2022. The entire fourteen listed DMBs served as population of the study. Data are obtained from annual reports and accounts of these banks. The study used descriptive statistics, inferential statistics, and correlation analysis. While panel generalized least square regression was used to analyze the dependent variable, liquidity, measured by cash ratio and independent variable corporate tax, measured by effective tax rate and tax expense, while control variables used was bank size. The result reveals that, effective tax rate has significant negative effect on liquidity at a coefficient of (-0.1245) and a significant p-value of (0.0436) and tax expense has a significant negative effect on liquidity with a coefficient value of (-0.1065) and a p-value of (0.0394). On the other hand, the control variable bank size indicated a positive significant effect on liquidity with a coefficient value of (2.9703) and a p-value of (0.0028) among listed DMBs in Nigeria. The study recommends that, tax authorities should review the current corporate tax policy and come up with more favourable policy that will increase the liquidity of listed DMBs in Nigeria. This will improve bank's patronage and thereby encouraging the banking sector's growth and development.

Keywords: Corporate taxation, Liquidity.

INTRODUCTION

Taxation is the means by which government across the globe used to raise revenue. In Nigeria taxation has become a significant source of government revenue due to persistent decreases in the price of crude oil in international market. It is vital in attaining growth and development in any nation by helping the government provide the basic infrastructure, provide security and enhance social wellbeing for the general public.

Taxation is defined as a monetary levy imposed by the government on persons, entities, companies, or properties in order to yield revenue (National Taxation Policy, 2019). Taxation is also defined as "the enforced proportional contributions from companies, persons, and properties levied for the support of the government's activities and for the benefit of the general public." It is seen as "a financial burden placed on people, businesses, or properties to fund government expenditures. Regardless of whether it is voluntary or not, a tax is any payment that the government collects in accordance with the law.

The primary piece of legislation governing how banks are taxed in Nigeria is the Company Income Tax Act (CITA, 2019). The tax system in Nigeria is multi-level, which basically implies three (3) levels of

government. The Federal Inland Revenue Service is responsible for managing the income tax of companies. Company Income Tax (CIT, 2019) is a tax on the revenue of Nigerian-incorporated companies. The tax on the income of multinational companies operating in Nigeria is also included. Limited-liability companies are responsible for remitting company income taxes. Companies that are local must remit corporate income tax on their group income, while multinational companies must remit corporate income tax on their taxable income (Resolution Law Firm, 2020).

Corporate tax can be viewed as a tax imposed by the tax authority on the income of companies or entities from all sources after adjusting allowable and disallowable expenses to arrive at taxable income. Corporate tax burden is set to be measured by effective tax rate and tax expense.

Some studies, such as Law and Yuen (2019), and Lazos, Koutoupis, and Pazarskis (2019), showed that corporate taxes have a very high impact on bank liquidity. They suggest that, the collection of taxes decreases the level of supply by banks, which negatively impacts their lending capacity and reduces efficiency. Banks shall maintain the actual balance of liquidity in order to avoid short-term liquidity pressure. The actual balance entails not having excess or inadequate liquidity to sustain a bank's desired operational level (Bhunia, 2018).

Liquidity is the ability of a bank to quickly deploy the cash it may need to meet customer demand. Cash holdings in cash or on deposit with the Federal Reserve or another central bank are two sources of liquidity. It usually results from owning securities that can be rapidly liquidated for a small loss. Typically, this refers to the highly reliable tools, such as short-term government bills maturing. In fact, if the term is concise and adequate, the bank may decide to hold on until the principal is returned at maturity (Douglas, 2018).

The affected banks in Nigeria are Skye bank which has been acquired by Polaris bank on September 21, 2018, and Diamond bank which has been acquired by Access bank on April 1, 2019. The above scenario is as a result of the two deposit money banks as a financial institution failed to maintain the minimum cash ratio which in turn affects their liquidity condition and finally leads to banking failure. Furthermore, according to information from the Central Bank of Nigeria's annual report for 2020, the Nigerian listed deposit money banks have 67.64% decrease in liquidity from April 2019 to April 2020, when it stood at N146.59 billion in April, 2020 from N440.78 billion in April, 2019(CBN Annual Economic Report, 2020).

Therefore, this paper is attempts to fill this gap of variation in results to assess the effect of Corporate Tax on Liquidity of Listed Deposit Money Banks in Nigeria.

The primary aim of this paper is to assess the effect of corporate tax on liquidity of listed deposit money banks in Nigeria. The following specific objectives are set to be achieved: (i) to assess the effect of effective tax rate on liquidity of listed DMBs in Nigeria and (ii) to assess the effect of tax expense on liquidity of listed DMBs in Nigeria.

The findings of this paper would be significance to the management of listed DMBs in Nigeria, tax authorities and government financial regulators, academicians and potential researchers in the following ways: to assist the management of listed DMBs in Nigeria to understand the relationship between corporate tax and liquidity thereby assisting them in making appropriate strategic decisions. Tax authorities like Federal Inland Revenue Services, Joint Tax Board and State Internal Revenue Service's will also find this paper beneficial as the findings will help them in making appropriate tax policy. Additionally, Central Bank of Nigeria being the government financial regulator, will find the paper beneficial in strengthen existing regulatory framework regarding liquidity of listed DMBs in Nigeria. Finally, the academicians and potential researchers will also find this paper relevant as this paper will serve as reference to their future researches in the area.

LITERATURE REVIEW

Conceptual Review

Concepts on the related variables are reviewed in this section. These include concept of corporate tax and corporate liquidity as defined by the paper.

Corporate Taxation: Tax is consistently an enforced offering of money, exacted in accordance with legislative authority. If there is no lawful statute by which it is imposed, a charge is not a tax. But once it is supported by an enactment and it has the other identified characteristics of a tax, it remains a tax, even if it is called by other names like tariff and levy. In detecting a tax, it will be better to examine its essential characteristics (Ipaye, 2021).

Tax is a source by which countries in the world used to generate cash for the running and maintenance of capital and human development. It is widely defined as a compulsory contribution made by companies and corporate entities toward financing government expenditure (Dandago & Alabede, 2021).

Tax is an instrument used government for regulating and stabilisation of economic activities in the country and also used as significant tools for fiscal policy in order to protect and enhance the local industries against foreign companies. Tax is used as means by which government free them from dependence of foreign aids and determine their capability of way out of poverty (Christian, 2020).

Tax is a compulsory contribution imposed by government upon companies and corporation in order to cover government expenditure or expenses (Attamah, 2021). Attamah opined that, tax is a good yardstick of government revenue and it is imposed annually for the authority to plan for their future financial activities. Taxes from companies, individuals and corporate entities play a vital role in any nation’s economic growth and development (ICAN, 2021).

Working Definition on Taxation

Taxation is a mechanism used by government to control, regulate and finance economic activities of the country through fiscal policy in order to provide the basic social amenities, securities and infrastructural facilities for the benefit of the general public.

An overview of Nigeria’s Tax System

In Nigeria, taxes have a long history that dates back to pre-colonial times. There are various taxation systems in place among the various kingdoms, groups, and tribes prior to the colonisation of the various entities that were later combined under the name Nigeria in order to support the monarchs. These include mandatory levies, contributions of goods, money, and labour, among other forms of taxation.

The indigenous law ordinance Cap 74 of 1917, which is suitable for Western Nigeria, is an example of a reform to the taxation system made in 1904 by the colonial Governor-General, Lord Lugard. The first income tax was implemented in Nigeria under this ordinance. Due to the lack of a realised central administration in the East—direct taxation wasn’t implemented there until 1927, an amendment was made in 1918 to extend the law of 1917 to the Western States. The issue of the Aba Women Riot in 1929 existed in response to the re-enactment of the equivalent law, which for the first time enforced a tax on women. The

Non-Native Protectorate Tax Ordinance of 1931 is another piece of legislation. After being repealed and merged into Taxation Legislation No. 4 of 1960, the legislation was then re-created as the Income Tax Ordinance of 1943.

Significance of Tax Revenue to Nigeria

Uche and Uche (2014), discover that, corporate taxation is one of the primary sources of the governance fund, and its significance. Even though it has been utilised to achieve different economic goals at important points in time, the Nigerian taxation scheme is primarily designed as a mechanism for revenue compendium that is used to pay the government's supply of social amenities to the population.

In the light of Nigeria's economy, the importance of tax revenue has an advantage. The government uses taxation as a tool for fiscal policy (Akintoye, 2018). The lives of almost all people in the community are impacted by taxes. No significant financial issue can be effectively resolved without taking the impact of taxes into account, yet corporation tax has the impact of reducing the funds available for reinvested capital and business expansion. Additionally, it has an impact on dividend pay-out, which deters public investment. In conclusion, businesses will have enough money to reinvest and expand when they are profitable and pay less in taxes. By doing this, additional employment possibilities appear, and the nation's economy grows (Ezegwu & Akubo, 2018).

Corporate Tax Administration in Nigeria

Company income tax act is largely administered by the Federal Inland Revenue Service (FIRS). It is obligatory for businesses operating in Nigeria to file their tax returns and audited accounts with the FIRS without exception in anticipation of the six-eternity period or, in the instance of a newly integrated corporation, within eighteen months of the stage of integration (CITA, 2019).

The Federal Inland Revenue Service (FIRS) typically conducts tax assessment to ensure that the information submitted in self-assessment tax returns is accurate. If necessary, the FIRS may make adjustments that result in extra assessments with fines and interest, accordingly. Unless where fraud is suspected, in which case the FIRS may theoretically go back as many years as possible, the statute of limitations is six years. The administration and interpretation of the tax code are largely left up to the FIRS's discretion (CITN Tax Guide & Statutes, 2014).

Tax Laws in Nigeria

A deliberate evaluation of the nation's tax legislation needs to be on-going. Although, the day the tax rules could be clearly understand is not in sight, it is time for our draughtsmen to make a conscious effort to interprets the laws in clearer terms. This may need the adoption of a new step in the legislative process where a selected committee examines each draft with the goal of streamlining it. Long-term savings would make this extra step's cost and labour worthwhile (Toby, 2021).

Integration of amendments with the main legislation is a crucial component of this streamlining process. The majority of tax regulations change virtually annually, as we noted much earlier. These modifications are frequently so numerous that they even confuse specialists. According to Abdulrazaq, (2018) "mere legislation by cross-reference is undesirable in its diffuse effect, while legislation by modified cross-reference is positively bad in the uncertainty it generates as to the relationship between statutory provisions, and in particular the relationship between judicial decisions made in the context of one set of statutory provisions and the statutory provisions to which the latter are cross-referred". The above-mentioned provision is clearly stated by the company income tax (amendment) act.

Corporate Tax Legislation in Nigeria

The primary piece of legislation controlling the administration of corporate taxes in Nigeria is the Company Income Tax Act 2019, which is found in Chapter 60 of the Laws of the Federation of Nigeria 1990. After various revisions and the merging of provisions from the previous CITA of 1996, the act becomes operative. The firm's income tax amendment act 2021, which currently utilises firm taxation legislation, is the result of further amendments that were made to CITA 1979 in 2004 and continues up until this point. Along with the Federal Inland Revenue Service Establishment Act of the year 2007 (FIRSEA), this is employed.

Azubike (2019), claims that, tax amendment is an on-going operation that tax administrators and policymakers engage in to make sure that the country's tax system reflects amendments in political, societal, and economic activities. Section 26(1) of the Federal Inland Revenue Service Establishment Act of the year 2007 specifies that, corporate entity and individual should report relating to their profit and earnings, respectively. This is in accordance with on-going amendments. A book, document, and any other material needed by the Service for evaluation may be included in the report. The Federal Inland Revenue Service can require this for a predetermined amount of time.

Assessment Mechanism for Corporate Tax in Nigeria

The Federal Inland Revenue Service (FIRS) will start appraising every business liable for tax as soon as possible after the deadline for submitting its audited financial statements and tax return set forth in Section 55 of the company income tax act has passed, or as soon as the service deems it practical to do so. When a company delivers audited financial statements and a return, the service has two options: accept the financial statements and return and make an assessment in accordance with them, or reject to accommodate the recurrence and, using its best decision, estimate the company's comprehensive earnings and make an assessment in accordance with that estimate.

When a business has not submitted a return but the service believes that the business is required to satisfy tax, the service may, using its best judgement, estimate the measure of the company's total profits and make an appraisal in accordance with that estimate; however, such an assessment shall not affect any liability that the company may have already incurred as a result of its miscarriage to comply with a return.

There is nothing in this sub-section that prevents the service from assessing a company for any year before the deadline for delivering a return or giving notice under the terms of Section 55(3) of this act. If the service or a Federal Inland Revenue Service official who has been properly authorised by the service believes that such an assessment is urgently required for whatever reason, The accounts and returns complied with in accordance with Section 55(2) of this act are meant to be referred to when the word "return" is used in this section (Compendium of Tax and Related Laws, 2021).

Corporate Liquidity

Mueller (2021) defines financial liquidity as the ease in which current assets can quickly converted cash. For instance, stocks, bills, and bonds are highly liquid since they can be transformed into cash within days. Large assets like property, buildings, plants, leases, and equipment, on the other hand, are not as easy to convert into cash. Liquidity, thus, evaluates the bank's capacity to fulfil its upcoming short-term commitment. In the analysis of financial statements, liquidity is crucial. After all, a company that is unable to pay its short-term debts may be forced into bankruptcy and won't be in a position to function in the long run. One's checking account, for instance, is liquid, but if one owes money for a piece of land and needs to sell it, it might take some time before the said land it sold.

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XI Issue VII July 2024

Bank Liquidity: The bank must have enough cash in hand to cover its responsibility when both become collectible. The capability of the banks to fulfil their current responsibilities is measured by liquidity. Although the creation of a cash budget and cash flow statements is necessary for the analysis of liquidity, the liquidity ratio offers a rapid way to assess the ability to encounter temporary commitments. A bank should always make sure that neither excess money nor shortage of liquidity affected it. Lack of liquidity causes a bank to be less credit worthy, lose the trust of its creditors, or even close down if it cannot fulfil its obligations. Extreme liquidity is undesirable since idle assets will not generate any income (ICAN, 2016).

The cash ratio, which assesses a bank's liquidity by comparing all of its cash and cash equivalents to its current liabilities, provides this information. The index determines a company's ability to pay off its short-term liabilities with cash that can be transformed into cash quickly, including promptly merchandisable securities. When determining how much money, if any, they would be prepared to lend a company, creditors can utilise this knowledge to their own advantage. Cash ratio is practically a predictor of a company's real position in the worst-case situation, such as when the business is set to collapse. It provides creditors, tax authorities, and analysts with information on the real position of current assets that can be easily transformed into cash as well as the proportion of the company's current liabilities that these assets may cover.

Working Definition on Corporate Liquidity

Bank liquidity can be defined as the ability and capability of raising cash as quickly as possible in a logical way. It is the techniques used by the bank's management in converting liquid assets such as marketable securities into cash in order to meet customers' needs at any given period of time.

Theoretical Review

Despite reviewing numerous ideas, the ability-to-pay approach theory shall be the foundation of this work. This is due to Kenton's (2020), demonstration that all people and corporate entities can afford to pay higher taxes than those who earn lower incomes, which supports the previously validated Adam Smith theory. The Public Expenditure Theory and the Agency Theory, on the other hand, will no longer be included in the study due to harsh criticism. For example, the Public Expenditure Theory's antithesis, "the state is the driving force for the economy," has emerged as a result of the growing investment in the financial sector in an economy, which has resulted in lower growth rates and declining productivity.

Similar to the agency theory, it is important to note that many studies that use it concentrate on the effectiveness of different types of contracts that are intended to reduce the effects of moral hazards, failing to consider the possibility that institutional influences may have on the nature and scope of those contracts.

METHODOLOGY

Design

The paper uses a quantitative expo-factor approach research design to examine how corporate tax affects liquidity of listed deposit money banks in Nigeria. Expo-factor research design entails conducting the study by the researcher after the event has taken place (Kerlinger, 1964). The use of this research design is justified by the fact that it makes it easier to determine how much the dependent variable was influenced by independent factors without the researcher having to manipulate or exert direct control (Salkind, 2010).

All the listed DMBs on the Nigerian Exchange Limited as at April 31st, 2023 make up the study's population. There are fourteen listed deposit money banks in Nigeria as of April 31st, 2023. The goal of the

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XI Issue VII July 2024

sample is to find a suitable sampling size that accurately represents the entire population. The sample size for the study was selected using a census sampling technique. In light of this, the researcher used the entire population as a sample.

Secondary source of data is used. This data is specifically derived from published annual reports and accounts of listed deposit money banks on the Nigerian Exchange Limited Fact book. This data is used for the computation of ratios namely cash ratio, effective tax rate as well as the computation of tax expense, bank size for the years 2018-2022, where all obtained from the financial statements.

The regression analysis is used in this paper to assess how corporate tax affected the liquidity position of listed deposit money banks in Nigeria. The argument for this estimation method is that, it eliminates individual-specific effects that might be linked to the independent variables in the model (Hausman & Taylor, 1981).

The paper uses cash ratio as a stand-in for liquidity in order to examine the strength of the correlation between corporate taxes on the one hand and liquidity on the other. The dependent variable is liquidity measure by cash ratio while an independent variable is corporate tax measures by effective tax rate and tax expense; on the other hand control variable is bank size. Published financial reports and accounts of the listed banks are used to measure the variables. In different circumstances, factors besides explanatory and specified control variables are likely to have an effect on the banks' liquidity.

Model Specification The model used is adapted as used in the study of Alexander (2019), Gatsi, Gadzo, & Kportorgbi, Mustika, Sulistyowati, & Wahyuni (2020), as follow:

$$STC_{it} = \beta 0 + \beta 1TE + \beta 2LEV + \beta 3SZ + \epsilon\ it$$

After which the following regression model formula was used for multivariate analysis to express the relationship or otherwise between the dependent and independent variable of the paper is re-modified as following:

$$CR_{it} = \beta_o + \beta_1 ETR + \beta_2 SZ + \epsilon_{it} \quad \ldots\ldots\ldots 1$$

$$CR_{it} = \beta_o + \beta_1 TE + \beta_2 SZ + \epsilon_{it} \quad \ldots\ldots\ldots 2$$

Where:

CR denotes cash ratio;

β_0 represents constant intercept component;

β_1 represents ratio of modification of CR to a unit of variation of each counterfeited explanatory variables;

i, represents number of banks of panel statistics;

t, represents time periods of the panel statistics;

ETR denotes effective tax rate;

TE denotes tax expense;

SZ denotes banks' size;

B_2 represents ratio of modification of CR to a unit of variation of banks' size;

$\in_{it}$ represent error term factored to satisfy the linear regression model approach.

RESULTS

Discussion

This section contains descriptive analysis, inferential analysis, hypotheses testing, and a discussion of major findings. The results of random effects regressions, the correlation matrix test (multicollinearity test), and the Hausman post-estimation test are all components of the inferential analysis. The linked studies given in the second section of this paper are considered in connection to the hypothesis testing and discussions of the results.

Summary of Descriptive Statistics

The variables used in the estimation are described statistically. The result is presented in Table 1.

Table 1: Summary of Statistic of Variables of the Study

	CR	ETR	TE	SZ
Mean	0.374009	0.168855	0.828516	9.296235
Median	0.301982	0.078939	0.497726	9.278257
Maximum	1.369168	1.038136	0.361649	11.16637
Minimum	0.000000	0.000000	0.000000	7.098130
Std. Dev.	0.235389	0.218230	0.872199	0.828930
Skewness	1.866277	1.862942	1.289929	0.326404
Kurtosis	8.170908	6.276379	3.922946	3.238410
Jarque-Bera	118.6216	71.79922	21.89685	1.408745
Probability	0.000000	0.000000	0.000018	0.494419
Observations	70	70	70	70

Source: Author's Computation using Eviews version 10.

The cash ratio, effective tax rate, tax expense and bank size are all increased positively across the time horizon, according to the descriptive data displayed in table 1. However, the estimation show that, when compared to other variables in the distribution, tax expense had the highest standard deviation, indicating that the variable is far from the mean and it changes more than any other. The descriptive data shows that, effective tax rate have the least standard deviation of 0.21. The one in question show that variable dispersion from the mean is fairly low when the results also show that, the cash ratio, effective tax rate and tax expense are not normally distributed. This is because the excess kurtosis is greater than 3.00 and the Jarque-Bera coefficients have statistically significant probability values at the 1% level. Bank size, on the other hand, is normally distributed due to the Jarque-Bera coefficient's insignificant probability value (0.4944), which is not significant even at the 10% level.

Inferential Statistic Results

This sub-section contains the correlation matrix results, random effects regression results, and Hausman test

results.

Correlation Analysis of the Model

Before estimating a regression analysis, it is critical to understand the correlation coefficients of the variables. This is because knowing the nature of the correlation coefficient is essential in order to choose which variables to include in the model. Correlation analysis may also be used to detect multicollinearity. As a result, the test result is presented in Table 2.

Table 2: Correlation Coefficients of the Model

Variables	CR	ETR	TE	SZ
CR	1.0000			
ETR	-0.3189	1.0000		
TE	-0.2428	-0.2737	1.0000	
SZ	0.2432	0.1600	0.0185	1.0000

Source: Author's computation using EViews Version 10.

Table 2 presents the results of the correlation matrix for the variable. According to the correlation coefficients of -0.3189 and -0.2428, the effective tax rate and tax expense are all negatively connected with cash ratio. This means that, negative changes in these variables are related to positive modifications in financial liquidity of listed deposit money banks in Nigeria. Bank size on the other hand, is positively connected with deposit money banks' liquidity, with a correlation value of 0.2432. This suggests that, an increase in bank size is connected with an increase in liquidity of listed deposit money banks in Nigeria.

However, based on the findings, this study suggests that, there is no multicol-linearity between variables, and the variables are well suited to be included in the models for analysis. This is because there are no variables with correlation coefficients of 0.7 or higher.

Panel Estimation Results

This sub-section presents the results of the panel random effect regressions on the effect of corporate tax on liquidity of the listed deposit money banks in Nigeria. The results are summarised below:

Table 3: The Results of Random Effect Regression

Dependent variable: cash ratio				
Variable	coefficient	std. Error	t-statistic	prob.
ETR	-0.1245	0.0604	-2.0596	0.0436
TE	-0.1065	0.0506	-2.1042	0.0394
SZ	2.9703	0.9559	3.1073	0.0028
C	4.2278	1.6946	2.4949	0.0153
R^2 =0.78, F-stat = 2.88 (0.0206), DW = 1.97, Hausman = 11.52(0.9419)				

Source: Author's Computation using EViews version 10.

The results of random effect regressions are shown in Table 5. The Hausman test was used to determine the best estimator in this investigation. The fixed effect is preferred if the probability value of the Hausman test's chi-square coefficient is less than 0.05 or 5%; otherwise, the random effect is preferred. According to

the Hausman test result in Table 5, the probability value (0.9419), is more than 0.05, or 5%. As a consequence, it appears that random effect regression is preferred.

Discussions of Major Findings

This sub-section tests the hypotheses as presented above on this paper.

Hypothesis One

H01: There is no significant relationship between effective tax rate and cash ratio of listed deposit money banks in Nigeria.

Dependent variable: CR				
Variable	coefficient	std. Error	t- statistic	prob.
ETR	-0.1244	0.0604	-2.0596	0.0436

The result indicates that, there is a significant negative relationship between effective tax rate and cash ratio of listed DMBs in Nigeria. Thus, the null hypothesis is rejected and alternative hypothesis is accepted. This means that, there is significant negative relationship between effective tax rate and cash ratio of listed deposit money banks in Nigeria. The research's findings are in line with Ezugwu & Akubo (2018) and Heider & Ljungqvist (2018). The outcome however, conflicts with Alexander (2019) and John, Michael & Jaron (2020).

Hypothesis Two

H02: There is no significant relationship between tax expense and cash ratio of listed deposit money banks in Nigeria.

Dependent variable: CR				
variable	Coefficient	std. error	t- statistic	prob.
TE	-0.1065	0.0506	-2.1042	0.0394

The results show that, there is a significant negative relationship between tax expense and cash ratio of listed deposit money banks in Nigeria. According to the result, the null hypothesis is rejected and alternative hypothesis is accepted. This means that, there is significant negative relationship between tax expense and cash ratio of listed deposit money banks in Nigeria. The research's findings is in line with Precious, Festus, & Grace (2020). The outcome, however, differs from Akinleye, Olarewaju & Samson (2019).

Hypothesis Three

H03: There is no significant relationship between bank size and cash ratio of listed deposit money banks in Nigeria.

Dependent variable: CR				
variable	coefficient	std. error	t- statistic	prob.
SZ	2.9702	0.9559	3.1073	0.0028

The result reveals that, there is a significant positive relationship between bank size and cash ratio of listed deposit money banks in Nigeria. According to the result, the null hypothesis is rejected the alternative hypothesis is accepted. This means that, there is significant positive relationship between bank size and cash

ratio of listed deposit money banks in Nigeria. The outcome is in line with Anna Lucia's (2020) findings. While Lazos, Koutoupis, & Pazarskis' (2019) point to a negative association.

CONCLUDING REMARK.

Conclusion

The results on corporate tax and liquidity of listed DMBs in Nigeria led to the following conclusions in line with the finding:

1. Banks' financial report is reporting more operational cost, non-performing loans and less cash and balances with branches and Central Bank of Nigeria, leading to delayed cash payments with a motive of improving the value of their assets and lead to an increase of profit before taxes, raising effective tax rate, and worsening liquidity, which will inhibit business expansion.
2. An increased tax charges will consequently have a detrimental effect on liquidity position, which will make it difficult to effectively manage operating expenses such as staff expenses, repairs and maintenance of fixed assets, and other operating expenses, ultimately resulting in bank failure.
3. As bank size grows, the level of liquidity position also grows among Nigeria's listed deposit money banks, which consequently results in the banking sector's sustainability.

Recommendations

1. It is therefore recommends that, tax authorities should review the current corporate tax policy and come up with more favourable policy that will increase the liquidity condition of listed deposit money banks in Nigeria.
2. Also, the management of listed deposit money banks in Nigeria should take appropriate action to improve cash balances by reducing the level of operational cost, non-performing loans and internal bad debts.
3. This will improve banks' patronizes and thereby encouraging the banking sector's growth and development.

REFERENCES

1. Abdulrazak, M. T. (2018). Principles and practices of Nigerian tax planning and management Ilorin: Batay publications limited.
2. Acharya, T. & More, P. (2020). Government tax revenue and economic development in Nigeria. *International Journal of Research in Business, Economics and Management Science*, 3(4).
3. Adejare, P. (2018). "Principles, concepts and practice of taxation". *International Review of Administrative Sciences*. 79(2),310-330.
4. Akintoye, I. R. (2018). "*The effect of Tax Compliance on Economic Growth and Development in Nigeria*". Retrieved from http://www.bjournal.co.uk/payers/BJASS-11-2/BJASS 11-02
5. Akinleye, P., Olarewaju, K. & Samson, N. (2019). Assessing the effect of corporate taxation on the investment policy of manufacturing firms in Nigeria". *Journal of Research and Developmen*t. 2(6),80-104.
6. Alexander, V. J. (2019). Impact of corporate tax on earnings management of oil and gas industry in Nigeria. *Journal of Accounting and Economics.* 33, 375-400.
7. Alicia, O. (2021). Impact of high corporate tax on financial liquidity". *International Journal of Academic Research in Business and Social Sciences*. 6(5), 2222-2290.
8. Anna, L. (2020). Bank taxation: Implications for financial intermediation, liquidity creation and the real economy. *Journal of Internet Banking and Commerce.* Vol. 22. NO. 3, 63-71.
9. Attamah, M. (2021). Tax policy reforms in Nigeria. World Institute for Development Economic

Research. United Nations.

10. Azubike, M. N. (2019). "Tax Administration and management in Nigeria". *Arabian Journal of Business and Management Review (Nigerian chapter)*, 1(3),5-10
11. Bhandari, E. (2020). Tax policy for emerging markets in developing countries. *Journal of national taxation. Vol. 53 No. 2* June, 2020.
12. Bhunia, F.L. (2019). *Effect of Corporate Taxation on Corporate Organisation a Study of First Bank Nigeria*". Retrieved from https://www.afric.com/bp-statistical-review-of africa-2019.
13. CBN (2020). Annual Economic Report on deposit money banks in Nigeria. Retrieved from https://cbn.gov.org 0n 22 March, 2020.
14. CBN (2022). Financial Stability Report on deposit money banks in Nigeria. Retrieved from https://cbn. org. ng on September, 2022.
15. Company income tax guide in Nigeria (2011). Tax Guide & Statutes. Published by Federal Inland Revenue Services of Nigeria.
16. Christian, E. (2020). Tax structure and revenue generation in Nigeria. *International of Scientific Research and Management,* 5(6), 4876-9012.
17. Compendium of tax and related laws (2021). Related tax laws in Nigerian financial system. Published by Federal Inland Revenue Services of Nigeria.
18. Dandago, K. I. & Alabede, J. O. (2021). *Tax and Tax Administration in Nigeria*. Kano, Triumph Publishing Company Ltd.
19. Douglas, A. F. (2018). Impact of taxation on inflation trend in Nigeria. An overview. *Journal of advanced and management. Vol. 2 (1).* Institute of Chartered Accounting of Nigeria.
20. Ezugwu, C.I. & Akubo, D. (2018). Effect of high corporate tax rate on the liquidity of corporate organizations in Nigeria: A study of some selected corporate organizations in Nigeria. *Mediterranean Journal of Social Sciences*. 6(2,4), 320-331.
21. Fernando, Y. E. (2018). The impact of taxation on corporate entities in Nigeria. *Review of economic studies.* Vol. 57, 99-125.
22. Gadzo, U., Gatsi, M.,& Kportogbi, Z. (2020). The effect of corporate income tax on financial performance of listed Manufacturing firms in Ghana. *Journal of Economics and behavioural Studies*, 2(1), 56-64.
23. Hausman, J. A. & Taylor, W. E. (1981). Panel data and unobservable individual effects in research. *Journal of Econometrics, Elsevier, Vol.*16(1), 155-155, May, 1981.
24. Heider, O. E, & Ljungqvist, C. M. (2022). Financial performance and corporate income tax of companies quoted in the stock exchange of Malaysia. *The International Journal Accounting, Engineering and Science (IJAES),* 2(1), 72-91.
25. Ipaye, (2021). Tax revenue and economic growth: An empirical analysis for Nigeria. *Asian Journal of Empirical Research.* 16(3), 51-90.
26. ICAN (2021). General Study Pack on report of the level of paying taxes in Nigeria. Retrieved from: https://www.ican.org.com
27. ICAN (2016). Income Tax Laws and Practice in Nigeria. Retrieved from: https://www.ican.edu.org.com
28. Jennifer, S. (2019). Income tax law for corporate and unincorporated bodies. Macmillan publisher.
29. John, S., Micheal, E. I. & Jaron, D. (2020). Company income tax and financial performance of oil and gas industry in Nigeria. SSRN Electronic Journal. *https://doi.org/10.2367/sssrn.986120.*
30. Kenton, W. & Ozuomba, N. (2020). Corporate Tax and financial performance of Deposit Money Banks in Nigeria". *International Journal of Innovative Finance and Economics Research*. Vol. 7(2), NO. 1, pp. 1-9.
31. Keen, P. & Jeol, N. (2021). The impact of corporate on the location of capital: A review. Swedish economic policy review.
32. Kerlinger, F. H. (1964). Foundation of behavioural research: Education and Psychological inquiry. *Journal of Economics and Management Science,* New York, 10(5), 305-342.
33. Law, T. & Yuen, C. (2019). The impact of corporate taxation on liquidity management of some

selected banks in China. *Journal of Archives of Business Research*, 6(2), 63-81. DOI:10.16284/abr.92.1738.

34. Lazos, T. Koutoupis, U. & Pazarskis, S. (2019). How does stock liquidity affect corporate tax avoidance. *Journal of modern Accounting and Auditing*. Retrieved from: https://wwwinsightsonindian.com/2019/03/06/world-air-quality-report.
35. Leon, J. A. (2019). Corporate Tax and Management capacity of Deposit Money Banks in Nigeria. *Journal of Modern Accounting and Auditing,* 7(10), 1034-1045.
36. Mueller, V. & Ogundana, P. (2021). Effect of corporate tax on financial liquidity of some selected corporates entities in Nigeria. *Journal of Internet Banking and Commerce*, 22 (3), 102-114.
37. Mustika, N., Sulistyowati, V. & Wahyuni, J. (2018). Examining the impact of liquidity, leverage and earning management on corporate tax aggressiveness in property and real estate companies in Indonesia. *Journal of Accounting, Business and Finance Research,* 4(2), 51-59.
38. National Tax Policy (2019). Federal Republic of Nigeria, official Gazette. 102, 8
39. Neghina, J. P. (2021). Effect of corporate taxation on bank's liquidity management of commercial banks in Nigeria. *Journal of Management Studies*, 20(1), 259-310.
40. NDIC (2018). Annual Report on deposit money banks in Nigeria. Retrieved from: http://ndic.org.ng on 28 April, 2018.
41. Okaura, N. (2019). Stock liquidity and corporate tax avoidance. *International Journal ofManagement, Economics and Social Sciences*. 1(2), 42-49.
42. Resolution Law Firm (2020). Corporate Tax on Resident and non Resident companies in Nigeria. Retrieved from: http:/www.nig.org/papers/w34629.
43. Romdoni, H. & Pandoyo, E. (2020). The effect of liquidity, leverage, profitability and company size on corporate taxes of listed Indonesian stock exchange. *Journal of Finance and Accounting*, 2(1), 25-32. Retrieved from hppts://dx.doi.org/20.21776/CJFA.2020.003.
44. Salkind, G. O. (2010). Research design and content validity. Retrieved from: https://www.researcggate.com
45. Schultz, T. (2022). Ratio analysis and performance measurement of corporate entities in Nigeria. *International Journal of Financial Research*. 1(10), 7-16.
46. Stephen, F. & Henry, G. (2018). Fundamental of Corporate Finance McGraw Hill, ICAN Study Pack Professional Examination II Financial Accounting II 2016, Higher Education, Six Edition Irwin. Retrieved from http://www.mhhe.com Paper 12. Page 269.
47. Sujaini, O. (2022). Corporate tax planning. *International Journal of Trade, Economics and Finance*, 1(3), 5.
48. Tamplin, S. & Zheng, O. (2021). Corporate financial liquidity and profitability in Nigeria. *Journal of Sustainability Research, Basel- Switzerland*, 2(1), 209-216.
49. Toby, C. (2021). Taxation and its implication on Nigerian national economic growth and development. *Journal of International Studies. E- ISSN-2281-4612.*
50. Uche, L. O. & Uche, B. U. (2014). Assessing Company Income Tax Amendment Act 2011: Effects on revenue generation in Nigeria, *International Journal of Economics and Finance*, *6*(9), 199-212 ISSN 1916-971XE- ISSN1916-9728 http://dx.doi.org/10.5539/ijef.v6n9p199