Lafia Journal of Economics and Management Sciences: Volume 8, Issue 1; 2023
ISSN: 2550-732X
Published by Department of Economics, Federal University of Lafia, Nigeria

Corporate Governance Factors and Tax Avoidance of Listed Deposit Money Banks in Nigeria

AbdulRahman Bala Sani[1] & Salim Ibrahim Umar[2]
[1&2]Department of Accounting, Usmanu Danfodiyo University, Sokoto
Corresponding Email: Sonyaxle9@gmail.com

Abstract
This research was conducted to determine the impact of corporate governance and tax evasion on Nigerian deposit money banks from 2015 to 2021. The Nigerian Deposit Insurance Corporation (NDIC) reports and annual reports of the banks served as the sources of data for the study. For the purpose of data analysis, the study made use of descriptive statistics, a correlation matrix, a cross-sectional dependency test, a panel unit root test, and a panel co-integration test. To test the hypotheses, the Panel Generalized Method of Moments (PGMM) was employed. According to the (PGMM), there is a weak and unimportant correlation between board size and tax evasion. Tax avoidance is positively and significantly impacted by board independence. The Nigerian deposit money banks' tax evasion is negatively yet significantly impacted by the control variables Firm size, Profitability (ROA), and financial leverage. The study's conclusions suggest that regulatory government agencies like the Security Exchange Commission (SEC), Nigerian Exchange Group (NGX), and Central Bank of Nigeria (CBN) should implement regulations that will strengthen the oversight and control of decisions made by Nigeria's deposit money banks. This would improve the banking industry in Nigeria's openness and accountability and aid in the eradication or restriction of tax evasion strategies.

Keywords: Corporate Governance, Tax Avoidance, Deposit Money Bank, Profitability
JEL Classification Codes: M40, H83, G21, H26

1. Introduction

Taxes reduce the amount of cash flow that can be utilised to produce profits since they are a cost to firms and their shareholders. In order to maximise their cash flow and profit after taxes, shareholders or business owners thus adopt tax planning tactics. The tax planning strategy used by a firm may result in tax reductions or eliminations for its shareholders and managers. However, the government can suffer from this strategy (Mashaiekhi & Seyyedi, 2015). The firm's shareholders typically wanted for the company value to rise for a lengthy period of time since a higher business value signifies a better degree of shareholder dividend or welfare (Sunarto, Budiadi & Rachmanwati, 2021). Typically, shareholders seek consistent gains in corporate value since better business value translates to bigger dividends or other benefits for shareholders. Although occasionally successful, the tax evasion sector regularly modified its strategy to get around new laws. Some strategies entail taking advantage of legal loopholes or combining unanticipated provisions of the tax law, while others rely on complex financing plans that charge borrowers more fees than their actual commercial or economic expenses. One strategy, for instance, is to borrow more money to pay more in pre-tax interest, which lowers taxes (Nuhu, 2017).

Increased investigation into tax evasion has been sparked by worries about the aforementioned revenue losses. With the aid of tax specialists and financial professionals, every nation on earth employs tax evasion techniques. These professionals support companies in structuring their activities to take advantage of tax law exceptions or gaps to pay less in taxes. According to Zucman (2015), the United States lost $70 million due to tax evasion, which is equal to 20% of corporate tax income. ActionAid and Tax Justice Network (TJN) estimate that Nigeria lost $2.9 billion in 2015 due to tax evasion (2015). According to information provided by the National Tax Agency in March 2013, Toyota, a well-known Japanese firm, has a history of engaging in tax fraud. For the fiscal year that ended in March, Toyota Motor Corporation reported taxable income of 9988.7 billion yen ($13.06 billion), but it was later found that the company moved 5 billion yen ($66 million) in non-taxable earnings to support a subsidiary in Singapore. According to tax legislation, some businesses use debt related to profits management or creative accounting to increase their debt in order to pay less tax. Some businesses take advantage of tax laws by charging interest on debt as a charge before earnings before tax.

The corporate governance of the nation's banking industry has serious flaws, according to the Central Bank of Nigeria (2012), especially in light of anticipated difficulties that banks could encounter after consolidation. These difficulties might include problems with director relationships, increased risk, inefficient entity integration, poor development and integration of IT systems, records of the accounting system that are inadequate, a lack of management capacity, a rise in malpractice, and the filing of false returns. To encourage efficient and successful economic growth, it is essential to recognise and solve these issues.

The researcher's evaluation of international cases of corporate tax evasion has advanced the investigation of corporate governance and tax evasion in Nigeria. Ekoja and Jim-Suleiman (2014); Nuhu (2017); Kadir (2018); Salawu and Adedeji (2017); and Saturday and Sunday (2018) all made notice of this in earlier studies. Recently, this subject has also been studied by Omesi and Appah (2021); Ezejiofor and Ezenwafor (2021). These studies have revealed a geographical disparity in Nigerian academics' research on business governance and tax evasion. The studies on the relationship between corporate governance and tax avoidance in Nigeria are very scanty, and their findings are also inconsistent and contradicting. Therefore, there is need for more research in Nigeria. Having reviewed literature on the relationship between corporate governance and tax avoidance in Nigeria, it was discovered that most of those studies only looking at effect of Chief Executive Officer, CEO duality, audit committee independence, board experience and board expertise as corporate governance variables on tax avoidance in Nigeria. This study, therefore, intends to bridge the gap in the existing literature by looking at influence of board size and board independence as other keys factors of corporate governance on tax avoidance of listed deposit money banks in Nigeria.

The research objectives of this study are:

i. To explore the effect of board size on tax avoidance of listed deposit money banks in Nigeria.

ii. To evaluate the effect of board independence on tax avoidance of listed deposit money banks in Nigeria.

2. Literature Review

2.1 Conceptual Review

2.1.1 Board Size and Corporate Tax Avoidance

Board size is the simple term used to describe the number of directors that make up the board. The board ought to suffice in light of the size and complexity of the business' activities. The minimum number of board members should be five (5), according to Section 1.1 of the Code of Corporate Governance, however there is no cap on the number. Board size has no discernible impact on tax evasion, according to a study by Omesi and Appah (2021). The study by Bassem *et al.*, (2020) found that the presence of women on boards and the size of the board itself minimise tax evasion. According to study by Ibobo *et al.*, (2019), board size has a detrimental impact on tax planning. The conclusions of earlier studies on the connection between tax evasion and company governance have been contradictory.

While Zachariah and Muhammad (2020) observed a favourable but non-significant association between company governance and tax planning, Emmanuel and Omenia (2021) and Ogbeide (2017) discovered a relationship between board size and tax avoidance. This discrepancy in the results indicates the need for more research and leaves a knowledge vacuum.

2.1.2 Board independence and Corporate Tax Avoidance

A crucial component of corporate governance is board independence, which refers to the impact of non-executive directors on the board's activities. A board of directors must include at least 50% non-executive members in order to comply with corporate governance guidelines. The importance of board independence as a crucial element of corporate governance, which can decrease tax fraud, was highlighted in the study by Bassem *et al.*, (2020). Zachariah and Muhammad (2020) found an adverse relationship between tax planning and board independence, underscoring the significance of keeping independent boards for fostering company integrity and making moral decisions. Similarly, Rim and Dewi (2017) research showed a link between tax evasion and board independence. Omesi and Appah (2021) findings from 2021 on board independence also show that it has a big impact on tax evasion (Emmanuel & Omena, (2015); Oyedokun, Christopher & Adeolu-Akande, (2021).

2.1.3 Firm Size and Corporate Tax Avoidance

The study by Salawu and Adedeji (2017) found that larger companies have more economic and political clout, which enables them to pay lower corporation taxes. Their size, as determined by the natural logarithms of their total assets, also significantly affects their effective tax rates. It is suggested that consideration be given to the impact of business size on effective tax rates in order to build a just and equal tax system for all firms.

2.1.4 Profitability and Corporate Tax Avoidance

The Return on Net Operating Assets (RNOA), which measures profitability, illustrates how well the company is doing by reducing the need for tax avoidance by having more money available for both investments and dividend payments (Nguyen & Nguyen, 2020; Pattiruhu & Paais, 2020). The RNOA shows how well the corporation can use its resources to produce operational profit for the business. Corporate taxes are levied in accordance with a business's profit. The Earning Tax Rate (ETR) would climb as a result of the RNOA increase, showing that the ETR was significantly impacted by the RNOA.

2.1.5 Leverage and Corporate Tax Avoidance

Financial leverage serves as a tax evasion strategy for businesses since it is based on the notion that interest payments on debt are tax-free. Leverage has been studied in earlier studies as a potential indicator of tax evasion. According to Edwards *et al.,* (2013), there is a negative and substantial correlation between financial leverage and tax evasion. A research by Salawu and Adedeji (2017) found a weak and insignificant correlation between financial leverage and effective tax rate. In the same way, Putu and Sukanrtha (2021). Novita *et al.,* (2021) claim that leverage has an effect on tax avoidance.

2.2 Theoretical Framework

The Agency Theory dates back to Berle (1932) and was modeled after the well-known work of Jensen and Meckling (1976). Agency theory has a somewhat lengthy history as a hypothesis. Beginning agency theory may be traced to the time between the 1960s and the early 1970s, according to Eisendhart (1989). Agency theory was created as a result of the division of ownership and control. The agency relationship, which includes all legally required behaviours, is one of the oldest and most structured kinds of social connection. Ross cites a few examples of relationships that involve high amounts of agency. The fundamental source of the central agency issue in contemporary companies is the separation of ownership from administration required by the business entity concept of accounting. The strategy concentrates on dealing with issues in the principal agent relationship, which is the most frequent exchange between business owners and their agents. According to their definition, the idea refers to a contract in which the principle delegated control to managers (agents) to run the company on his behalf. The managers make an effort to pursue the demands of the shareholders in exchange for significant financial incentives with the aim of balancing the interests of the agents and the overall aims of the enterprises.

According to the argument, agents (managers) are expected to behave in the principal's best interests because of their contractual connection. Agency theory, according to Adeyemi *et al.,* (2019), is a subfield of finance and accounting that deals with conflicts of interest that occur when many parties have competing interests in the same asset. The agency problem may be caused by conflicts between various interest groups. Armstrong *et al.,* (2015) in their research, they examine how corporate governance practises might either positively or negatively affect shareholder desires for tax avoidance. Yuniarsih (2018) considering how challenging it is to compile a corporation tax report, corporate governance is essential. As a result, businesses with high costs reveal management that has neglected to participate in tax-efficient business practices.

2.3 Empirical Review

In their study on the influence of Chief Executive Officer CEO duality on the effective tax rate of Nigerian listed food and beverage firms, Ezejiofor, and Ezenwafor (2021) looked at this issue.According to the study, CEO dualism significantly affects and positively correlates with tax evasion. One corporate governance method is examined in this paper.

According to Ogbodo and Omigho (2021), corporate governance and tax evasion on Nigerian companies that manufacture consumer products were looked at. With the use of E-view 9.0, the study made use of descriptive, inferential, and regression statistics. The study revealed there is a positive significant relationship between Board size, CEO duality and effective tax rate. The study considers two governance mechanisms; both the two studies on CEO duality justified a positive effect on tax avoidance. According to the analysis, there is a strong correlation between effective tax rate, CEO duality, and board size. The study takes into account two governance methods, and both CEO duality studies supported a favourable impact on tax evasion. The study recommended that the managers of corporations should improve on the internal and external control mechanisms by clarifying the responsibilities of directorsin the use of appropriate tax management strategies.

Profitability serves as a mediating variable in Sunarto *et al.,* (2021) study on the impact of corporate governance on tax evasion. The sampling approach was applied. The findings show that institutional ownership and the audit committee have an impact on tax evasion. However, tax evasion is affected by a board of commissioners that is independent. Novita, Achmad and Wiralestra (2021), Indonesian mining companies that are listed on the stock exchange have their corporate governance and tax evasion investigated. Modelling with partial least squares for structural equations (SEM-PLS). The results show that while leverage has an effect on both profitability and tax evasion, strong corporate governance has no effect on either. Profitability has a considerable influence as a mediating variable. The study suggested that investors should pay attention to the composition of the audit committee, which can affect the company's profitability and behavior towards tax avoidance, as well as institutional ownership that can affect the company's behavior towards tax avoidance.

Putu and Sukanrtha (2021) investigated the effects of institutional ownership, profitability, and capital intensity ratio on tax evasion in mining businesses listed on the Indonesian stock exchange using multiple linear regression technique in analyzing the data. According to the study, profitability and capital intensity ratio have a favourable impact on tax evasion whereas institutional ownership has a negative impact. Leverage, on the other hand, has no effect on tax evasion. Notably, the study, like previous comparable research, focuses on the mining industry represented on the Indonesian stock exchange. The study recommended that that investors before investing in a company, first pay attention to the condition of the company. Investors should also increase their supervision of decisions or policies taken by the company so as not to cause harm to the company or shareholders

Omesi and Appah (2021) investigated the effects of corporate governance attributes on tax avoidance of quoted companies in Nigeria for the period 2015 to 2019. The study employed ex post facto and correlational research design. The sample size of the study comprised of consumer goods companies that were determined using Taro Yamen's formula. The data for the study was obtained from the published annual financial statements of the sampled companies and descriptive statistics, Philip Perron Fisher Unit Root test, Kao residual cointegration test was used for data analysis while panel generalized method of moments (PGMM) for the test of hypotheses. The result from the panel generalized method of moments (PGMM) revealed that board size and audit committee do not significantly affect tax avoidance of listed firms in Nigeria while board independence, audit quality and ownership significantly affect tax avoidance of listed firms in Nigeria. Also the control variables of leverage, capital intensity and return on asset suggested no significant influence on tax avoidance of listed firms while expected growth and firm size significantly affect tax avoidance of listed companies in Nigeria. The study recommended that companies should ensure that audit committees are encouraged in the evaluation of tax assessment and returns in order to reduce any form of strategic tax behaviour by board of directors.

In Nigerian listed non-financial enterprises, Zachariah and Muhammad (2020) investigated how board characteristics affected tax planning. The annual reports and accounts of the sampled firms were consulted over a decade (2008 to 2017) in order to gather the data for the study. To offer a summary of the data acquired for the variables, descriptive statistics were used to evaluate the data, and Pearson product-moment correlation was used to conduct a correlation study to ascertain the link between the dependent and independent variables. Additionally, regression analysis was carried out. In listed non-financial companies in Nigeria, the study found that board independence has a non-significant positive effect on tax planning while gender diversity, board size, and board meetings have a non-significant negative effect. Additionally, tax planning is significantly positively impacted by profitability and negatively impacted by leverage. The study recommended that shareholders of listed non-financial services companies should appoint more independent directors and foreign directors since they encourage tax planning activities.

By Edwin and Victor (2019), they explore corporate governance and tax avoidance by Nigerian industrial enterprises. The outcomes were examined using the fixed effect panel regression model. The research found that board gender has a negligible negative influence on tax aggression, while board size and independence have a negative impact as well. 40 firms listed on the Nigerian Stock Exchange were analysed by Ogbogbo *et al.*, (2019) as they looked at corporate determinants of aggression and tax evasion. The study's data were analysed using OLS. In contrast to profitability and leverage, the results showed that business size and effective tax rate have a positive link. The study recommended that listed manufacturing firms in Nigeria should ensure more women are included in their boards of directors.

Zhu, *et al.*, (2019) investigated the corporate tax avoidance and firm performance in Ghana. The study utilized ex post facto and correlational research design. The data for the study was collected from the annual financial statements of the companies listed on the Ghanaian Stock Exchange for the period under review. The independent variable was corporate tax avoidance and the dependent variable was return on assets. The study controlled for size, inventory intensity, capital intensity and board independence. The study adopted purposive sampling technique and the data obtained were analysed using descriptive and inferential statistics. The inferential statistics was guided by standard ordinary least square regression model. The result obtained from the hypotheses test revealed that a negative association between corporate tax avoidance and return on assets.

Aburajah *et al.*, (2019) carried out a study on board of directors' characteristics and tax aggressiveness in Jordan. The study employed ex post facto and correlational research design. The study population consisted of all listed companies in Jordan while the sample of one hundred and twenty nine companies. Secondary data was used for data collection from the annual financial statements of sample companies. The dependent variable was tax aggressiveness measured with effective tax rate and independent variable board of directors' characteristics of board composition, board independence and CEO duality with size and return on assets as control variable. The data collected from the secondary data was analysed using descriptive and inferential statistics. The inferential statistics was logarithmic regression model. The result suggest that board composition and board independence showed a negative association with tax aggressiveness while board duality revealed a positive association with tax avoidance. The control variables of return on assets and firm size showed a positive association with tax avoidance. The study recommended amongst others companies in Nigeria should improve on the level of governance practices in order to decrease corporate tax liability for better firm performance.

Salaudeen and Ejeh (2018) researched the effect of ownership structure on corporate tax aggressive activities of listed firms in Nigeria. The study extracted data from the annual reports of 40 non-financial firms that made up the sample of the study from 2010 to 2014. The effects of ownership concentration and managerial ownership as independent variables on tax aggressiveness as the dependent variable were observed in S fixed effect model including those of the control variables. The study reveals that ownership concentration has a positive but insignificant effect on tax aggressiveness while the effect of managerial ownership was found to be significantly negative. Further results show that leverage is negatively related with tax aggressiveness while return on assets is positively related. Size has not significant relation with tax aggressiveness. The study recommended that concentrated owners should awaken to their responsibility of monitoring managers' tax planning activities more closely in order to prevent any entrenchment effect of managerial ownership.

Kadir (2018) carried out a study on corporate governance mechanisms on tax avoidance listed manufacturing companies in Nigeria. The study employed ex post facto research design and the population consisted of 86 manufacturing firms while purposive sampling techniques was used to obtain a sample size of 23 firms. The study obtained secondary data from the annual reports of the sampled manufacturing companies. The data obtained were analysed with quantitative data analysis technique of descriptive and inferential statistics. The inferential statistics employed panel data regression analysis. The study results suggested that board independence and CEO duality are statistically significant with tax avoidance while independence of the board has a negative significant effect on tax avoidance. Also board size and audit committee independence are not statistically significant. This study focused on different concepts (tax avoidance) compared to that employed in the current study (tax planning). The study recommended that the Federal Government through SEC should further strengthen corporations' board by increasing the minimum number of independent directors on the board from just one to a higher number.

The essence of the study by Bayar *et al.*, (2018) was to determine if corporate governance, financial limitations, and tax evasion in businesses are related. To investigate this association, the authors used a two-stage least squares (2SLS) method. The results indicate that in companies with strong corporate governance mechanisms, tax evasion has a less significant impact on financial limitations. In countries with inadequate governance, tax evasion is associated with increasing financial limitations and a higher likelihood of a financial catastrophe. The study suggested that tax avoidance is a less useful source of financing for constrained firms when they are plagued with potential agency problems and opaque information environments. The study also recommended that stronger governance mechanisms can help firms mitigate the negative consequences of tax avoidance.

The descriptive causality design was applied in the analysis of Mappadang *et al.,* (2018), which looked at corporate governance and tax evasion. 87 manufacturers with listings on the Indonesian Stock Exchange were included in the sample. In addition to using clever PLS3 to analyse the data and assess the hypotheses, the study also employed secondary data. The results showed that institutional ownership had a large negative effect on tax evasion while the existence of a board of commissioners had a considerable beneficial influence. The study recommended that concentrated owners should awaken to their responsibility of monitoring managers' tax planning activities more closely in order to prevent any entrenchment effect of managerial ownership.

Using pool and panel data for the years 2012 to 2016, Ogbeide (2017) evaluated business characteristics and tax aggression of listed enterprises in Nigeria. The annual reports of the chosen companies were the source of the data. The data produced was analysed using both the panel and dynamic panel approaches. The study's conclusions showed that business size had positive and noteworthy influence on tax aggression. External audit quality and tax aggression have a considerable and favourable link. Significant leverage has a detrimental influence on tax aggressiveness. Interest rates and tax aggression are significantly and favourably correlated. The study recommended that listed firms in Nigeria should make it a practice to adequately compensate managers and board of directors strategically as this will assist to reduce their tendency to engage in rent seeking and managerial opportunism, mitigate agency problem, enhance operational efficiency and lead to lower effective tax rate.

Nuhu (2017) looked at how corporate governance practises affected tax evasion in Nigerian deposit money institutions. The study examined fourteen DMBs that were publicly traded on the Nigerian Stock Exchange (NSE), and secondary data for the study came from the DMBs' annual financial statements for the years 2006 to 2014. The generalised method of moments (GMM) estimate approach, developed by Arellano-Bond, was used in the investigation. The study discovered that the investigated DMBs' current period tax evasion was considerably boosted by the rise in board ownership from the previous period. Furthermore, it was shown that greater board independence in the recently passed time greatly reduced tax evasion in DMBs in the present period. On the other hand, the DMBs' high levels of ownership concentration considerably attenuate the association between board independence and tax evasion. Overall, the study came to the conclusion that internal corporate governance systems interact to significantly effect DMBs' tax evasion. The study recommended that in order to facilitate goal alignment between the interests of directors and that of DMB owners, in respect of tax avoidance, owners institute more share-based remuneration for executive director sand encourage non-executive directors to take up some minimum number of shares during their tenure. This will have the combined effect of incentivizing the board to render strategic.

Murni *et al.,* (2016) analysed institutional ownerships, board of independent commissioner, leverage and corporate tax avoidance in Indonesia. The study adopted ex post facto research design and secondary data was used for the purpose of data collection for the period 2010 to 2014. The study was limited to only manufacturing companies listed on the Indonesian Stock Exchange for the period under review. The dependent variable was tax avoidance while the independent variable was institutional ownership, board independent and leverage. The population consists of all manufacturing companies while the study used a purposive sample of 108 manufacturing companies. The data collected from the annual financial statements were analysed with descriptive and inferential statistics. The inferential statistics of multiple regression analysis revealed that institutional ownership significantly affects tax avoidance while board independence and leverage does not significantly affect tax avoidance. The study recommended that regulatory bodies and tax authorities should beam their searchlight on tax saving strategies of small size companies with a view to effectively monitoring their aggressive tax avoidance schemes.

Ribeiro, *et al.,* (2015) examined how financial and operational features of organisations influence ETRs. Second, they wanted to demonstrate how corporate governance qualities play a role in understanding ETRs. They chose a sample of 704 non-financial enterprises listed on the London Stock Exchange between 2010 and 2013 to conduct the study. They calculated four regressions to investigate the factors that influence effective tax rates. They used Generalized Least Squares (GLS) to evaluate their econometric model. Their empirical findings revealed that larger and more lucrative businesses had greater ETRs. Capital intensity, leverage, and R&D costs, on the other hand, are all on the rise. ETRs, on the other hand, are negatively impacted by capital intensity, leverage, and R&D costs. The study recommended that corporate governance structures must be such that can address both the opportunistic tendencies of managers on one hand and the shareholder excessive concern for short term gains as both can interfere with corporate governance and are key drivers of tax aggressiveness practices. The study recommended that firm should seek an optimal mix of managerial and non-managerial ownership to guarantee compliance.

3. Methodology

The study used a quantitative research approach because it examines the links between governance issues and tax evasion. Secondary sources were used to get the data. Data from the banks' yearly financial statements and reports from the Nigerian Deposit Insurance Corporation were utilised in the study (NDIC). Due to the nature of the variables being studied, panel data were employed. Adopting the quantitative approach was crucial to achieving the study's intended results. All deposit money banks (DMBs) listed on the Nigerian Exchange Group (NGX) between 2015 and 2021 are the study's target demographic. The Code of Corporate Governance for Banks and Discount Houses was published by the Central Bank Nigeria (2018). The research focuses on deposit money banks having national and international licences and authorizations. Utilizing filtering criteria, banks listed on the Nigerian Exchange Group (NGX) were chosen for the research period (2015 to 2021). There were just 15 deposit money banks listed on the NGX as of December 31st, 2015. Diamond and Sky Bank were no longer on the list as of December 31st, 2021, nevertheless.

The sample size therefore consists of twelve (12) deposit money banks. As there may be a relationship between the study's mechanism or variables and corporate governance and tax avoidance, several other studies on these topics were analysed using a different methodology, producing significant and non-significant positive and negative results. This research will use the General Method of Moment Analysis. GMM estimators are well recognised for being accurate, consistent, and asymptotically normal. The Generalize Method of Moment (GMM) estimator is frequently employed because it can address the endogeneity problem. Other researchers studying corporate governance and tax evasion have used the GMM, including Salawu and Adedeji (2017) and Sunday and Osasu (2018), despite the fact that both studies focus on the non-financial sector. Others are Mohammed

(2017); Nuhu (2017); Ogbeide and Obaretin (2017) and Omesi and Appah (2021).

3.1 Measurement of Variables

The effective tax rate (ETR), which measures corporate tax evasion, serves as the study's dependent variable, while board size and board independence serve as its independent factors. The investigation also included control variables like business size and profitability. Table 1 below shows the measurement of the variables.

Table 1: Measurement of Variables

Variables	Type of Variable	Symbol Specification	Measurement	Sources
Tax Avoidance (Proxy) Effective Tax Rate	Dependent	ETR	This is determined by taking the sum of current tax costs and dividing it by the percentage of profits before interest and tax (EBIT).	Nuhu (2017); (2018); Omesi and Appah (2021).
Board Size	Independent	Bsize	The number of board members.	Salawu and Adedeji (2017); Nuhu, (2017);
Board Independence	Independent	Bind	The ratio of non-executive directors on the board.	Aburajah *et al.*, (2019); Omesi and Appah (2021).
Firm Size	Control	Fsize	The natural log of total asset value	Salawu (2017); Omesi and Appah (2021).
Profitability	Control	ROA	Earnings before interest and tax divided by total asset.	Salawu and Adedeji (2017); Omesi and Appah (2021)
Leverage	Control	LEV	Divide entire long-term debts by total assets.	Salawu and Adedeji (2017); Omesi and Appah 2021).

Source: Researcher (2022).

3.2 Model Specification

According to Salaudeen and Ejeh (2018), the study amended the multiple regression model. The adapted model has the following formulation:

Tax avoidance = f(Selected corporate governance mechanisms).

Tax avoidance= f(Corporate governance mechanisms, Firm specific characteristics).

$$ETR = f(Bsize, Bind, Fsize, ROA, LEV) ------------ 1$$

The basic model is therefore given as:

$$ETRit = \alpha + \beta Bsizeit + \beta Bindit + \beta Fsizeit + \beta ROAit + \beta LEVit + \varepsilon ------------------ 2$$

Where:
α = Constant
Bsize = Board Size
Bind= Board Independence
Fsize= Firm Size
ROA= Profitability
LEV= Leverage
ε= Error term

4. Results and Discussion

4.1 Descriptive Statistics

Table 2: Descriptive Statistics

	ETR	BSIZE	BIND	FSIZE	ROA	LEV
Mean	0.092177	13.16667	0.512820	11.98578	0.036328	0.726180
Median	0.065349	13.00000	0.500000	12.07851	0.016551	0.856395
Std. Dev.	0.098240	2.878392	0.107873	0.584088	0.052542	0.475119
Skewness	1.989988	0.140163	-0.116189	-0.247352	3.073854	0.540045
Kurtosis	9.505126	2.872585	4.453639	1.815950	12.70022	5.170981
Jarque-Bera	203.5491	0.331858	7.584728	5.763474	461.6099	20.57914
Probability	0.000000	0.847106	0.022542	0.056037	0.000000	0.000034
Sum	7.742867	1106.000	43.07690	1006.806	3.051529	60.99910
Sum Sq. Dev.	0.801040	687.6667	0.965833	28.31621	0.229133	18.73627
Observations	84	84	84	84	84	84

Source: E-views 9.

The dependent variable, ETR, is shown in Table 2 to have a minimum value of 0.000. A maximum of 0.5942. The median ETR was 0.0653, with a standard deviation of 0.0982, and the mean (average) ETR was 0.0921.It has skewness values of 1.9899 and 9.05051, respectively.

Board sizes can range from seven (7) to twenty-one (21) people, depending on the independent factors. This complies with the corporate governance code's permitted range (2014). For the time period, the median and mean board sizes were both (13) people. There was a 2.8984 standard deviation. Slight skewness of 0.14 and 2.87 kurtosis. Board independence ranged from 0.2105 (21%) to 0.8182 (82%), with a mean of 0.5128 (51%) and a median of 0.50 (50%) respectively. The value of the standard deviation is 0.1078. Board independence values for skewness and kurtosis are -0.1168 and 4.4536, respectively. Size of the company, profitability (ROA), and financial leverage served as the study's controls (LEV).

The deposit money banks' firm sizes varied from a minimum of 10.88 to a high of 12.99. Firm size had a mean of 11.99 and a median of 12.08. The difference from the mean was 0.5840 (58%). The company size's skewness and Kurtosis values are respectively -0.2774 and 1.8160. The deposit money banks' profitability over the research period varied from 0.0036 (0.36%) to 0.2829 (28%). Profitability averaged 0.0363 (3.6%), and median was 0.0166 (1.6%), over the research period. 0.0525 (5.2%) is the mean's standard deviation. The values of ROA's skewness and kurtosis are 3.0738 and 12.70022, respectively. The study's deposit money banks' leverage, which ranged from a minimum of 0.0079 (0.79%) to a maximum of 100%, explained the study's large variance in the sector's high debt capacity, which may encourage tax evasion. The median value was 0.8563, while the mean was 0.7262. The bank was justified as a financial intermediary institution by the mean being above average. The standard deviation was 0.4751. Financial leverage has skewness and kurtosis values of 0.5400 and 5.1710, respectively.

4.2 Correlations Matrix

Table 3: Correlation Matrix

	ETR	BSIZE	BIND	BEXP	INSO	FSIZE	ROA	LEV
ETR	1.0000							
BSIZE	-0.1031	1.0000						
BIND	0.4225	-0.0846	1.0000					
FSIZE	0.1374	0.4983	-0.3215	0.0018	-0.0280	1.0000		
ROA	-0.2088	-0.2636	0.2338	-0.2464	0.03520	-0.3843	1.0000	
LEV	0.2306	-0.0270	-0.4010	-0.0105	0.2643	0.4504	-0.3755	1.000

Source: E-views 9.

It is clear from Table 3 above that there is a negative association between the effective tax rate (ETR) and board size (i.e. R of -0.1031). Tax avoidance and the negative coefficient justified board size are moving in the opposing directions. Board independence and the effective tax rate (ETR) suggested a link between board independence and tax evasion that was favourable (i.e R of 0.4224). Board independence and ETR are moving in the same direction, according to the coefficient. Therefore, the effective tax rate, or ETR, will rise as board independence does. Regarding the control variables, there is a positive correlation between company size and ETR (i.e. R of 0.1374). According to the indication, if size grows, ETR will also increase. Both the company size and the effective tax rate are rising. Effective tax rate (ETR) and return on asset (ROA) have a negative association (i.e. R of -0.2087). According to the indicator, the effective tax rate will drop as profitability rises. In opposition to one another, ROA and RTR are moving. Financial leverage and ETR are strongly connected, with a R of 0.2306 suggesting that when leverage rises, ETR should follow suit.

4.3 Residual Cross-Section Dependence Test

Breusch-Pagan LM, according to the outcome, was 10% significant. Pesaran Scale LM, Bias-corrected Scale LM, and Pesaran CD, however, are not statistically significant. The data are not therefore uniformly stationary. The second-generation panel unit root test will be used as the decision rule.

Table 4: Residual Cross-Section Dependence Test

Test	Statistic	df	Prob
Breusch-Pagan LM	82.74294	66	0.0798
Pesaran scaled LM	1.457286		0.1450
Bias-corrected scaled LM	0.457286		0.6475
Pesaran CD	0.449839		0.6528

Sources: E-views 9

4.4 Panel Co-integration Test

Study dependent, independent, and control variables' residual co-integration according to Kao; ETR (Bsize, Bind, Fsize, ROA and LEV). The test shows that the hypothesis is false (-2.6684). The variables do not co-integrate, but the significant value of (0.0038) at 1% suggests that there may be a long-term link between them. A substantial association between the variables is not revealed by the test's results.

Table 5: Panel Cointegration Test

ADF	t-Statistic	Prob.
	-2.668445	0.0038
Residual variance	0.006836	
HAC variance	0.003323	

Sources: E-views 9

4.5 Analysis of Generalized Method of Moment

As seen in table 6, board size has a negative coefficient of -0.005854 and is statistically insignificant. The positive coefficient for board independence is 0.079517; nevertheless, the significance level is 10% statistically. With a negative coefficient of -0.110869 and a statistical significance level of 5%, the control variable firm size (Fsize) is a significant factor. With a -0.171406 negative coefficient, profitability (ROA) is statistically significant at 1%. Leverage is the control variable, and it has a positive coefficient of -0.139267, yet it is statistically significant at 5%.

Table 6: Analysis of Generalized Method of Moment

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.258358	0.131053	1.971406	0.0540
BSIZE	-0.005854	0.007537	-0.776627	0.4409
BIND	0.079517	0.123571	0.643492	0.0522
FSIZE	-0.110869	0.106939	-1.036746	0.0305
ROA	-0.171406	0.530269	-0.323243	0.0074
LEV	-0.139267	0.145588	-0.956586	0.0343

Sources: E-views 9

4.6 Discussions of Findings

The finding that board size has a statistically insignificant negative association with the tax avoidance of listed deposit money banks in Nigeria suggests that there is no clear relationship between the size of the board and the extent to which the bank engages in tax avoidance behavior. While a smaller board may be more agile and better able to make decisions quickly, it may also be more susceptible to influence from powerful individuals or groups within the company. Conversely, a larger board may be more diverse in terms of perspectives and expertise, but may also be more difficult to coordinate and could suffer from issues with groupthink. The results of the study agree with those of Nuhu (2017) and Ogbeide and Obarertin (2018). However, the findings contradict those of Salawu and Adedeji (2017); Emmanuel and Omena (2020); and Omesi and Appah (2021).

The study's findings indicated that board independence, a key component of corporate governance, has a favourable effect on the tax evasion of Nigeria's listed reserve money institutions. This suggests that businesses with more independent boards exhibit less tax evasion activity than do businesses with less independent boards. The result is in line with the idea that independent boards are better equipped to make choices that benefit the business and its clients rather than caving in to the pressures of influential people or organisations. This entails approaching tax planning responsibly and avoiding bold tax strategies that might harm the company's image or subject it too risky legal or financial situations. The results of Murni *et al.,* (2016); Zachariah and Muhammed (2020) are in agreement with the positive association (2020). The outcome conflicts with that of Aburaja *et al.,* (2019).

Using firm size as a control variable shows a weak and negative correlation with tax evasion of listed deposit money banks in Nigeria. Meaning that the effective tax rate will decrease as the size of the corporation increases. This suggests that larger banks are less likely to engage in tax evasion than smaller ones. This may be because larger banks have more resources and expertise available to them to manage their tax affairs in a responsible and transparent manner. The outcome was corroborated by Nuhu (2017). The results, however, are in conflict with those of Ribeiro *et al.,* (2015), Aburajah *et al.,* (2019), and Omesi and Appah (2021).

Effective tax rate ETR and return on assets of listed deposit money banks in Nigeria show a negative association. The finding that the tax avoidance and return on assets of listed deposit money banks in Nigeria show a negative association suggests that there may be a trade-off between tax planning and profitability. This means that banks that engage in tax planning to reduce their tax burden may do so at the expense of their profitability. While reducing tax liabilities can help to boost the bottom line in the short term, it may also lead to a reduction in investment in the company or lower returns in the long term. The results support Zhu *et al.,* (2019); Omesi and Appah (2021). However, research by Aburajah *et al.,* (2019) and Ezejiofor and Ezenwafor (2021) suggested a favourable correlation between profitability and the effective tax rate (ETR).

The result discloses that financial leverage has a negative influence with the tax avoidance of listed deposit money banks in Nigeria. One possible explanation for this finding is that banks with high levels of debt may be more vulnerable to regulatory scrutiny and public scrutiny, and may therefore be more cautious in their tax planning activities. Additionally, banks with high levels of debt may be more focused on managing their financial obligations and maintaining good relationships with lenders, which may discourage them from engaging in tax avoidance behavior that could damage their reputation or financial stability. This result is in line with that of Ogbeide (2017); Zachariah and Muhammad (2020). Meanwhile, the study's finding contradicts that of Nuhu (2017) who finds positive relationship between financial leverage and tax avoidance.

5. Conclusions and Recommendations

The study provides convincing evidence that internal corporate governance practices across Nigerian deposit money institutions have a mixed, major, and insignificant influence on the effective tax rate based on the presentation and discussion of the data (ETR). In Nigerian deposit money institutions, board size appears to have a negative and little effect on tax evasion. As a result, tax evasion will decline as board size rises. Board independence has a favourable and significant influence on tax evasion in Nigeria's deposit money institutions. As a result, tax evasion will rise as the number of boards of directors does. Board size has a negative correlation with tax evasion; however leverage shows a positive correlation.

Therefore, increasing the board's size is necessary to decrease tax evasion by external forces of obligations. The results imply that nonexecutive directors have a favourable connection with tax evasion when compared to the setting of agency theory. But the control variable of profitability has a negative but considerable impact on tax evasion. In order to determine if non-executive directors have a connection to profitability, a moderating variable must be included.

The study suggests that promoting board independence in Nigerian banks can be an effective way to promote better corporate governance and reduce tax avoidance. This could be achieved through a variety of measures, such as strengthening disclosure requirements around board composition and independence, and encouraging the appointment of independent directors with relevant skills and experience. It is recommended for listed deposit money banks in Nigeria to strike a balance between tax planning and profitability, taking into accounts the company's overall strategy and goals. This could involve implementing effective tax planning strategies that minimize tax liabilities while also ensuring that the bank is able to meet its financial obligations and maintain a healthy level of profitability.

By implementing effective governance structures, complying with laws and regulations, and promoting a culture of ethical behavior, banks can reduce the risk of engaging in tax avoidance and other forms of financial misconduct, and build trust with stakeholders. To further understand the relationship between firm size and tax evasion, it may be useful to explore additional control variables, such as the bank's profitability, level of international operations, or regulatory environment. This could help to identify the key factors that are associated with tax evasion behavior in listed deposit money banks in Nigeria.

References

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.

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.

Armstrong, C. S., Blouin, J. L., Jagolinzer, A.D. & Larcker, D.F. (2015). Corporate governance, incentives, and tax avoidance. *Journal of Accounting and Economics*, *60*(1), 1–17.

Bayar, O., Huseynov, F. & Sardarli, S. (2018). Corporate governance, tax avoidance, and financial constraints. *Financial Management, 4*(73), 651-677.

Berle, A.A., & Means, G. (1932). *The modern corporate and property*. New York: MacMillan.

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

Central Bank of Nigeria (2012). Code of corporate governance for banks and discount houses in Nigeria and guidelines for whistle blowing in the Nigerian banking industry.

Edwin, O. A. & Victor, O. (2019). Corporate board characteristics and tax aggressiveness: a study of manufacturing firms in Nigeria. *Management, 8*(4), 24-32.

Eisenhardt, K. M. (1989). Agency theory: An assessment and overview. *The Academy of Management Review, 14*(1), 57-74.

Ekoja, B. E. & Jim-Suleiman, S. L. (2014). The impact of competition on tax a voidance in the Nigerian banking sector: the effective tax rate paradigm. *Nigerian Taxation, 12*(1), 1-19.

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.

Ezejiofor, R. A. & Ezenwafor, E, (2021). Corporate governance and corporate tax aggressiveness: A comparative analysis. *Journal of Social and Administrative Sciences Studies, 5*(1), 1-9.

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

Jensen, M. C. & Meckling, W. H. (1976). Theory of the firm: management behaviour, agency cost and ownership structure, *Journal of Finance Economics, 3*(4), 305-360.

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.

Mappadang, A. (2018). Do corporate governance mechanism influences tax avoidance and firm value? *International Journal of Academic Research in Business and Social Sciences*, *9*(10), 203-217.

Mashaiekhi, B. & Seyyedi, J. (2015). Corporate governance and tax avoidance. *Journal of Accounting and Economics, 20,* 83-103.

Mohammad, A. N. (2017). Effects of corporate governance mechanisms on tax avoidance in deposit money banks in Nigeria. Unpublished PhD. Thesis, Ahmadu Bello University, Zaria, Nigeria.

Murni, Y., Sudarmaji, E. & Sugihyanti, E. (2016). The role of institutional ownerships, board of independent commissioner and leverage: corporate tax avoidance in Indonesia. *IOSR Journal of Business and Management*, *18*(11), 79-85.

Novita, S., Achmad, H. & Wiralestra, R. (2021). Effect of good corporate governance and leverage on Profitability-mediatied tax avoidance. Mining companies on the Indonesian stock exchange. *International Journal of Academic Research in Accounting and Finance, 11*(2), 202–221. DOI: 10.6007/IJARAFMS /v11-i2/10504.

Nuhu, A. (2017). *Effect of corporate governance mechanism on corporate tax avoidance*. PhD Thesis, Ahmadu Bello University, Zaria.

Nguyen, T. N. L. & Nguyen, V. C. (2020). The determinants of profitability in listed enterprises: a study from Vietnamese stock exchange. *Journal of Asian Finance, Economics and Business, 7,* 47-58.

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 Governace*, *4*(1), 62–75.

Ogbodo, O. C. & Omigho, A. J. D. (2021). Governance and tax avoidance. *International Journal of Advance Academic Research, 7*(7), 18-51.

Omesi, O. S. & Appah, E. (2021). Corporate governance and tax Avoidance of listed consumer and industrial goods companies in Nigeria. *Journal of Economics and Finance, 12*, 17-31.

Oyedokun, G. E., Christopher, M. & Adeolu-Akande, M. A. (2021). Tax policy and revenue generation in Nigeria. *Global Research Journal of Economic and Social Development, 1*(1), 13-24.

Pattiruhu, J. R., & Paais, M. (2020). Effect of liquidity, profitability, leverage, and firm size on dividend policy. *Journal of Asian Finance, Economics and Business*, 7(10), 35-42. https:// doi.org/10.13106/jafeb.2020.vol7.no 1 0.035

. Putu, A. D. & Sukartha, I. M. (2021). The effect of institutional ownership, profitability, leverage and capital intensity ratio on tax. *Avoidance American Journal of Humanities and Social Sciences Research (ASHSSR), 5*(1), 13-22

Ribeiro, A., Corqueira, A. & Brandao, E. (2015). *The determinants of effective tax rates: firms characteristics and corporate governance.* FEP Working Papers, School of Economics Management, University of Porto.

Rimi, G. M. & Dewi, P. (2016). Effect of good corporate governance on tax avoidance of companies listed on the Indonesia Stock Exchange. *Indonesian College of Cconomics*.

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.

Salaudeen, Y. M. & Ejeh, B. U. (2018). Equity ownership structure and corporate tax aggressiveness: the Nigerian context. *Research Journal of Business and Management (RJBM), 5*(2), 90-99. http://doi.org/10.17261/Pressacademia.2018.828

Sunarto, S., Budiadi, W. & Rachmanwati, M. K. (2021). The effect of corporate governance and tax avoidance: the role of profitability as a mediating variable. *Journal of Asian Finance and Busines*s. *8*(3), 14-22.

Sunday, O. O. & Osusu, O. (2018). Corporate governance mechanisms and tax aggressiveness of listed firms in Nigeria. *Amity Journal of Business, Economic and Law*. 55.

Yuniarsih, N. (2018). The effect of accounting conservatism and corporate governance mechanism on tax avoidance. *Academic Research International*, *9*(3), 68-76.

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.

Zhu, N., Mbroh, N., Monney, A. & Bonsu, M. O. (2019).Corporate tax avoidance and firm profitability. *European Scientific Journal, 15*(7), 61–70.

Zucman, G. (2015). *The Hidden Wealth of Nations: The Scourge of Tax Havens*. Chicago: University of Chicago Press.