FUDMA JOURNAL OF ACCOUNTING AND FINANCE RESEARCH [FUJAFR]
VOLUME 3, ISSUE 3; ISSN: 2992-4693 (ONLINE); 2992-2704 (PRINT)

The Impact of Corporate Governance Attributes on Tax Planning of Nigerian Listed Deposit Money Banks

Muhammad Muhammad Sallau

Department of Taxation, Federal University Dutse, Jigawa State, Nigeria
**Correspondence Email : sallaumuhammad.m@fud.edu.ng*

https://doi.org/10.33003/fujafr-2025.v3i3.211.115-128

Abstract
This study investigates the impact of corporate governance attributes, specifically board size, board composition, and audit committee size on tax planning, proxied by the effective tax rate (ETR), in listed deposit money banks (DMBs) in Nigeria. The population comprises all listed DMBs, out of which seven were purposively selected and examined over a fourteen-year period (2008–2021). Data was obtained from the annual reports and accounts of the sampled banks, and the analysis was conducted using Ordinary Least Squares (OLS) regression in Stata 14. The findings reveal that board size is negatively associated with Effective Tax Rate (ETR), suggesting that larger boards may reduce tax planning efficiency. In contrast, board composition and audit committee size indicate that independent directors play a significant positive role in enhancing tax planning. The results further imply that Nigerian DMBs may not be fully leveraging governance structures to optimize their tax strategies. The study recommends that listed DMBs strengthen corporate governance practices, particularly by enhancing board independence and ensuring effective audit committees. The findings are limited to listed DMBs in the Nigerian Stock Exchange, and future research may consider extending the analysis to other financial and non-financial sectors.

Keywords: Corporate Governance, Tax Planning, Effective Tax Rate, Deposit Money Banks.

1. Introduction

The notion of Corporate Governance has emerged as a prominent and relevant subject in the realm of business. The continuing financial crisis that began in late 2007 and a recent series of corporate scandals that resulted in the downfall of major companies worldwide have highlighted the significance of efficient corporate governance on a global scale, (Godwin, 2013). Corporate governance failures in Nigeria have historically highlighted the dangers of weak oversight, insider dealings, and ineffective board control. One of the most notable examples is the collapse of Oceanic Bank and Intercontinental Bank, which exposed systemic risks caused by poor governance structures and insider abuse. These scandals not only devastated firm value but also undermined investor confidence in the Nigerian financial system (Bawa, Aruwa, Mamman, & Almustapha, 2025).

The Cadbury committee of the United Kingdom defines corporate governance "as a set of rules that defined the relationship between shareholders, managers, creditors, the government, employee and other internal and external stakeholders in respect to their rights and responsibilities". Corporate governance can also be seen as the system by which companies are directed and controlled by those charged with the responsibility that is the management.

A review of literature such as Avi-Yonah (2005), Ribstein (2006), Auerbach (2006) and Oyerinde (2010), revealed that the utmost interest of shareholders is wealth maximization, and one reliable means of achieving this, is through cost minimization. According to Okoye and Akenbor (2010), they argued that taxation stands as a business expense and thereby presents a significant obstacle to achieving maximum wealth. To mitigate the impact of taxation expenses, effective tax planning becomes essential for company management. According to Kiabel and Nwikpasi (2001), tax planning is the planning and operation of business activities within the context of existing legislation in such a way that the business realizes the optimal or best tax position while achieving its set goals. In other words, tax planning includes not only strategies aimed at the minimization of tax liability but also considers the cash flow effect on the business in terms of when it is most advantageous for a business to settle its tax liability without incurring any fine or penalty.

Over an extended period, the concepts of taxation and corporate governance were viewed as conflicting ideas in scholarly work. However, recent research has established a connection between them. Kovermann and Velte (2019) in their study of the impact of corporate governance on tax avoidance took a comprehensive review synthesizes of 79 empirical studies and concludes that governance mechanisms, including incentive alignment, board composition, ownership structure, capital market pressure, audit, enforcement, and stakeholder pressure substantively influence tax avoidance, steering it to an optimal firm-specific level. Hasana et al. (2024) did empirical analysis of firms listed on the Pakistan Stock Exchange from 2009 to 2018 finds that board independence, concentrated ownership, and audit committee gender diversity are associated with reduced tax avoidance, whereas managerial ownership and audit committee independence are linked to increased aggressive tax behavior.

Furthermore, Empirical evidence shows that specific governance mechanisms such as board independence, gender diversity, and audit committee expertise significantly influence corporate tax outcomes, often measured by effective tax rate (ETR) or tax avoidance behavior. For instance, studies across multiple jurisdictions reveal that stronger governance structures constrain aggressive tax practices, leading to higher ETRs (Pavlou, Kolias, & Persakis, 2025; Kerr et al., 2024). Similarly, in emerging markets, audit committee characteristics such as independence and gender diversity have been found to moderate tax avoidance, while larger committees without expertise may encourage it (Nguyen, Dang, & Vo, 2022; Qawqzeh et al., 2025).

Musa, Adamu, and Aliyu (2024) examined the influence of board attributes on tax planning in Nigerian listed deposit money banks (DMBs) between 2016 and 2022. Using panel data from 11 DMBs and applying multiple regression analysis, the study found that board gender diversity and board independence significantly enhance tax planning, while board size had no significant effect. The authors concluded that Nigerian DMBs should strengthen gender diversity and board independence to improve tax planning and shareholder value, rather than expanding board size. Systematic reviews further highlight that corporate governance is now recognized as one of the most salient determinants of tax planning strategies, bridging the gap between governance theory and tax research (Duhoon et al., 2023; Araújo et al., 2024; Wang, Xu, & Zhu, 2020).

The Nigerian government has devoted significant attention to the country's banking sector due to its pivotal role in driving economic development. This sector has been chosen for focus because the stability of the banking industry yields substantial positive effects, and banks serve as the primary entities upholding an economy's payment system, a critical factor for maintaining financial stability. The stability of the financial sector, in turn, exerts a far-reaching impact on the entire economy.

Tax planning presents a complex challenge in emerging markets, where companies must manage various expenses, including taxes. Minimizing taxation costs is essential for effective management. However, it's important to note that taxes are a vital revenue source for governments. Tax planning has even been identified as a factor that can limit government revenue for development purposes (Mayah, 2015). It can influence both a taxpayer's overall tax burden and a country's revenue when businesses operate within their borders. The government is exerting pressure on tax authorities to boost tax revenue, reducing reliance on oil revenue. To achieve this, the Nigerian government proposed increasing the Value Added Tax (VAT) from 5% to 7.2% to expand fiscal revenue, supporting infrastructure and economic development programs (Aderemi, 2019). Simultaneously, shareholders are urging companies to cut costs by exploiting gaps in existing tax laws. Consequently, taxation has become a prominent concern for boards of directors, chief financial officers, tax authorities, and researchers.

Research into the factors influencing tax planning has surged, particularly concerning the question of what influences managers' tax planning decisions, which has significant implications for public policy. Limited knowledge exists about the factors that enhance firms' tax planning efforts. While Corporate Governance (CG) has a global perspective on management activities, its role in tax planning performance has raised questions. Management actions aimed at reducing taxes are becoming increasingly common in companies worldwide (Ahmed & Mounira, 2015). In this context, Desai and Dharmapala (2006) argue that when there's information asymmetry between managers and shareholders regarding tax planning, managers may prioritize their interests over those of shareholders. corporate strategies aimed at minimizing tax liabilities have become substantially more widespread. For example, Garcia-Bernardo and Janský (2022) revealed that multinationals shifted over US$850 billion of profits to low-tax jurisdictions in a single year, while Zucman et al. (2022) estimated that 36% of multinational profits are routed into tax havens. In Europe, regulators note that firms are deploying increasingly complex tax structures to reduce their tax burdens (European Court of Auditors, 2024). This global trend is further confirmed in the Global Tax Evasion Report (2024), which continues to document the prevalence of tax evasion across jurisdictions.

Theoretical arguments regarding tax planning as an agency issue were first introduced by Slemrod (2004), Crocker and Slemrod (2005), and Chen and Chu (2005), and later summarized by Hanlon and Heitzman (2010). These arguments posit that managers, as agents, may engage in tax strategies that do not always align with shareholders’ best interests, especially when such strategies involve high risk or attract regulatory scrutiny. However, these early arguments lacked sufficient empirical support.

Subsequent studies sought to provide empirical evidence for the agency’s perspective on tax planning. For instance, Desai and Dharmapala (2007), Minnick and Noga (2010), Zemzem and Ftouhi (2013), Aliani (2013), Ahmed et al. (2015), and Armstrong, Blouin, Jagolinzer, and Larcker (2015) investigated how corporate governance (CG) mechanisms influence firms’ tax strategies. Their findings highlighted the role of governance structures such as board size, independence, and ownership concentration in shaping corporate tax behavior.

Evidence from both developed and emerging markets, however, has remained mixed. For example, Roman and Grant (2011), Aliani and Zarai (2012a), Aliani (2013), Christopher, Jennifer, Alan, and David (2015), Ana, Antonio, and Elisco (2015), Radu, Georgeta, and Stefan (2016), and Mozaffar, Suraj, and Liang (2017) suggest that board size positively correlates with tax planning, while board composition has a significant negative correlation. In contrast, other scholars (Aliani & Zarai, 2012b; Uchendu, Ironkwe, & Nwaiwu, 2016; Oyeleke, Erin, & Emeni, 2016; Mohammed, 2017) argue that board composition positively relates to tax planning, while board size has an insignificant or even negative association.

More recent studies have provided fresh insights but continue to reflect institutional and contextual differences. For instance, Kovermann and Velte (2021) argue that independent boards constrain excessive tax avoidance, thereby enhancing transparency. Similarly, Asiriuwa et al. (2021) reveal that board size and audit committee independence influence tax aggressiveness differently in Nigerian banks, highlighting the complexities of emerging economies. In Malaysia, Yusoff, Adzis, and Ibrahim (2022) found that larger boards adopt more conservative tax planning practices, while Olawale, Hassan, and Bello (2022) show that concentrated ownership can undermine effective oversight, leading to more aggressive tax strategies.

Expanding on governance attributes, Agyemang and Castellini (2023) demonstrate that gender-diverse boards in African firms discourage aggressive tax practices, reinforcing the monitoring role of diverse governance structures. In Southeast Asia, Khanh and Ha (2023) report that board independence has no significant effect, underscoring the importance of institutional context. More recently, Al-Hares, Ntim, and Benkraiem (2024) provide evidence that CEO duality exacerbates agency conflicts, thereby intensifying tax avoidance, whereas Nguyen and Vo (2024) show that strong governance frameworks promote responsible tax behavior in emerging markets.

Taken together, these findings extend agency theory by demonstrating that corporate governance mechanisms such as board independence, size, audit committees, ownership structure, and leadership roles significantly shape managerial incentives and tax planning strategies. Nonetheless, the mixed evidence across contexts suggests that corporate governance's impact on tax planning is not uniform but highly dependent on institutional, regulatory, and cultural factors. This underscores the need for further comparative and sector-specific research, particularly in emerging economies such as Nigeria.

However, Okoye and Akenbor (2010) did investigate the effect of accounting policies on corporate tax planning in Nigerian listed firms. The first weakness of the study was that it examined the effect of accounting policies on corporate tax planning only. Another weakness of the study was that it was just a research survey of opinion structured questionnaires without empirical analysis from the company's financial data. Also, in kiabel and Akenbor (2014) study on tax planning and corporate governance in Nigerian banks, the focus was centered on corporate governance using ordinary least square method. Given the importance of this concept of tax planning for corporate organizations in Nigeria, and the mixed results from other studies outside Nigeria, the study aims to fill this gap by examining the impact of corporate governance and Tax planning in Nigerian listed deposit money banks.

2. Literature Review and Hypotheses Development

Board Size and Tax Planning

Board size refers to the count of individuals holding positions on a firm's board (Bawa and Lubabah, 2012). Corporate governance guidelines stipulate that the board's size should be appropriate considering the company's operations' extent and complexity. Furthermore, it should consist of members offering diverse experience while maintaining independence, coherence, integrity, and accessibility for meeting attendance. The corporate governance codes specify a minimum board size of five (5) members, with an upper limit of 20 directors as per CBN (2006) and 15 directors as per SEC (2003).

Prior studies show that board size can be positive or negatively associated with CG effectiveness (Abdul-Wahab & Holland, 2012). The positive effect of board size results from the fact that larger boards benefit more from the diversity of their directors. Larger boards of directors have the advantage of the skills, expertise, and experience of their members. Different skills contribute to better advice on strategic decision since larger boards can have a broader perspective about economic environment and can easily identify business opportunities (Pearce & Zahara, 1991). Eisenberg, Sundgren, and Wells (1998) highlight the problems that arise from increasing board dimensions.

As the number of board members rises, issues related to communication and coordination become more pronounced. Moreover, larger boards encounter challenges in effectively supervising management. When dealing with larger boards, reaching agreement on decisions becomes more arduous, potentially impeding the execution of beneficial investment prospects. The effect of board size has been examined in several studies which have reached contradictory conclusions. Beasley (1996) depicts that companies that have committed accounting fraud have larger boards, confirming the view of Jensen (1993) that a large board is not very functional due to bureaucratic problems. The earliest literature on board size argues that smaller board sizes are more effective monitors (Jensen, 1993; Lipton & Lorsch, 1992). In fact, a smaller board could result in more meaningful discussions, since expressing opinions and communication within a small group is generally easy and takes less time. In a similar vein, Vafeas (2000) concludes that firms with the smallest boards have better monitoring abilities. Minnick and Noga (2010) argued that small boards of directors strengthen good tax management, while large boards are proving ineffective because of the difficulties in decision-making about tax policy. It is therefore likely that the smaller board size is positively related to lower ETR. Recent empirical work on Nigerian firms particularly deposit money banks reveal mixed evidence on the effect of board size on tax planning. Several studies find no robust direct effect of board size on effective tax rates or tax aggressiveness, suggesting that board size alone does not determine tax behaviour in Nigerian banks (Ugwu, 2024; Yahaya, 2023). Musa, Adamu, and Aliyu (2024) examined the influence of board attributes on tax planning in Nigerian listed deposit money banks and conclude that board size does not exhibit a significant association with tax planning. Other analyses emphasize that contextual factors such as ownership concentration, board financial literacy, and the presence of controlling shareholders condition the board-size effect, meaning larger boards may only constrain or encourage tax planning depending on these institutional features (Lawrence, 2024; Eguavoen, 2023).

H1: There is no significant relationship between board size and Tax planning of listed deposit money banks in Nigeria.

Board Composition and Tax Planning

Board attributes are the characteristics and composition of the corporate board of directors that influence a board's effectiveness in corporate governance. (Chukwuma, Abdulkarim, & Abdullahi, 2025). Typically, a board is made up of both internal and external members. Internal members are chosen from the firm's executive officers. On the other hand, external directors are individuals whose sole connection to the firm is their position as directors. The corporate governance code outlined by CBN (2006) states that most of the board members should be non-executive directors. Furthermore, the code mandates the appointment of at least two (2) independent non-executive board members, who are not affiliated with any specific shareholding interest and have no specific business affiliations with the bank, their selection being based on merit.

Hermalin and Weisbach (1991) posit that there is no relationship between the proportion of independent directors and tax planing. Conversely Mehran (1995) believes that increasing the level of the proportion of independent directors simultaneously increases firm performance and hence effective tax planning. The proportion of independent directors is positively correlated to corporate tax planning (Agrawal and

Knoeber, 1996). Rouf (2011) opines that the role independent director plays on the board of directors is to effectively monitor and control firm activities in reducing opportunistic managerial behaviors and expropriation of firm's resources. Korolo (2023) investigated the relationship between corporate governance attributes and the financial performance of listed industrial goods companies in Nigeria and found that while board size had no significant effect, board composition positively influenced return on assets.

H2: There is no significant relationship between board composition and Tax planning of listed deposit money banks in Nigeria.

Audit Committee Size and Tax Planning

An audit committee comprises non-executive directors who possess the capability to objectively observe the company's operations and foster effective communication between the primary board of directors and external auditors. Legal requirements mandate the establishment of an audit committee for every publicly traded company. The board is accountable for ensuring the committee's composition adheres to stipulated guidelines and enables the competent fulfillment of its legal obligations. Corporate governance principles advocate for the autonomy of the audit committee, emphasizing the need for diligent execution of their responsibilities. Additionally, it is recommended that at least one committee member holds financial expertise.

Klein (1998) reports on a positive relationship between audit committee and Tax planning of a firm. Kajola (2008), discovers that there is no significant relationship between audit committee and tax planning using an effective tax rate, but Rouf (2012) could not provide a significant relationship between the tax planning, effective tax rate and audit committee. Gill and Abradovich (2012) conclude that audit committee positively impact on the value of American firms if proper tax planning is put in place. This is in line with the opinion of Donashana and Ravivathani (2013). Tahir, Rehman, and Rehman (2014) opine that audit committee has insignificant impact on firm taxation and value. However, a study on French SBF120 companies between 2015 and 2022 finds that larger audit committees are associated with lower tax aggressiveness, implying a more effective monitoring role when committees are expanded (Houqe, Mia, & Zaman, 2023). In contrast, Nguyen and Dang (2022), using Vietnamese listed firms from 2015 to 2019, report that audit committee size is positively related to tax avoidance, suggesting that simply increasing the number of members without improving expertise may dilute monitoring effectiveness. Similarly, research on Thai agro-industry firms between 2018 and 2022 shows no significant association between audit committee size and tax planning, though other attributes such as gender diversity and meeting frequency matter more (Phornlaphatrachakorn, 2023). Evidence from Indonesia further emphasizes that the diligence of the audit committee, measured by meeting frequency, plays a greater role in constraining tax aggressiveness than the sheer number of committee members (Sari & Arifin, 2021).

H3: There is no significant relationship between audit committee size and Tax planning of listed deposit money banks in Nigeria.

Theoretical Framework

Tax planning incorporates many dimensions of the agency conflict between managers and shareholders. Tax avoidance also creates another form of agency conflict; managerial opportunism or resource diversion resulting from information asymmetric. Desai and Dharmapala (2006) argue that tax avoidance can be a "double-edged sword." On the one hand, it enhances after-tax income and benefits shareholders.

On the other, it provides managers with opportunities for earnings manipulation, resource diversion, and rent-seeking, given the opacity of tax avoidance transactions. This opportunism arises due to information asymmetry shareholders cannot fully observe or verify whether managers' tax strategies are designed for shareholder wealth maximization or self-serving purposes.

Recent empirical studies support this agency's perspective. For instance, Kovermann and Velte (2021) show that independent boards mitigate aggressive tax avoidance, highlighting that stronger monitoring reduces managerial opportunism. Similarly, Asiriuwa et al. (2021), using evidence from Nigerian banks, demonstrate that board size and audit committee independence constrain excessive tax aggressiveness, consistent with agency theory's prediction that effective monitoring mechanisms align managerial decisions with shareholder interests. In Malaysia, Yusoff, Adzis, and Ibrahim (2022) find that firms with larger, more independent boards engage in more conservative tax planning, suggesting that board oversight limits excessive managerial discretion in tax matters. Expanding the scope, Agyemang and Castellini (2023) document that gender-diverse boards reduce aggressive tax practices in African firms, reinforcing the monitoring role of corporate governance structures against managerial opportunism. Similarly, Al-Hares, Ntim, and Benkraiem (2024) show that CEO duality intensifies agency conflicts and is associated with higher levels of tax avoidance, whereas separating CEO and board chair roles improves governance oversight. In a complementary study, Nguyen and Vo (2024) find that strong governance frameworks, particularly independent directors and effective audit committees, promote responsible tax behavior in emerging markets.

3. Methodology

Research Design

In designing a research, Creswell (2003) recommended adopting either quantitative, qualitative, or mixed methods approach. The suitability of each of the approach depends on the context, purpose and nature of the study. Looking at the objectives of this study, the suitable general framework is quantitative approach. Quantitative research was originally developed in the natural sciences to study natural phenomena. Quantitative research sees the world as a single reality, that is, can be measured by an instrument. The purpose of research under the quantitative approach is to establish relationships between measured variables. The framework is seen as the best for this study as it deals with data that lend itself to defined measurements in numerical terms. Under the quantitative research, Creswell (2012) identifies three types of designs which are; experimental, correlational, and survey designs. The study adopts a correlational research design. This type of research design involves relating two or more variables with the aim of explaining and predicting the relationship between the variables. Since this study aims at assessing the impact of CG attributes on tax planning, correlational research design is deemed most suitable. The correlational research design also shows the extent of variability of tax planning as a result of changes in CG variables.

Population of the Study

The population of the study comprises of all the twenty-seven (27) listed deposit money banks in Nigeria as at 31st December, 2021. Firstly, the company must be quoted for the entire period of the study (2008 – 2017); secondly, it should have required data needed to achieve the objectives of the study. Thirdly, it must be licensed with national or international authorization.

The filter applied is consistent with previous studies such as Mak and Li (2001), Samaila (2014), Garko (2015).

Sample Size and Sampling Technique

The sample size of the study consists of seven banks (7) listed on the Nigerian Stock Exchange. The study adopts purposive sampling techniques. Purposive sampling refers to a group of non-probability sampling techniques in which units are selected from the working population because they have characteristics needed by the researcher. This technique is adopted because data collected gives the researcher opportunity to have more robust study of the problem.

Sources of Data

Data for the study were collected from secondary sources, through the annual reports and accounts of the sampled listed deposit money banks on NSE, and the Factbook of NSE for the period 2008 - 2021. Data collected comprised of data for dependent variables which are tax planning and explanatory variables measured by board size, board composition and audit committee size.

Variables of the Study and their Measurements

The variables for this study consist of dependent and explanatory variables. The dependent variable for the study is tax planning. This study uses Effective Tax Rate (ETR) to measure tax planning. If an ETR is below statutory tax rate, this could signal tax planning. ETR is the most widely used measure of tax planning. This is because ETR helps to estimate the effectiveness in companies' tax planning activities (Mills, Erickson, & Maydew, 1998; Phillips, 2003, Rego 2003, Robinson, Sikes, & Weaver, 2010). ETR reflects the aggregate proportion of the accounting income payable as taxes. In addition, it reflects permanent Book Tax Differences (BTDs), it excludes the effect of temporary BTDs, and it captures the effect of foreign operations for tax planning purposes. A higher ETR reflects less tax planning and vice versa. ETR is measured as income tax expense divided by profit before tax as used by Wilson (2009), Streefland (2016), Mohammed (2017), Yinka and Uchenna (2018).

Explanatory variables of the study include independent and control variables. The independent variable for the study is CG. In assessing the impact of CG on tax planning, the study uses board size, board composition and audit committee size as CG. They are measured as follows:

i. Board size: This is measured as total number of board of directors served on the board., as used by Jensen (1993), Richardson and Roman (2011), Aliani et al. (2012a), Uchendu et al. (2016).
ii. Board composition: This is measured as the proportion of non-executive directors sitting on the board to the total directors.
iii. Audit committee size: This is measured as total number of audit committee members as used by Wiem et al. (2016).

Control variables include firm size, financial leverage and return on assets. Firm size is measured by taking the natural logarithm of total assets. This is because the bigger the firm's size the higher the performance (Korotkikh 2012). On the other hand, financial leverage is measured as interest bearing debt divided by total assets. Furthermore, return on assets is measured as profit before tax divided by total asset.

Regression Model

Regression analysis technique is used to determine the effect of corporate governance on tax planning of listed DMB's in Nigeria. The study is analyzed using Stata version 14 and model is stated below:

ETR = F (BS, BC, AC, Lev, FS, ROA) ……………………………………..……………………. (1)
ETR = β0 + β1itBS+ β2itBC + β3ACitit + β4itLev + β5itFs + β5itROA ……………………......... (2)
Where:
i = firms 8
t = the financial years 2008-2021
ETR = Effective Tax rate
FS= Firm size
BS= Board size
BC= Board Composition
AC= Audit committee size
LEV=Leverage
ROA= Profit before Tax/ Total Asset.

4. Results and Discussion

Descriptive Analysis

Table 1 present the descriptive analysis of the variables. This involves summary statistic of both dependent and independents variables.

Table 1: Descriptive Statistics

VARIABLE	OBS	MEAN STD.	DEV.	MIN	MAX
ETR	98	0.145	0.182	-0.170	0.637
BS	98	12.582	2.576	6	20
BC	98	0.629	0.114	0.29	0.83
ACS	98	5.837	0.491	4	6
ROA	98	8.989	0.450	8.028	9.638
SIZE	98	0.028	0.014	-0.023	0.062
LEV	98	0.087	0.099	0	0.762

Source: Stata 14 Output.

Table1 Summarizes the descriptive statistics of the study variables. The mean ETR (0.145) is below the statutory tax rate, suggesting that on average, the sampled banks engage in some level of tax reduction strategies. The average board size (12.6 members), ranging between 6 and 20, indicates that most banks maintain relatively large boards. On average, non-executive directors account for 63% of the board, underscoring the dominant role of outsiders in board governance.

The audit committee size averages 6 members, consistent with corporate governance requirements in Nigeria. Profitability (ROA) averages 8.99, with little variation across banks, reflecting relative stability in performance. Firm size, measured as the log of total assets, shows moderate variation, while leverage averages 8%, though with wide dispersion (0–76%), suggesting differences in capital structure among the banks.

Correlation Results

The results of correlation matrix between the dependent variable (ETR) and explanatory variables (Board size, board composition, audit committee size, leverage, and firm size) are presented in Table 2. It also shows the relationship between all pairs of variables in the regression model; the relationship between all explanatory variables individually with explained variables and the relationship between all the explanatory variables themselves. This gives an insight into the magnitude and extent of the pairs of the explanatory variables.

Table: 2: Correlation Matrix of the Dependent and Explanatory Variables

	Etr	Bs	Bc	Acs	Roa	Size	lev
Etr	1						
Bs	-0.241	1					
Bc	0.073	-0.340	1				
Acs	0.218	0.068	0.134	1			
Roa	-0.030	0.259	-0.421	0.065	1		
Size	-0.169	-0.114	0.063	-0.176	0.054	1	
Lev	0.028	-0.145	0.091	-0.032	-0.012	0.226	1

Source: Stata 14 Output.

Table 2 presents the correlation matrix between the dependent variable (ETR) and the explanatory variables. The results show that board size (–0.241) is negatively correlated with ETR, suggesting that firms with larger boards tend to have lower tax rates. Audit committee size (0.218) shows a positive association with ETR, implying that larger audit committees may be linked to less tax avoidance. Other variables, including board composition (0.073), leverage (0.028), profitability (–0.030), and firm size (–0.169), exhibit weak correlations with ETR, indicating limited direct linear association. The matrix also highlights the relationships among the independent variables. For instance, board size is negatively related to board composition (–0.340) but positively related to profitability (0.259). These correlations are moderate in magnitude and below the common threshold of 0.70, suggesting that multicollinearity is not a major concern in the regression analysis. Overall, the correlation results provide preliminary evidence of the direction of relationships between governance attributes and ETR, while also confirming the suitability of the variables for further regression analysis.

Regression Results

The regression model reports an Adjusted R^2 of 0.14, indicating that approximately 14% of the variation in effective tax rate (ETR) among the sampled firms is explained by the combined effect of the independent variables (board size, board composition, audit committee size, profitability, firm size, and leverage). Although this explanatory power appears modest, it is consistent with prior corporate governance and tax avoidance studies, where relatively low R^2 values are common due to the complex and multifaceted nature of tax planning (Armstrong, Blouin, & Larcker, 2015; Kovermann & Velte, 2019). This suggests that while governance mechanisms play a role in shaping firms' tax outcomes, other unobserved factors—such as regulatory enforcement, managerial discretion, and industry-specific practices—also contribute substantially to variations in ETR.

Table 3: OLS Regression Results

Etr	Coef.	Std. Err.	Z	P>z	[95% Conf.	Interval]
Bs	-0.020			0.006	-0.035	-0.006
Bc	-0.056			0.763	-0.422	0.309
Acs	0.078			0.054	-0.001	0.158
Roa	0.010			0.792	-0.066	0.086
Size	-2.190			0.09	1-4.721	0.339
Lev	0.066			0.715	-0.287	0.419
_Cons	-0.567			0.901	-0.950	0.837

Source: Stata 14 Output.

Table 3 presents the OLS regression results with Effective Tax Rate (ETR) as the dependent variable. The findings reveal mixed evidence on the role of corporate governance attributes in shaping firms' tax outcomes. The results show that:

Board size (Bs) has a statistically significant negative relationship with ETR (Coef. = –0.020, $p < 0.05$). This indicates that firms with larger boards are more likely to engage in tax-reducing strategies, resulting in lower effective tax rates. The finding aligns with prior studies that suggest larger boards may face coordination challenges, free-rider problems, and diluted monitoring effectiveness, thereby providing management with greater discretion to pursue aggressive tax planning (Desai & Dharmapala, 2006; Armstrong, Blouin, & Larcker, 2015). Conversely, it contrasts with evidence from other contexts (e.g., Lanis & Richardson, 2012; Martins, 2021) which finds that larger boards can enhance oversight and lead to higher ETRs. This suggests that the relationship between board size and tax outcomes may be country- and institution-specific.

Board composition (Bc), measured as the proportion of independent directors, exhibits a negative but insignificant effect on ETR (Coef. = –0.056, $p > 0.10$). This implies that in the sampled firms, the presence of independent directors does not significantly constrain tax avoidance practices. This is consistent with some emerging market evidence where institutional weaknesses may limit the effectiveness of independent directors in influencing corporate tax behavior (Annuar, Salihu, & Obid, 2014).

Audit committee size (Acs) shows a positive coefficient (Coef. = 0.078), marginally significant at the 10% level. This suggests that larger audit committees may contribute to higher ETRs, reflecting reduced tax avoidance. The result aligns with Dhaliwal, Naiker, and Navissi (2018), who argue that audit committee expertise and capacity strengthen monitoring over financial and tax-related reporting. However, the weak significance implies the effect is not robust.

The control variables show varied patterns. Firm size (Size) is negatively related to ETR (Coef. = –2.190), nearly significant, suggesting that larger firms tend to pay relatively less tax, consistent with prior studies documenting that larger firms possess more resources and political connections to exploit tax planning opportunities (Rego, 2003). Profitability (Roa) and leverage (Lev) are both statistically insignificant, implying that neither profitability nor capital structure strongly determines ETR within the sampled firms.

Overall, the regression results underscore the central role of board size in determining tax outcomes, with larger boards associated with more aggressive tax avoidance strategies. The mixed effects of other governance variables highlight the complexity of corporate governance–taxation dynamics, particularly in emerging markets where institutional enforcement may be weaker.

5. Conclusion and Recommendations

This study examined the impact of corporate governance attributes on tax planning of listed deposit money banks (DMBs) in Nigeria, with effective tax rate (ETR) as a proxy for tax planning. The results show that board size has a negative and significant effect on tax planning, while the presence of independent directors enhances tax planning outcomes. These findings highlight the critical role of governance structures in shaping how banks approach tax strategies.

Based on these insights, the study recommends that boards of listed DMBs strengthen their governance mechanisms by ensuring an optimal board size and enhancing the independence of directors. In addition, maintaining a well-structured audit committee can further promote effective monitoring and encourage responsible tax practices. Such measures will not only optimize effective tax rates but also improve compliance, accountability, and long-term financial sustainability.

The implications extend beyond corporate boards. Policymakers and regulators should consider reinforcing governance codes that emphasize board independence and audit committee effectiveness, as these governance levers appear central to shaping firms' tax behavior. This will foster greater transparency and trust within Nigeria's banking sector.

Finally, while this study focused on listed DMBs, it is limited in scope. Future research should broaden the analysis of other financial institutions, such as insurance companies, and non-financial sectors. Similarly, exploring additional governance variables and alternative measures of tax planning could provide deeper insights into the governance–taxation nexus in emerging economies.

Reference

Alabi, S. (2001) Tax planning; *A Paper delivered at the workshop on Nigerian Corporate and Personal Income tax management*; held in Lagos on 14th August.

Annuar, H. A., Salihu, I. A., & Obid, S. N. S. (2014). Corporate ownership, governance and tax avoidance: An interactive effect. *Procedia - Social and Behavioral Sciences, 164*, 150–160.

Araújo, L., Oliveira, E., Silva, R., & Almeida, J. (2024). Mapping corporate tax planning and corporate social responsibility. *Journal of Risk and Financial Management, 17*(8), 333. https://doi.org/10.3390/jrfm17080333

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

Association of National Accountants of Nigeria (ANAN) – *The Certified National Accountant;* 18(2); 42-50

Auerbach, J (2006) Who bears the corporate income tax; A Review of what we know; in Potorba, T.M (Ed.) *Tax Policy and the Economy* Cambridge; MIT Press.

Avl-Yonah, R (2005) The story of the separate corporate income tax – a vehicle for regulating corporate managers; Bank, S.A and Stark, K.J (Ed.) *Business Tax Stories*; New York; Foundation Press.

Ba'aba, S. & Bashiru, M. (2019). The Impíúact of Corporate Governance Attributes on Tax Planning of listed Manufacturing Companies: A Comparative Study between Nigeria and Malaysia: 1999-2015. Review of Politics and Public Policy in Emerging Economies, 1(2), 105-112

Bawa, J., Aruwa, S. A. S., Mamman, S., & Almustapha, S. A. (2025). Board diversity and value of listed industrial goods firms in Nigeria: Does audit committee independence matter? *FUDMA Journal of Accounting and Finance Research (FUJAFR), 3*(3), 66–75. https://doi.org/10.33003/fujafr-2025.v3i3.202.66-75

Chukwuma, O. E., Abdulkarim, S. A., & Abdullahi, M. A. (2025). Corporate governance attributes and the likelihood of fraud on financial statements of listed deposit money banks in Nigeria. *FUDMA Journal of Accounting and Finance Research (FUJAFR), 3*(2), 138–153. https://doi.org/10.33003/fujafr-2025.v3i2.174.138-153

Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics, 79*(1), 145–179.

Dhaliwal, D. S., Naiker, V., & Navissi, F. (2018). Tax avoidance, financial experts on the audit committee, and business strategy. *Journal of Business Finance & Accounting, 45*(9–10), 1293–1321.

Duhoon, A., Abdullah, H., & Saleh, F. (2023). Corporate tax avoidance: A systematic literature review and future research agenda. *Arab Gulf Journal of Scientific Research, 41*(2), 113–132. https://doi.org/10.1108/AGJSR-02-2023-0047

Donald, B., John, D., & William, F.F. (2005). On The Extent, Growth, and Efficiency Consequences of State Business Tax Planning. *College of Business Administration Creighton University, California.*

Donaldson, L and Davis, I.H (1994) Board and company performance; research and challenges of the conventional wisdom'; *Corporate Governance – an International Review*; 2(318)

Ekundayo, G and Atu, O.O.K. (2010), Corporate governance and auditors' independence in Nigerian banking industry- distressed banks; Ekpoma: AAU *Journal of Management Sciences*; 1(1); 53-66

Ezeala, George and Okerekeoti, Chinedu U. (2021), Corporate Governance and Tax Avoidance: An Empirical Study of Quoted Food and Beverage Firms in Nigeria, *International Journal of Research in Education and Sustainable Development.*

Fallan, L., Hammervold, R., & Gronhaug, K. (1995). Adoption of Tax Planning Instruments in Business Organizations: *A Structural Equation Modelling Approach. Scandinavian Journal of Management, 11(2): 177-190.*

Friese, S; L and Mayer, S (2008) Taxation and corporate governance – the state of the art; in Schon, W (Ed.); *Tax and Corporate Governance;* Munich; Springer.

Hasana, A., Anwara, W., Zahir-Ul-Hassan, M. K., & Ahmed, A. (2024). Corporate governance and tax avoidance: *Evidence from an emerging market*. *Applied Economics, 56*(22), 2688–2704.

Kerr, J. N., Osei, V., & Adegbite, E. (2024). Corporate governance and tax avoidance: Evidence from governance reforms. *Journal of Business Research, 172,* 114082. https://doi.org/10.1016/j.jbusres.2023.114082

Kiabel, B.D & Nwikpasi, N.N. (2001) *Selected aspects of Nigerian taxes*; Owerri; Springfield Publishers Ltd.

Kristina, M. & Tracy, N. (2010). Do corporate governance characteristics influence tax management: *Journal of Corporate Finance 16 (2010) 703–718.*

Korolo, E. O. (2023). Corporate governance attributes and financial performance of listed industrial goods companies in Nigeria. *FUDMA Journal of Accounting and Finance Research (FUJAFR), 1*(3), 40–51. https://doi.org/10.33003/fujafr-2023.v1i3.55.40-51

Kovermann, J., & Velte, P. (2019). The impact of corporate governance on corporate tax avoidance-A literature review. *Journal of International Accounting, Auditing and Taxation, 36*, Article 100270.

Lanis, R., & Richardson, G. (2012). Corporate social responsibility and tax aggressiveness: An empirical analysis. *Journal of Accounting and Public Policy, 31*(1), 86–108.

Lenter, T; S & Shrackel ford, D (2003) Public disclosures of corporate tax returns information; -Accounting Economics and Legal Perspectives; *Notional Tax Journal;* 56; 802.

Nguyen, Q. K., Dang, V. C., & Vo, X. V. (2022). Audit committee characteristics and tax avoidance: Evidence from emerging markets. *Cogent Economics & Finance, 10*(1), 2023263. https://doi.org/10.1080/23322039.2022.2023263

Musa, S. L., Adamu, I. A., & Aliyu, M. Y. (2024). Examining the influence of board attributes on tax planning in Nigerian listed deposit money banks. *FULafia International Journal of Business and Allied Studies (FIJBAS), 2*(3), 54–66.

Qawqzeh, H. K., Al-Akra, M., & Hussainey, K. (2025). The effect of female percentage and audit committee characteristics on tax avoidance. *Accounting Research Journal.* Advance online publication. https://doi.org/10.1108/ARJ-01-2024-0068

Okoye, E.J & Akenbor, C.O (2010) Accounting policy and efficient corporate tax planning in Nigeria.

Okpara, J. (2010). Perspectives on corporate governance challenges in a Sub-Saharan African economy; *Journal of Business and Policy Research;*5(1)

Oyerinde, R.O (2010) Investigating the principles of corporate governance in Nigeria; *Ceilna Journal of Good Governance*; 7 (2); 33-41

Pavlou, C., Kolias, G., & Persakis, A. (2025). The impact of board characteristics on tax avoidance: Do industry regulations matter? *Journal of Risk and Financial Management, 18*(6), 287. https://doi.org/10.3390/jrfm18060287

Perseus Publishing, Viavo, I.C (2007) Agency costs and firm's value in developing economy; *The Pakistan Review*: 31(1); 225-232

Ribstein, L.E (2006) *Accountability and responsibility in corporate governance;* 81 Notre Dame L. Rev 1431

Riza, L (2003) *The impact of corporate taxation on the principal agent problem;* Frankfurt am Main; Peter Lang.

Sanusi, J.O (2002) Promoting good corporate governance; issues and challenges; *Being a Keynote Address Delivered at the Annual Directors Seminar Organized by FITC*; June 46th

Sartori, N (2009 Effects of strategic tax behaviour on corporate governance; *International Journal of Economics*; 12(4); 142-157

Sharayri, M. and Momani G.F. (2009*)* The impact of tax planning on reducing income tax burden in industrial companies in Jordan-from sales and income tax evaluator's point of view; *Middle East Finance and Economics;* 5; 38-48).

Smah, S.O (2006)" Legal and institutional frameworks for enforcement of due process in the public sector in Nigeria"; *Being a Paper Presented at the one-day seminar organizes by the University of Jos Management for Deans, Directors and Heads of Department on Due Process*; 7th Nov.

Sule Ba'aba and Mahmud Bashiru (2019) The Impact of Corporate Governance Attributes on Tax Aggressiveness (Tag) Of Quoted Manufacturing Companies in Nigeria, *Proceedings of the 7th Annual International Academic Conference on Accounting and Finance.*

Tax Planning of listed Manufacturing Companies: A Comparative Study between Nigeria and Malaysia. *Review of Politics and Public Policy in Emerging Economies*

The Ultimate Business Dictionary (2003) *Defining the world of work*; Cambridge MA:

Wang, F., Xu, Y., & Zhu, Z. (2020). Corporate tax avoidance: A literature review and research agenda. *Journal of Economic Surveys, 34*(4), 793–811. https://doi.org/10.1111/joes.12348.