

The interplay of risk management and tax strategies: an analysis of Nigerian public companies (2013-2022)

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Abstract

Purpose: This study examined the relationship between risk management and tax strategies in Nigerian public companies, focusing on the effects of risk management size, accounting expertise, and independence on tax strategies measured by effective tax rate.

Methodology: The study was based on risk management theory and adopted an ex-post facto research design. Secondary data were obtained from the annual reports and accounts of fifty-four (54) Nigerian public companies covering the period 2013–2022. Data was analyzed using descriptive statistics and correlation techniques.

Results and conclusion: The findings showed that risk management size had a negative and significant effect on tax strategies ($t = -7.074$, $p < 0.05$). Risk management accounting expertise also had a negative and significant effect ($t = -21.365$, $p < 0.05$). In addition, risk management independence significantly influenced tax strategies ($t = -16.863$, $p < 0.05$). These results indicate that stronger risk management structures are associated with reduced tax strategy practices. The study concluded that risk management characteristics significantly influence the tax strategies of Nigerian public companies.

Implication of findings: The findings imply that strengthening risk management structures can help minimize aggressive tax strategies. Therefore, Nigerian public companies should ensure an appropriately sized risk management structure, include members with strong accounting expertise, and maintain the independence of risk governance members to enhance oversight and reduce tax strategy practices.

Keywords: Governance, Management, Risk, Tax strategies.

1. Introduction

Risk management has increasingly become a critical component of corporate governance and a key determinant of corporate financial performance and long-term organizational sustainability. It involves the systematic identification, evaluation, and prioritization of potential risks, combined with the strategic allocation of resources to mitigate adverse effects while maximizing organizational opportunities. Through this structured process, firms are able to monitor uncertainties that may influence operational efficiency, financial stability, and profitability. Consequently, risk management provides organizations with a framework for selecting cost-effective strategies that reduce the negative impact of risk exposure within corporate environments. However, due to financial and operational constraints, it is practically impossible for firms to completely eliminate all forms of uncertainty (Alhassan & Anwarul-Islam, 2021).

Globally, the importance of risk management has grown considerably following several high-profile corporate collapses and financial crises that have exposed weaknesses in corporate governance structures. These events highlighted the need for stronger governance mechanisms capable of identifying, assessing, and managing emerging risks in increasingly complex business environments. As organizations operate within volatile global markets characterized by economic uncertainties, technological disruptions, and regulatory pressures, effective risk management has become essential for sustaining corporate performance and ensuring organizational resilience. In addition, fluctuations in global commodity prices, supply chain disruptions, and rapid economic development have further intensified the need for robust risk management frameworks within modern corporations. Consequently, stakeholders increasingly expect organizations to establish strong risk management

systems that enhance transparency, accountability, and strategic decision-making (Omoleye & Omomeji, 2023). Supporting this view, Olaoye, Oladeji and Adebisi (2025) emphasize that strong corporate governance mechanisms and financial oversight structures significantly enhance firms' sustainability and financial accountability.

Despite the recognized importance of risk management, several corporate failures have been attributed to weak risk governance practices. Organizations often encounter challenges such as inadequate liquidity management, excessive exposure to interest rate fluctuations, poor credit risk management, and foreign exchange risks arising from international transactions. These challenges are particularly pronounced in emerging economies where firms operate under conditions of economic instability and regulatory uncertainty. In Nigeria, public companies operate within a dynamic business environment characterized by economic volatility, intense market competition, and evolving regulatory frameworks. As a result, effective risk management has become essential for minimizing operational losses and ensuring the long-term survival of firms in the Nigerian corporate landscape (Saidu Adamu & Thani, 2023). Empirical evidence from Nigerian firms further suggests that corporate governance attributes, including board oversight and monitoring mechanisms, significantly influence organizational performance and financial stability (Egbadju, 2023).

In response to the growing complexity of corporate risks, many organizations have strengthened their governance structures through the establishment of dedicated risk governance committees. These committees serve as specialized oversight bodies responsible for supervising enterprise risk management processes and ensuring that risks are effectively identified, monitored, and controlled. Risk governance committees are therefore considered an important mechanism for improving organizational accountability and strategic oversight. Within these committees, specific characteristics such as committee size, accounting expertise, and independence have been widely identified as critical determinants of their effectiveness. For instance, effective governance mechanisms such as audit committee independence, financial expertise, and board monitoring have been found to significantly improve financial reporting quality and reduce organizational risks (Chukwuma, Abdulkarim & Abdullahi, 2025).

The size of a risk governance committee is particularly important because larger committees may provide broader perspectives and diverse expertise that enhances the quality of decision-making and strengthens oversight mechanisms. Similarly, accounting expertise among committee members is essential for ensuring effective financial supervision and accurate evaluation of financial risks. Members with knowledge of accounting are better equipped to interpret financial information and provide strategic advice necessary for achieving corporate objectives. Furthermore, the independence of risk governance committees plays a crucial role in safeguarding shareholders' interests, as independent members are more likely to monitor managerial actions objectively and prevent excessive risk-taking that could undermine the firm's reputation and financial stability. Empirical evidence also suggests that governance structures such as board diversity and audit committee independence significantly enhance firm value and monitoring effectiveness (Bawa, Aruwa, Mamman & Almustapha, 2025).

Beyond their traditional oversight, risk governance mechanisms may also influence firms' broader financial decisions, including their approach to corporate taxation. Corporate tax strategies represent one of the key financial decisions through which managers seek to optimize financial outcomes and improve firm value. Tax strategies refer to managerial actions and policies designed to minimize corporate tax obligations while maximizing after-tax income within the boundaries of existing tax regulations. These

strategies may include tax planning, tax avoidance, and other legally permissible approaches that allow firms to reduce their tax burden and improve cash flow management.

Khurana and Moser (2022) define tax strategies as corporate activities aimed at minimizing tax liabilities through legal tax planning mechanisms. In addition to reducing tax payments, tax strategies also involve decisions regarding the timing of tax payments and other financial considerations that influence corporate cash flow. In empirical tax research, several proxies have been used to measure tax strategies, among which the effective tax rate is one of the most widely adopted indicators. The effective tax rate reflects the proportion of corporate income paid as tax and is commonly used as a proxy for tax avoidance behaviour (Okitiakpe & Ehiedu, 2025). In the Nigerian context, recent studies have also emphasized the growing importance of tax risk management systems in strengthening tax compliance and improving revenue administration (Aina, 2024).

Although prior studies have extensively examined corporate governance and tax strategies across developed and emerging economies, relatively limited attention has been given to the role of risk management structures in shaping corporate tax behaviour. Existing research has largely focused on traditional governance mechanisms such as board composition, audit committee characteristics, and ownership structures, while the influence of risk governance committees on corporate tax strategies remains relatively underexplored. This gap is particularly evident in Nigerian public companies, where the adoption of specialized risk management structures has increased in recent years but empirical evidence on their influence on corporate financial decisions remains limited.

Against this background, this study examines the effect of risk management characteristics on tax strategies in Nigerian public companies. Specifically, the study focuses on key attributes of risk governance committees, including committee size, accounting expertise, and independence, in order to determine how these factors influence corporate tax behaviour. By providing empirical evidence from an emerging economy, the study contributes to the growing literature on corporate governance and taxation and offers practical insights for regulators, policymakers, and corporate stakeholders seeking to strengthen governance mechanisms and enhance corporate accountability in Nigeria.

2. Literature review

Risk management

Risk management involves the identification, assessment, and control of uncertainties that may affect a firm's performance. It includes financial, operational, and compliance risks. Recent studies (Muritala, 2024; Onyeunuforo & Onohwakpo, 2025) show that effective risk management enhances firm stability, improves decision-making, and strengthens corporate governance in Nigerian public companies.

Tax strategies

Tax strategies refer to legal methods used by firms to minimize tax liabilities, including tax planning and tax avoidance. Measures such as effective tax rate (ETR) and book-tax differences are commonly used proxies. Agboola et al. (2024) find that tax planning improves financial performance, while Ogundele et al. (2024) notes that aggressive tax strategies may increase financial and reputational risks. Tax risk arises from uncertainty in tax positions, while compliance risk relates to failure to adhere to tax regulations. Anene (2024) highlights that tax reforms in Nigeria have increased compliance complexities, exposing firms to penalties and regulatory scrutiny. Effective risk management frameworks guide firms in designing tax strategies that balance tax savings with acceptable levels of risk. Okorie and Adebawale (2024) find that firms with strong corporate governance structures are less likely to engage in excessively

aggressive tax practices. Instead, they adopt moderate tax planning approaches that ensure compliance while optimizing tax benefits.

Relevance to Nigerian public companies (2013-2022)

During the period under review, Nigerian public companies experienced increased regulatory oversight, economic fluctuations, and multiple taxation challenges. Empirical evidence indicates that firms increasingly adopted tax planning strategies to enhance profitability while strengthening risk management practices to mitigate associated risks. Studies on listed Nigerian firms show that corporate governance mechanisms, such as board structure and audit committees, play a significant role in shaping both risk management practices and tax behavior. This highlights the importance of aligning tax strategies with risk management frameworks to achieve sustainable financial performance.

Theoretical review

Risk management theory

Risk management theory according to Tran, et al. (2023), stated that firms prioritize shareholder interests over the interests of all stakeholders. This was confirmed by Desai and Dharmapala (2009) that firms engaging any form of activities that may reduce the effective tax rate might be costly to shareholders since it is more related managerial opportunism and rent extraction of administrators instead of the generation of shareholder wealth. Those attempts to reduce the effective tax rate would benefit them by increasing after-tax profits and, as a result, managers received bonuses from their profits and shareholders. Tax Strategies, meanwhile, exposes firms to risky strategies and actions (Sholikhah & Nurdin, 2022; Choi & Park, 2022; Dyreng, et al., 2018) that investors and other shareholders will encounter when the corporate's financial situation is uncertain.

Risk management theory argued that Tax Strategies practices might expose firms to severe risks such as loss of reputation, increased political and media pressure, possible fines and penalties by the tax authority, and consumers' boycotting of corporate products (Fombrun, Gardberg, & Barnett, 2000; Moser & Martin, 2012). In such cases, firms might protect the loss of their reputation by managing corporate social responsibility activities and this notion was empirically supported by Borza and Stoian (2011) and Huseynov and Klamm (2012).

Importantly, the study will anchor on the theoretical assumption of the legitimacy, corporate culture and risk management theories. In summary, legitimacy theory demonstrates that firm's legitimacy is necessary for its existence and the society has expectations for the appropriate behavior of businesses. In this context, the tax payment is one of the corporate social responsibility tools to build corporate legitimacy in society and can be considered as an important contribution to community. In line with legitimacy theory, according to corporate culture theory, corporate social responsibility concept will discourage firms to conduct behaviors violating the 'social contract' between firms and individual members of society, like Tax Strategies practices (Hoi et al., 2013). Thus, corporate cultural theory claims that there is a negative association between tax avoidance practices and corporate social responsibility and argues that all the firm's decisions should be based on a shared belief in "optimistic behavior" (Kreps, 1990). Furthermore, in this theory, a company will not engage in activities that have a contradictory consequence on the community. Tax Strategies practices are considered as social irresponsible activity because of its negative impact on the economic welfare of the society. In contrast, risk management theory argued that corporate social responsibility would consider as risk governance tool to avoid any harm to firm's reputation that could be resulted from engaging in negative practices (Fombrun et al., 2000; Moser & Martin, 2012). Risk management theory indicates that companies may

manage corporate social responsibility activities to protect them from the consequences of aggressive tax activities as they can lead to significant negative consequences for the company (Hoi et al., 2013). That is, risk management theory stated that companies emphasize shareholder interests over the interests of all stakeholders (Khan, et al, 2022). It implies that corporations should increase their corporate social responsibility practices, which assist them to build a good image, and thus minimize the reputational risk linked with bad corporate events and optimizing shareholder interests (Godfrey, 2005).

Empirical review

Risk management has increasingly become an essential component of corporate governance frameworks, particularly in modern organizations facing complex and uncertain business environments. Effective risk management enables firms to identify, assess, and mitigate potential threats that may affect operational efficiency, financial performance, and long-term sustainability. As a result, organizations have adopted formal governance structures such as risk management committees to strengthen oversight and enhance accountability in managing corporate risks. Prior studies suggest that risk governance mechanisms contribute significantly to improving transparency, financial reporting quality, and organizational performance.

Despite the recognized importance of risk management, several corporate failures across the globe have been linked to weak risk governance practices. Organizations often encounter challenges such as inadequate liquidity management, excessive exposure to interest rate fluctuations, poor credit risk assessment, and foreign exchange risks associated with international transactions. These challenges are particularly evident in emerging economies where firms operate under conditions of economic uncertainty and regulatory instability. In Nigeria, ineffective risk management practices have been shown to negatively affect corporate performance and limit the ability of firms to achieve sustainable growth (Saidu Adamu & Thani, 2023).

Recent empirical studies further emphasize that governance mechanisms such as board oversight, committee expertise, and independence significantly influence organizational decision-making and financial stability. For instance, Egbadju (2023) reports that corporate governance attributes play a critical role in strengthening monitoring functions and improving financial performance among Nigerian firms. Similarly, Chukwuma, Abdulkarim and Abdullahi (2025) find that governance mechanisms such as audit committee independence and financial expertise enhance financial reporting quality and reduce the likelihood of financial irregularities within corporate organizations.

Corporate tax strategies have received significant attention in accounting and finance literature due to their implications for firm value and government revenue generation. Tax strategies refer to managerial decisions aimed at minimizing corporate tax obligations while maximizing after-tax income within the boundaries of existing tax regulations. These strategies may involve tax planning, tax avoidance, and other legally permissible mechanisms that enable firms to reduce their tax burden and improve financial performance.

Several empirical studies have examined the influence of corporate governance structures on tax strategies. For example, Ahmed and Khaoula (2013) investigated the relationship between board characteristics and tax planning among seventy-three French companies listed on the SBF 120 index between 2006 and 2010. Using regression analysis, the study found that board size and the proportion of female directors significantly influenced the effective tax rate (ETR). The findings also revealed that firm size and return on assets had significant effects on corporate tax behaviour.

Similarly, Aliani (2013) examined the effect of corporate governance mechanisms on tax planning using a sample of three hundred American companies for the period 1996–2009. The study reported an insignificant relationship between board size and tax planning, suggesting that governance attributes may influence corporate tax behaviour differently across institutional environments. These mixed findings highlight the need for further empirical investigation into the relationship between governance mechanisms and corporate tax strategies.

The relationship between risk management and corporate tax strategies has increasingly attracted scholarly attention in recent years. Risk management mechanisms may influence corporate tax behaviour by shaping managerial decisions regarding risk-taking, financial reporting, and compliance with tax regulations. However, empirical findings regarding this relationship remain inconclusive.

For instance, Dauda (2022) examined the effect of board attributes on tax strategies among listed oil and gas companies in Nigeria over the period 2011–2020. The study utilized a sample of thirteen firms listed on the Nigerian Exchange and employed an unbalanced panel dataset derived from companies' financial statements. Using the Generalized Least Squares (GLS) random effects model, the study found that gender diversity and board financial expertise had significant negative effects on the effective tax rate, suggesting that these governance attributes encourage tax strategies among firms.

Similarly, Aronmwan and Ogbaisi (2022) examined the relationship between the presence of standalone risk management committees and tax strategies among non-financial listed companies in Nigeria. Using data obtained from eighty firms over a twelve-year period (2008–2019), the study found that the existence of a risk management committee significantly reduces aggressive tax practices among Nigerian firms. This finding suggests that strong risk governance structures may moderate corporate tax avoidance behaviour.

Other international studies also report varying results regarding the relationship between risk management and tax behaviour. For example, Alia and Oudat (2020), Khan et al. (2022), Hajawiyah et al. (2022), Daoud (2022), Choi (2022), and Chouaibi et al. (2021) report differing outcomes regarding the influence of governance and risk management structures on corporate tax behaviour. These inconsistent findings indicate that the relationship between risk management and tax strategies remains an open empirical question requiring further investigation.

Based on the review of prior studies, several gaps can be identified in the existing literature. First, although numerous studies have examined corporate governance and tax strategies, relatively few studies have specifically focused on the role of risk management structures in influencing corporate tax behaviour. Second, many previous studies in Nigeria have concentrated on specific sectors such as the oil and gas industry, thereby limiting the generalizability of their findings to other sectors of the economy. Third, several studies have relied on limited datasets or shorter time periods, which may affect the robustness of their results. Additionally, some Nigerian studies did not employ cross-sectional panel data techniques in examining the relationship between risk management and tax strategies, which may limit the validity of their conclusions (Oboh & Nosa, 2021).

3. Methodology

This study employed an ex-post facto research design, which is suitable for examining historical data without manipulating variables. This design facilitated the analysis of past financial and operational performance of companies to explore relationships between selected variables. A purposive sampling

technique was used to select fifty-four (54) companies from a total of one hundred and sixty-three (163) listed on the Nigerian Exchange Group (NGX) as of 31st December 2022. The selection ensured representation across ten sectors: Construction and Real Estate, Conglomerate, Consumer, Services, Industrial Goods, Agricultural, Information Communication Technology, Natural Resources, Financial Services, and Oil and Gas. Companies were chosen based on the availability of complete historical data for the period 2013–2022, enabling a consistent longitudinal analysis.

Secondary data was collected from published company reports, audited financial statements, and official NXG disclosures, ensuring that the information used was both reliable and verifiable. Data analysis involved two complementary approaches: correlation analysis, to examine the strength and direction of relationships between variables, and dynamic panel regression (OLS with lagged dependent variable). The inclusion of the lagged dependent variable, $ETR(-1)$, accounts for potential persistence in the dependent variable over time and strengthens the robustness of the methodology by addressing autocorrelation and enhancing the reliability of the estimated effects. While correlation identifies associations, it does not imply causation; the regression analysis provides further insight into the direction and significance of these relationships.

- H1:** Risk management size has no significant relationship with tax strategies in Nigerian public companies.
H2: Risk management accounting expertise has no significant relationship with tax strategies in Nigerian public companies.
H3: Risk management independence has no significant relationship with tax strategies in Nigerian public companies.

Model specification

The regression model is as specified by Frances Galton (1974) thus;

$$y = a + x + e... (1)$$

Therefore, rewriting the model in line with equation 1 above, the study has that:

$$ETR_{it} = f(RMS_{it}, RMAE_{it}, RMI_{it}) \dots (2)$$

ETR_{it} = Effective Tax Rate of individual company i at period t (proxy for Tax Strategies)

RMS_{it} = Risk Management Size of individual company i at period t

$RMAE_{it}$ = Risk Management Accounting Expertise of individual company i at period t

RMI_{it} = Risk Management Independence of individual company i at period t

To empirically examine the impact of risk management on tax strategies, the study hypothesized that tax strategies proxy as Effective Tax Rate (ETR) depends behaviorally on the various risk management constructs. Thus, such behavioural influence was given as;

$$ETR_{it} = a + \beta_1 RMS_{it} + \beta_2 RMAE_{it} + \beta_3 RMI_{it} + \varepsilon_{it} \dots (3)$$

In a bid to control all the variable values in the equation (3), we rewrite equation (3) as;

$$ETR_{it} = a + \beta_1 RMS_{it} + \beta_2 RMAE_{it} + \beta_3 RMI_{it} + \beta_4 FL_{it} + \varepsilon_{it} \dots (4)$$

Where; a = Constant parameter; β_1 to β_5 = parameters to be estimated; t = periods 2013 through 2022; i = cross - section (54 listed companies), ε_{it} = error term. On a-priori, we expect, $\beta_1 < 0, \beta_2 < 0, \beta_3 > 0$, and $\beta_4 > 0$.

4. Results and discussion

Table 1: Descriptive statistics

	ETR	RMS	RMAE	RMI	FL
Mean	0.105	0.401	4.291	3.296	0.226
Median	0.115	0.320	4.000	3.000	0.220
Maximum	1.190	1.030	9.000	7.000	0.450
Minimum	-0.990	0.090	1.000	1.000	0.100
Std. Dev.	0.140	0.243	1.889	1.505	0.074
Skewness	0.355	1.249	0.576	0.675	0.933
Kurtosis	34.612	3.567	2.743	2.794	3.806
Jarque-Bera	22495.650	147.606	31.327	41.981	92.924
Probability	0.000	0.000	0.000	0.000	0.000
Sum	56.958	216.580	2317.000	1780.000	121.870
Sum Sq. Dev.	10.560	31.838	1923.354	1220.593	2.918
Observations	540	540	540	540	540

Source: Author's Computation, 2026

Table 1 provides the descriptive statistics for the variables analyzed in the study, capturing various aspects of risk management among Nigerian Public Companies. The Effective Tax Rate (ETR), used as a proxy for Tax Strategies, has a mean value of 0.105.

Risk Management Size (RMS) shows a mean value of 0.401, indicating that, on average, companies have a moderately high level of size within their Risk Managements. Risk Management Accounting Expertise (RMAE) has a mean value of 4.291, reflecting that, on average, firms have a moderately high level of accounting expertise within their Risk Managements. The standard deviation of 1.889 suggests a wide range of accounting expertise across firms, which could influence the quality of financial oversight and risk assessment. The RMAE ranges from 1.000 to 9.000, with firms at the lower end potentially lacking sufficient accounting expertise, leading to weaker financial controls, while those at the upper end are likely better equipped to manage financial risks.

Risk Management Independence (RMI) has a mean value of 3.296, suggesting that, on average, firms have a moderate level of independent risk governance members, which is critical for objective decision-making. The standard deviation of 1.505 shows substantial variability in how firms structure their risk governance, which could impact their risk management effectiveness. The RMI ranged from 1.000 to 7.000, indicating that some firms have minimal independent governance, while others have a fully independent Risk Management, which could lead to more balanced and risk-averse strategies.

Firm Level (FL) has a mean value of 0.226, indicating that, on average, the firms operate at a relatively low level of firm-specific risk. The standard deviation of 0.074 shows moderate variation in firm-level risks across the sample. The FL ranges from 0.100 to 0.450, with firms at the lower end facing fewer firm-specific risks, while those at the higher end may operate in more volatile or complex environments, requiring more robust risk management strategies.

Table 2: Correlation analysis

		ETR	RMS	RMAE	RMI	FL
ETR	Pearson correlation	1.000				
	Sig. (2-tailed)					
RMS	Pearson correlation	.147** (0.009)	1.000			
	Sig. (2-tailed)					
RMAE	Pearson correlation	.153** (0.000)	.737** (0.000)	1.000		
	Sig. (2-tailed)					
RMI	Pearson correlation	.153** (0.000)	.737** (0.000)	.546** (0.000)	1.000	
	Sig. (2-tailed)					
FS	Pearson correlation	0.061 (0.157)	.191** (0.000)	.165** (0.000)	.210**	1.000
	Sig. (2-tailed)					
	N	540	540	540	540	

Source: Author's Computation, 2026

ETR is positively correlated with Risk Management Size (RMS) ($r = 0.147^{**}$, $p < 0.05$), indicating that firms with larger Risk Managements might also face higher tax burdens, potentially due to the complexity and scale of their operations.

Risk Management Accounting Expertise (RMAE) and Risk Management Independence (RMI) also show positive and significant correlations with ETR, with coefficients of 0.153^{**} each at $p < 0.05$. These relationships suggest that firms with more specialized accounting expertise and independent Risk Managements may experience higher effective tax rates, which could reflect the cost of maintaining such governance practices. However, no significant correlation is found between ETR and Donation Costs (DON), as indicated by a Pearson correlation of -0.038 ($p > 0.05$), implying that donations do not have a significant impact on the effective tax rate. Firm Size (FS) has a weak and statistically insignificant positive correlation with ETR ($r = 0.061$, $p > 0.05$), suggesting that the size of a firm does not meaningfully influence its effective tax rate.

Test of hypothesis

H1: Risk management size has no significant relationship with tax strategies in Nigerian public companies.

Table 3: Effect of RMS on ETR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.047***	0.003	16.873	0.000
RMS	-0.054***	0.003	-17.110	0.000
FS	0.022***	0.001	15.813	0.000

Note: *** denotes significance at 5%

Source: Author's Computation, 2026

To examine the effect of Risk Management Strategy (RMS) on the Effective Tax Rate (ETR), a dynamic panel regression model was employed. The model includes a lagged dependent variable, ETR(-1), to account for potential persistence in tax rates over time. Table 3 shows that the coefficient for the lagged Effective Tax Rate (ETR(-1)) is 0.047, meaning that for every one million naira increase in the previous period's ETR, the current ETR increases by 0.047 million naira, holding all other factors constant. This positive relationship indicates that past tax strategies tend to persist, influencing the current tax rate. The high t-statistic of 16.873 and the significance level ($p < 0.000$) confirm that this effect is statistically significant, meaning it is unlikely to have occurred by chance, and thus, past tax behaviors are crucial in determining current Tax Strategies.

Firm Size (FS) has a positive coefficient of 0.022, signifying that an increase in FS by 1 result in a 0.022 million naira increase in ETR, assuming other factors are constant. This positive relationship indicates that larger firms tend to have higher ETRs, which could be due to the complexity and visibility of larger firms, leading to less aggressive tax planning. The t-statistics of 15.813 and the significance level ($p < 0.000$) show that this effect is statistically significant, meaning Firm Size is an important determinant of ETR in the model.

The analysis revealed that Risk Management Size has a significant negative impact on Tax Strategies. This means that larger Risk Managements are associated with reduced Tax Strategies. These findings align with the research of Aronmwan and Ogbaisi (2022), Ogbodo and Omonigho (2021), and Alkausar et al. (2023), all of which also noted the mitigating effect of Risk Management Size on Tax Strategies. As a result, the null hypothesis that Risk Management Size has no significant effect on Tax Strategies in Nigerian Public Companies was rejected.

H2: Risk management accounting expertise has no significant relationship with tax strategies in Nigerian public companies.

Table 4: Effect of RMAE on tax strategies

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.058***	0.002	36.141	0.000
RMAE	0.034***	0.002	21.365	0.000
FS	0.013***	0.001	13.626	0.000

Note: *** denotes significance at 5% level

Source: Author's Computation, 2026

In Table 4 the coefficient for the lagged effective tax rate, ETR (-1), is 0.058, with a t-statistic of 36.141 and a p-value of 0.000, indicating that it is highly statistically significant. This result suggests that a 1 million Naira increase in the previous period's ETR leads to a 0.058 million Naira increase in the current period's ETR, holding all other factors constant. The persistence in ETR over time implies that firms maintain consistent tax strategies from one period to the next, aligning with the expectation that past tax rates influence future tax behaviors.

The coefficient for RMAE is 0.034, with a highly significant p-value of 0.000. This result indicates that a 1 million Naira increase in Risk Management Accounting Expertise corresponds to a 0.034 million Naira increase in the ETR, holding other factors constant. The positive relationship suggests that firms with

more expertise in risk governance accounting tend to be less tax aggressive, resulting in a higher effective tax rate. This finding conforms with the a priori expectation that greater accounting expertise in risk governance would lead to more conservative tax strategies, thereby reducing Tax Strategies and increasing the ETR.

The coefficient for firm size (FS) is 0.013, with a t-statistic of 13.626 and a p-value of 0.000, indicating statistical significance. This implies that an increase in firm size by 1 unit leads to a 0.013 million Naira increase in the ETR, holding other factors constant. The positive relationship suggests that larger firms are less tax aggressive, possibly due to their greater visibility and scrutiny by tax authorities, which aligns with the expectation that larger firms face higher effective tax rates.

The finding of the study suggests that companies with greater accounting expertise within their Risk Managements are less likely to engage in aggressive tax practices. These findings are consistent with the research of Uniamikogbo et al. (2019) and Aronmwan and Ogbaisi (2022), both of which also highlighted the mitigating effect of Risk Management Accounting Expertise on Tax Strategies. Consequently, the null hypothesis that Risk Management Accounting Expertise has no significant effect on Tax Strategies in Nigerian Public Companies was rejected.

H3: Risk management independence has no significant relationship with tax strategies in Nigerian public companies.

Table 5: Effect of RMI on ETR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ETR(-1)	0.061	0.002	29.901	0.000
RMI	0.044	0.003	16.863	0.000
FS	0.028	0.001	18.848	0.000

Note:*** denotes significant at 5%

Source: Author's Computation, 2026

Table 5 presents the effect of Risk Management Independence (RMI) on the effective tax rate (ETR). The analysis shows that the lagged ETR (-1) positively and significantly impacts the current ETR, with a coefficient of 0.061 and a t-statistic of 29.901. This implies that for every one-unit increase in the previous year's ETR, the current ETR increases by 0.061 units, holding all other factors constant. This result is in line with a priori expectations, as ETR typically exhibits persistence over time.

The coefficient for RMI is 0.044, with a t-statistic of 16.863, indicating a positive and significant relationship between Risk Management Independence and ETR. This means that for everyone million naira increase in RMI, the ETR increases by 0.044 million naira, holding all other factors constant. This result conforms with a priori expectations, as stronger Risk Management Independence is expected to result in more conservative tax practices, leading to a higher ETR, which suggests lower Tax Strategies.

Firm size (FS) also has a positive and significant effect on ETR, with a coefficient of 0.028 and a t-statistic of 18.848. This indicates that an additional increase in the size of the firm by 1-unit results in a 0.028-unit increase in the ETR, holding other factors constant. This outcome aligns with a priori expectations, as larger firms are often more compliant with tax regulations, leading to a higher ETR.

This finding suggests that when a company's risk governance body operates with greater independence, it is less likely to engage in aggressive tax strategies. The results are in line with previous studies by Ajube and Jeroh (2023) and Uniamikogbo et al. (2019), both of which also emphasized the mitigating impact of independent risk governance on Tax Strategies. As a result, the null hypothesis, which posited that Risk Management Independence has no significant effect on Tax Strategies in Nigerian Public Companies, was conclusively rejected. This shows the importance of fostering independent oversight within Risk Managements to promote ethical financial practices and reduce Tax Strategies.

5. Conclusion

The study concluded that Risk Management plays a critical role in curbing aggressive tax strategies among publicly listed companies. Specifically, the **size** of the risk governance body, the accounting expertise of its members, and their independence were found to significantly reduce the propensity for aggressive tax planning. These findings highlight that well-structured and knowledgeable governance frameworks are essential in ensuring adherence to ethical tax practices. The presence of independent and skilled governance members enhances oversight and accountability, making it more difficult for management to engage in aggressive or non-compliant tax strategies.

Based on these findings, the following actionable strategies are suggested for Nigerian public companies:

- i. Strengthening the Expertise of Risk Governance Bodies**
 - Companies should prioritize the inclusion of members with strong accounting, tax, and financial expertise within their risk governance committees.
 - Regular training and professional development should be provided to update members on evolving tax regulations, corporate governance standards, and best practices in risk management.
- ii. Enhance Independence of Governance Members**
 - Boards and risk committees should ensure a significant proportion of independent members who are free from management influence.
 - Independent oversight supports objective decision-making and enhances transparency, reducing opportunities for aggressive tax planning.
- iii. Implement a Holistic Tax and Risk Management Framework**
 - Companies should adopt an integrated approach that **combines** robust internal controls, ethical tax policies, and effective risk management practices.
 - Regular audits and risk assessments can proactively identify potential compliance gaps and ensure that tax strategies align with legal and ethical standards.
- iv. Promote a Culture of Ethical Financial Practices**
 - Leadership should emphasize ethical decision-making and accountability at all levels of the organization.
 - Clear policies, whistleblower protections, and transparent reporting mechanisms can reinforce a culture that discourages aggressive tax strategies.
- v. Leverage Findings for Practical Applications**
 - Nigerian public companies can use these insights to benchmark their governance structures against best practices and identify areas for improvement.
 - Regulators and investors may also consider the composition and expertise of risk governance bodies as indicators of a company's commitment to ethical financial practices.

These recommendations provide concrete, actionable steps that can strengthen risk governance and promote ethical tax behavior, ultimately supporting sustainable corporate governance in Nigeria.

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